



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**THE ECONOMIC CONTRIBUTION OF CONSUMER COOPERATIVES TO
THEIR MEMBERS, IN ADDIS ABABA, KOLFIE KERANYO SUB CITY**

BY

ALEMAYEHU ASRAT

**JUNE, 2017
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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF
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**SCHOOL OF GRADUATE STUDIES
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**THE ECONOMIC CONTRIBUTION OF CONSUMER COOPERATIVES TO
THEIR MEMBERS, THE CASE OF ADDIS ABABA, KOLFIE KERANYO
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ALEMAYEHU ASRAT

APPROVED BY BOARD OF EXAMINERS

Dean, Graduate Studies

Signature

Advisor

Signature

External Examiner

Signature

Internal Examiner

Signature

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Prof. Tinker Bongir. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

AlemayehuAsrat

Name

St. Mary's University, Addis Ababa

Signature

June, 2017

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

Prof. Tinker Bonger

Advisor

St. Mary's University, Addis Ababa

Signature

June, 2017

DEDICATION

All praises to the Almighty God, the most gracious, for giving me the strength and determination to complete this study. I would also like to dedicate this paper to my father “Gasha” and my mother “Enata” for their sacrifice, encouragement and support.

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List of Acronyms/Abbreviations

CC	Consumer Cooperative
Coop	Cooperative
CSA	Central Statistics Agency
E.C	Ethiopian Calendar
FCA	Federal Cooperative Agency
FCC	Federal Cooperative Commission
G.C	Gregorian Calendar
ICA	International Cooperative Alliance
OLS	Ordinary Least Square
OPM	Operating Profit Margin
PMAC	Provisional Military Administrative Council
ROA	Return on Asset
ROE	Return on Equity
USDA	United States Development of Agriculture

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ABSTRACT

Today, consumer cooperatives play a vital role to safeguard the consumers from the charge of intermediaries and to provide quality goods to consumers in the desired quantity and at reasonable prices. The study was focuses on the economic contribution of the consumer cooperatives towards their members in Addis Ababa, kolfieKeranyo Sub City, Woreda 5. The specific objectives of the study are to assess the financial performance of consumer cooperatives; to assess the rate of members' satisfaction on the services of consumer cooperatives and To identify the determinant factors of economic contributions of the consumer cooperative in the study area. About 86 respondents were selected by adopting random sampling techniques. Data was collected by interviewing the Woreda trade and industry development Office, Consumer cooperative managers and officers, and by questionnaires from members of concerned cooperative members. Both qualitative and quantitative data analysis were pursued for the study purpose. Collected data were analyzed by using Financial Ratios, Mean scores and OLS Regression with STATA version 12.

It was found that financial performance of the Consumer Cooperative under study showed an improving trend over the study period. On the other hand, members' satisfaction perception towards Sharing of profit (dividend), Accessibility, Timely supply of goods and services, Courtesy of service providers and Commitment of leaders were under the satisfaction level of the members. The study also came out A total of 4 explanatory variables were considered in the econometric model. The result revealed that economic gain of members was significantly influenced by total income; number of household; distance of the household resident from the consumer cooperative shop at 1% level of significance and, age of members were affect the level of participation at 10% level of significance. Whereas, gender and marital status were not significantly affect the economic gain.

Key words: Consumer cooperative, Financial performance, Economic gain

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The interdependent and mutual help among human being have been the essential for social life. History tells us that man cannot successfully live by himself or herself alone. Since the beginning of human society man or woman has cooperated first in foraging and then in hunting, later in agriculture and still in manufacturing. There is practically nothing which a man or woman by himself or herself alone can achieve but much acting together with others, cooperatively. (KrishnaSwamy and KulandaiSwamy, 2000).

The basic aim of the cooperative movement is to achieve the advancement of the members concerned and to protect them from exploitation. With this purpose different types of cooperatives have been formed. Consumer cooperatives are organized to serve as the best custodians of the unorganized consumers by supplying quality products and services at reasonable prices and in correct weights. The first consumer cooperative society was established by Rochdale Pioneers in the year 1844 in Manchester in England. A batch of twenty eight weavers in Rochadle formed the 'Rochdale Society of Equitable Pioneers on 24 October 1844 and started business on 21 December 1844 to set an example to the world by making collective purchases and distribution of consumer goods for cash at reasonable prices and bonus was declared at the end of the year against the purchases made. The period that England passed through (during the Industrial Revolution) when the Rochdale Society had been founded was popularly known as the "hungry forties" (Cole, 1944).

In the United States, consumer groups began taking note of the early British consumer co-ops who worked together. They began forming consumer protection associations. But Most early American co-ops failed due to insufficient capital (money invested by the owners), poor management, and a lack of understanding of the cooperative principles by their members. It

wasn't until the early 1900s that co-ops began to have true, long-lasting success in the United States.

In the United States, Consumer Co-ops Make Waves-In rural and urban areas alike, consumer co-ops were first organized to provide consumers with control and to fight the unfair practices of private and company stores. Over the years, consumer co-ops have experienced "waves" of growth and development, followed by periods of decline. The first of these waves began in the early 1900s with what was called "the Rochdale plan." Under this plan consumers organized into buying groups to purchase from a cooperatively owned wholesaler. Unfortunately, when the wholesalers began having problems due to rapid growth, the whole system crumbled, and most co-ops were closed within the decade. In the late 1960s and 1970s the "new wave" of consumer co-ops began. Born out of the ideas and philosophies of the 1960s counterculture, these stores were opened by young and idealistic members. They set up co-ops to fit their belief in equality, not to follow their co-op predecessors. Most of the new co-ops sold only whole, unrefined, and bulk foods. Their operating practices were diverse and experimental. These co-ops were pioneers in what came to be known as the "natural foods" industry. But not all were successful. But the "new wave" co-ops which survived are strong and well-established (Zimbelman ,1996).

According to Develtere (2008) Cooperatives in most African countries have their origins in the colonial period. The colonial governments used the formation of these organizations for the purposes of achieving the interests of the colonial state, rather than the interests of the colonized people .The main intention in establishing these organizations was to enable the government implement its socio-economic policies. For instance, the British, particularly in their settler colonies, wished to promote and protect the interests of white settler farmers, so as to enhance productivity in order to generate the income needed to run the affairs of the colonies and also to export cash crops to Britain that were required to fuel industrialization. Therefore, cooperative development started among white expatriate farmers as a means of improving their productivity.

Modern cooperative movement in Ethiopia started in 1960 during the regime of Emperor Haile Sillassie I. Before the stated years and still today people are organized through traditional Cooperatives. The Cooperative movement in Ethiopia can be categorized under four phases: (i) Traditional Cooperative, (ii) Cooperative under Haile Sillassie Regime (1961-1975), (iii) Derg Regime (1975 – 1991), and (iv) Post 1991.

After Derg regime failed, Cooperatives were perceived as communist institutions that had no place in a free market economy, and their members had lost faith in the cooperative idea. the first thing that ILO had to do at that time was to change people's minds about cooperatives. Study tours to neighboring countries were organized to expose Ethiopian cooperative leaders to cooperative experience in a free-market system. The tours were followed by training of trainers and cooperative managers as well as leadership development programmes. These programmes tried to reach as wide an audience as possible.

Cooperative renaissance: Thanks to these efforts, in the second half of the 1990s the country witnessed a kind of cooperative renaissance. By the end of 1996 the attitude towards cooperatives had changed dramatically - people, especially cooperative members, had become increasingly aware of the role cooperatives could play in improving their lives. Moribund cooperatives were resuscitated and new ones created all over the country. In urban areas, housing, consumer, industrial and craftsmen cooperatives were established, while savings, credit and social service cooperatives flourished in rural and urban areas alike. (DCOMM, 2005).

The government has also taken serious measures after 1996. The measures include organizing different types of Cooperative Societies under one umbrella by establishing Cooperative Promotion Bureaus and Registrar in each region. A proclamation to provide for the establishment of Cooperative Societies, proclamation No. 147/1998, has also been proclaimed by the Federal government.

Especially in Addis Ababa, the numbers of consumer cooperatives societies is rapidly growing. The total number of Consumer cooperatives established in Addis Ababa up to 2017 is 165.

1.2. Statement of the Problem

In free market economy, equilibrium price (market clearing price) of a commodity is determined by the market force of demand and supply. In order to analyze how equilibrium price is determined, we need to integrate the demand and supply curve. The points where the two curves intersect each other determine the market clearing price. When there is excess supply, it forces

down adjustments in the price and quantity supplied. When there is excess demand, it forces upward adjustments in the price and quantity demanded. (Dwivedi. 2005)

But in our country, private traders are now highly developed bad marketing that contradict with free market. Concurrently, people are bitching of the effect of socially wasteful rent seeking traders that makes the market unstable and parallely caused a swift increase in the price of goods and services. The cost of living has currently soared and the low-income group is suffering a lot.

In our country there are persistent illegal exploitative activities, for example fraudsters who (at the end of 2007) caused a five to 10-fold increase in the price of salt in a single day. "Such greedy and illegal business persons have made sharp price increases that boosted Ethiopia's inflation rate to 20 percent by creating artificial shortage and illegal business activities. The problem behind is same cunning business person deliberately hoard the products or/and disseminate misinformation to create artificial shortage of products in a market. Such shortage could enable them to sell their products at whatever price they may fix and to get high profit as the people are left without alternatives (Heinlein, 2008).

Today, the effect is highly reflecting in our country's improperly structured marketing system whereby the system is full of abnormal intermediaries, In addition to the nationwide prevailing inflation, the poorly structured marketing system is contributing a lot in creating an artificial but very series problem especially in urban areas like Addis Ababa.

Government of Ethiopia enacted much legislation to curb malpractices and offered necessary protection to the consumers. In course of time experiences with the implementation of these legislations have proved that the control is not very effective. Hence, consumer cooperatives are inevitable to check the exploitation of consumers in Addis Ababa. In addition, the consumer cooperatives can play a vital role for the maintenance of targeted public distribution system in an efficient manner.

Under this situation, the consumer cooperatives were found to be the only solution to protect the interests of consumers at large. A consumers' cooperative store is a voluntary organization of consumers organized to obtain their requirements of consumer goods and services on terms of

greatest advantage to them (Mathur, 1991)'. Consumer cooperatives are supposed to serve as the best custodians of the consumers by supplying quality products and services at reasonable prices and in correct weights.

Therefore, to alleviate these marketing and socio economic problem, Addis Ababa city administration established 10 consumer unions and 165 consumer cooperatives on voluntary basis and who have similar needs for improving their socio economic status by pooling their resources, knowledge and property. Altogether, these consumer unions and cooperatives had a capital of ETB 14,909,265 (FCA, 2014).

However, not much recent research has done to show whether these consumer cooperatives are effective on the contribution of economic problems. Thus this paper aims to explore the economic contribution of consumer cooperatives. The central questions to be addressed in this section are:-

- What is the financial performance of the consumer cooperative?
- What is the rate of members' satisfaction on the services of consumer cooperatives?
- What are the determinant factors of economic contributions of the consumer cooperative in the study area?

1.3. Objective of the Study

The main objective of the study is to examine the economic contribution of consumer cooperatives towards their members in Woreda 5, Kolfie Keranyo sub city, Addis Ababa.

The Specific objectives of the study include:-

- To assess the financial performance of the consumer cooperative.
- To assess the rate of members' satisfaction on the services of consumer cooperatives.
- To identify the determinant factors of economic contributions of the consumer cooperative in the study area

1.4. Significance of the Study

The study assessed the factors affecting the economic contribution of consumer cooperatives in Addis Ababa, KolfieKeranyo Sub city Woreda 5. Also the findings of the study would help cooperative societies that are affiliated to the cooperative to be aware of the activities of the consumer's cooperative. The significance this research study would contribute to filling the existing research gap.

Moreover, this study also essential to the field of social work and social policy because it intends to describe and raise awareness of the problems of consumer's cooperatives on contributing economic situations in Addis Ababa. What sets this study apart from previous studies is that it strives to depict the different perspectives that can provide possible explanation for the occurrence of the problem, notably by highlighting the individual and structural factors working to forge its advent. Then, this research contributes to improve practices of the consumer cooperative, for policy makers and academics in the future.

1.5. Scope and Limitation of the Study

The study was examining the economic contribution of consumer cooperatives towards their members in Addis Ababa, KolfieKeranyo Sub City. This Sub-city has comprised of 15 Woreda. The study was paid attention to Woreda 5, which has a densely populated, low income households area and large number of consumer cooperative members and also homogenous amongst the fourteen Woreda in the sub-city. Woreda 5 is characterized by residential settlements.

The major limitations faced in preparing the paper are respondents were unable and/or unwilling to forward necessary information. Getting secondary data from the cooperativewas also equally problematic.

1.6. Organization of the Study

The whole study is comprised six chapters with different sections and sub-sections. Chapter one deals with the general introduction of the work with special emphasis on the background of the study, statement of the problem, general and specific objectives of the study , research questions, significance of the study, scope and limitation of the study and the organization of the study. Chapter Two reviews the most significant theoretical and empirical studies of other writers or what other people have worked on the topic of consumer cooperatives. Chapter three focuses on the methods of the study. Chapter four also deals with of the finding of the study with analysis and interpretation results of the study. Finally, Chapter five deals with conclusion, Implication and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1. General Concepts and Definition

2.1.1. Cooperative Societies

According to the definition adopted by International Cooperative Alliance (ICA, 2004): A Cooperative is an autonomous association of person united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprise.

Cooperatives also defined, United State Development of Agriculture (USDA, 2014), a user owned and controlled business from which benefits are derived and distributed equitably on the basis of use or a business owned and controlled by the people who use its services.

According to C.R.Fay (1908), cooperatives are associations of persons, small producers or consumers, who come together voluntarily to achieve some common purposes by a reciprocal exchange of services through collective economic enterprises working at their common risk and with resources to which all contribute.

In similar vein, a proclamation to provide for the establishment of cooperative society No.147/1998, defines cooperatives on its Art. 2 as: “*a society established by individuals onvoluntary basis to collectively solve their economic and social problem and to democratically manage same.*” Dagnachew and Addissie (2009).

What one can easily discern from the above definitions is the fact that cooperatives are built on such noble values as self-help, self-responsibility, democracy, equality, equity, freedom, mutual responsibility and togetherness. Cooperatives are, therefore, the outcome of the coming together of citizens for a common good and the need to support oneself as well as those who are part of the public at large.

As a result, cooperatives are unique in the sense that they are user-owned, user benefited and user-controlled as the benefits obtained are returned to members and democratically administered by members themselves.

2.1.2. Consumer Cooperatives

A consumer cooperative is a business owned by its customers. Members vote on major decisions and elect the board of directors from among their own number. The first of these was set up in 1844 G.C in the North-West of England by 28 weavers who wanted to sell food at a lower price than the local shops. (<http://en.wikipedia.org>)

According to cultivate.coop 2016, a consumer cooperative is a cooperative business owned by its customers for their mutual benefit. It is a form of free enterprise that is oriented toward service rather than pecuniary profit. Consumers' cooperatives often take the form of retail outlets owned and operated by their consumers. The customers or consumers of the goods and/or services the cooperative provides are often also the individuals who have provided the capital required to launch or purchase that enterprise.

In some countries, consumers' cooperatives are known as cooperative retail societies or retail co-ops, though they should not be confused with retailers' cooperatives, whose members are retailers rather than consumers.

There are many types of consumers' cooperative. There are health care, insurance, and housing cooperatives as well as credit unions, agricultural and utility cooperatives. The major difference between consumers' cooperatives and other forms of business is that the purpose of a consumers' cooperative association is to provide quality goods and services at the lowest cost to the consumer/owners rather than to sell goods and services at the highest price above cost that the consumer is willing to pay. In practice consumers' cooperatives price goods and services at competitive market rates.

The difference is that where a for-profit enterprise will treat the difference between cost (including labor etc.) and selling price as financial gain for investors, the consumer owned

enterprise may retain this to accumulate capital in common ownership, distribute it to meet the consumer's social objectives, or refund this sum to the consumer/owner as an over-payment. (Accumulated capital may be held as reserves, or invested in growth as working capital or the purchase of capital assets such as plant and buildings.)

2.1.3. Characteristics of Consumer Cooperatives

There is no restriction on membership of a consumer co-operative store as any adult person can become a member of a co-operative. Members contribute capital in the form of share and when there is a surplus it distributed among the members in the form of dividend. The dividend is paid in proportion to purchases made by the members (the more the economic patronage a member renders to the society, the more the dividends).

It adopts the principles of one man one vote. A man is not allowed vote by proxy system like in any other cooperative. The trading in the consumer co-operative stores is made on the basis of cash. A sale can be made to non-members on the basis of market rate. It makes bulk purchases directly from the producers and sells these goods to its members or general public on retail basis. It facilitates its members in getting pure and unadulterated goods at a competitive price. It develops a state of morale booster to the poor people who develop greater confidence among themselves.

2.1.4. Basic Cooperative values and principles

2.1.4.1. Cooperative values

According to the ICA (1995), statement on the cooperative identity, cooperatives are based on the values up on which cooperatives are founded. These values are categorized as basic and ethical values. The basic values are self-help, self-responsibility, democracy, equality, equity and solidarity where as the ethical values are honesty, openness, social responsibility, and caring for others.

2.1.4.2. **Cooperative principles**

The cooperative principles are guidelines by which cooperatives put their values into practice. Cooperative societies have certain distinguishing principles or characteristics, which set them apart from other forms of business organizations. As a result of this, the ICA (1995) adopted seven fundamental cooperative principles to guide the activities of international cooperative movements. The principles are also enshrined in the cooperative society's proclamation No. 147/1998 of the FDRE, Dagnachew and Addissie (2009). These include the following:

a. Voluntary and Open Membership: Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of memberships, without gender, and social, racial, political or religious discrimination.

b. Democratic Membership Control: Cooperatives are democratic organizations controlled by their members who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.

c. Members' Economic Participation: Members contributed equitably to, and democratically control the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. They usually receive limited compensation; if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible, benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

d. Autonomy and Independence: Cooperatives are autonomous, self-helping organizations controlled by their members. If they enter in to agreements with the other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

e. Education, Training and Information: Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute, effectively to

the development of their cooperatives. They inform the general public particularly young people and opinion leaders about the nature and benefit of cooperation.

f. Cooperation among Cooperatives: Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national and international structures.

g. Concern for Community: While focusing on members' needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

2.2. Development of Cooperatives in Ethiopia

An understanding of the status of cooperatives in present day Ethiopia demands the knowledge of traditional forms of co operations that existed long ago as they are the building blocks for the development of cooperatives. Although one might find it difficult to trace the exact birth date of cooperatives and the exact roles they had played, one cannot fail to appreciate the existence of various forms of co operations. Living or working together is not alien to the Ethiopian people.

Their unity/cooperation has been exemplified in many instances. Peasants used to cultivate their lands together by calling what is known as "Debo", "Wonfel", "Gige" etc; they built their huts/houses together, and herd their cattle together. Both urban and rural dwellers always joined hand in an effort to defend their territory from foreign attacks. History has it that Ethiopian people have always been together through thin and thick. As the saying goes "*Der biyabberanbessayaser!*", can be translated as "individual threads, otherwise weak, in cooperation can incarcerate a lion". Cooperation has always been one of the biggest virtues that Ethiopian people treasures.

Nonetheless, this crude form of cooperation become obsolete and gave way to cooperatives' movement in its present form. For the sake of convenience, we shall discuss cooperatives developments under the three different regimes separately.

2.2.1. Cooperatives during the Era of Emperor Haileselassie.

Modern cooperatives movement started very recently in Ethiopia as envisaged by Decree No. 44 of 1960. It is with the promulgation of this Decree (Farm workers' Decree) that cooperatives have come to acquire their formal legal status. Although cooperatives have acquired their formal legal status since the promulgation of this decree, it was not until 1978 with the adoption of the cooperative society's proclamation No. 138 of 1978 that their status is realized in line with their objectives.

As we can understand from the preamble of the 1960 decree, cooperative societies were regarded as enterprises the primary function of which is maximization of profit. We can understand this when we take a close look at some of the provisions in the Decree. For instance: "...whereas, the organization of cooperative enterprises (emphasis added) can contribute measurably to this end..." Furthermore, Art. 3 reads "... the profitable sale of production (emphasis added) ..."

These two quotes can lead one to conclude that the main objective of cooperatives by then was to make profits.

An attempt was also made to re-establish cooperative societies by promulgating proclamation No. 241 / 1966. But the attempt was futile as it never brought about change of fortune for the poor farmers. The reasons being again that all necessary pre-requisites for the formation of cooperatives were absent. The whole process was simply a change in form rather than in substance. Because, members of the cooperatives were not the needy people but any interested persons or institutions who wanted to procure profit. This can be observed from the provision of Art. 14(3) of Proclamation No. 241/1960 which reads "A ministry or chartered government agency or other public authority may become a member. In addition, Art. 15(1) provides that a juridical person can become a member thereby rendering the cooperative an enterprise mainly established to make profit. This implies that cooperatives were not basically designed to bring any economic change for the peasants as individuals and/or artificial persons who were not/could

not actually participate in the real activities of the cooperative were allowed to become a member. This is basically against the essence of cooperatives.

The fact that there were members with unlimited liability, as per Art.3 (13) of the aforementioned proclamation, makes them similar with General Partnership (see Art. 280 of the Commercial Code of Ethiopia) so, this also clearly manifests that cooperatives societies were treated, at least partly, in the sameway as business organizations. Nonetheless, the farm cooperatives were sought to promote the economic interests of their members in particular and the Empire in general. The law desires to promote modern farming methods and agricultural practices and to promote cooperation among members. To this end, the Ministry of Agriculture has provided them with technical and financial assistance for the purpose of financing the construction of residences, minimum monthly payments to members, for the purchasing of necessary equipment's, seeds and livestock.

The 1966 proclamation, on the other hand, aims at not merely regulating farm cooperatives but to capture every type of cooperative society as it was believed that the importance of cooperatives in terms of promoting self-reliance and mutual help among people who share common needs and desires has been internalized by the people. What is unique about the 1966 proclamation is that prominent persons were allowed to become nominal members. This is basically meant to enhance the reputation and good will of cooperatives by letting merchants and prestigious personalities become members. As a result, government agencies or ministries could become a member so as to enable the society utilize government facilities and personnel. In general, the problems of cooperatives during this period can be summarized as follows.

- ✓ Societies were not receptive of new technological changes. As the objectives of modern cooperative societies were new to the rural population the small field staffs of concerned state authorities were over stretched for they were supposed to lend a hand to all the societies in running their day-to-day activities;
- ✓ Most of the cooperative workers lacked qualification in the theory and principles of cooperatives. As a result, they were inefficient, lacked incentive and enthusiasm in their work;

- ✓ Acute shortage of finance for budgetary expenses and capital investment Banks required 100% collateral from cooperatives and made excessive supervisory control over the manner of use of the loans even when they grant loans;
- ✓ The management of cooperatives was dominated by landlords and the affluent ones;
- ✓ Lack of adequate training; and
- ✓ High degree of state interference (registration, supervisions, inspection, auditing their accounts, supply credits etc... were solely handled by the government)

2.2.2. Cooperatives During the Derg Regime (1974-1991)

The 1975 proclamation that provides for nationalization of rural land and extra houses in urban areas on its Art.10 provided for the creation of marketing and credit cooperatives by peasant association. Although the proclamation did not provide for the creation and management of cooperatives, it disclosed the intention of the Provisional Military Administrative Council (PMAC) to give out large scale state farms to cooperatives.

In 1978, a proclamation that provides in a comprehensive way for the establishment of various types of cooperatives was adopted. This law, Proclamation No.138 /1978 envisaged collective ownership of production by way of mobilizing peasants.

Several government units were given mandates over different cooperatives on the basis of their areas of specialization. For instance, the National Bank of Ethiopia was entrusted with the duty of controlling financial matters relating to saving and credits; the ministry of Agriculture was empowered to control, supervise, and assist the establishment of producers' cooperatives in the agricultural sector.

Each cooperative is supposed to have its own article of association in accordance with the proclamation though a board of cooperatives drawn from numerous government bodies was envisaged to give direction to the cooperatives movement.

Since the country was pursuing socialist mode of development, cooperatives in Ethiopia were treated in much the same way as those in other socialist countries. In socialist countries, cooperatives enjoy maximum freedom and protection for their proper foundation and development. Besides, they function in accordance with central planning and are not engaged in any kind of “cut-throat” competition which is the main features of capitalism.

The same was more or less true with cooperatives Ethiopia. Nevertheless, the cooperatives movement could not bring about the desired result owing to the following reason.

- As the surplus production was to be sold out to the agricultural marketing corporation at a price much lower than the market price and the members were naturally interested in highest returns from their products, farmers who were deprived of the fruits of their labour by way of compulsory marketing lacked incentives to work harder;
- Since they were required to pay exorbitant registration fees and government aid (in terms of releasing necessary fund and other financial assistance) was at its minimal, their contribution was inadequate;
- They were unable to meet their financial expectations (debts) owing to the imbalance between cost of inputs and outputs (decreased price of input and low price for outputs);
- Lack of skill and adequate training in farm management, accounting and in business management;
- Lack of proper book keeping and accounting system which exposed them to embezzlement and corruption which in turn led to low spirit and on some occasion to loss of members;
- Since management and control committees remained in office for long term (as they are politically affiliated with the government), the democratic feature of cooperatives were diminished; and
- Lack of appropriate remuneration scheme.

2.2.3. Cooperatives Movement Since 1991

Beginning from 1991, cooperatives began to see change in fortunes as their roles in economic development were understood better. During the imperial era, the major objective of organizing cooperatives was to produce industrial crops and hence they were organized in areas where these crops are grown. Moreover, shareholders were almost landlords and hence small holders and consumers were not given due attention.

During the Dergue Regime, with large number of members of non-cooperative organizations pretending to be cooperative, cooperative societies and the cooperative movement as a whole used to suffer from loss of credibility in the eyes of their members and the general public at large. The publicly pronounced image of cooperatives was not reflected in the day-to-day practices. The members lacked tangible benefits and they had no role to play, hence sense of ownership faded and the group started disintegrating. As a result, the development of saving and credit cooperatives was limited.

Presently, the Ethiopian government has given due emphasis for the development of the sector and necessary legislative actions have been taken. To this effect, the government has enacted the following proclamations that apply at federal level:

Proclamation No. 147/19989 (referred as Procl. here under) as amended by proclamation No. 402/2004, Regulation No. 106/2004, and the proclamation which has established the Federal Cooperative Commission (Procl. No.274/2002). Moreover, the legality of cooperatives is duly acknowledged by FDRE constitution which is the supreme law of the land. Dagnachew and Addissie (2009).

Pursuant to Art.31 of the Constitution, every person has the right to freely form association or join any association of his/her choice with a view to pursue a legal cause. Furthermore, as per Art.41(1) and (2), every Ethiopian has the right to engage freely in economic activity and to pursue a livelihood of his choice anywhere within the national territory, and to those his/her means of livelihood, occupation, and profession.

Thus, the Ethiopian government is doing everything it should and could to see to it that cooperatives are expanding to the required level by taking appropriate legislative measures and making appropriate policy decisions. The government has also assigned the required human resource from Woreda to federal level. There is even a plan to assign cooperatives extension workers at Kebele level which is the basic political structure of the government. Despite the fact that the operation of saving and credit cooperatives was limited to work places since 1990, there was a shift in outlook that led to promoting and organizing saving and credit cooperatives focusing on the needs and desires of the society by enlarging the common bond of association to the profession and community. It was in fact started with the demand of NGOs to line up the support of low income groups to income generating activities and to sustain the benefits by organizing in this manner.

Most cooperatives are organized on the basis of workplace (employee) common-bond. Owing to the large number of people residing in rural areas, there lies a huge potential for credit union development. Very few saving and credit cooperatives are organized on the basis of profession. Currently, there are about 19, 147 primary cooperatives with an aggregate capital of 1.47 billion birr with membership of about 4.61 million cooperatives in Ethiopia also provide job for close to 24,000 people.

With a view to strengthen the bargaining power of primary cooperative societies, 124 cooperative unions with 992.6 million birr capital have been established all over the country. An additional 44 cooperative unions having a total capital of 4.9 million birr are in the process of forming grain marketing cooperatives federation.

New forms of cooperatives were introduced to meet farmers' special needs, thereby eliminating middlemen. In urban areas, housing, consumer, industrial and craft cooperatives were established, while savings, credit and social service cooperatives flourished in rural and urban areas alike.

Key to the successful development of all these cooperatives was the Federal Cooperatives Commission (FCC), the government agency charged with promoting cooperatives in the country.

2.3. Financial Performance of cooperatives

Financial performance could be defined as a measure of how well a firm has used assets from its primary mode of business to generate profits. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Investopedia, 2008).

A related explanation defines financial performance as the measure of the efficiency with which the firm uses various funds to generate a return to providers of the funds.

Financial analysis (also referred to as financial statement analysis or accounting analysis or Analysis of finance) refers to an assessment of the viability, stability and profitability of a, business, sub-business or project. It is performed by professionals who prepare reports using ratios that make use of information taken from financial statements and other reports. These reports are usually presented to top management as one of their bases in making business decisions.

Cornett *et al.* (1999) observes that analyzing financial statement using ratio analysis is one way of identifying weaknesses and problem areas of financial institution. They propose two approaches to financial statement analysis. The first approach is called time series analysis and it is used when the intention is to evaluate ratios of a financial institution over a period of time to tract down its performance over time. The second approach is called cross-sectional analysis and it is used when the intention is to compare the performance of a financial institution relative to that of competitor financial institutions at a particular point in time.

Ratio analysis is a frequently used tool in the evaluation of financial performance. Brigham and Ehrhardt (2005), commenting on analysis of financial statements, observe that financial statement analysis involves comparing the firm's performance with that of other firms in the same industry and evaluating trends in the firm's financial position overtime. They note that

financial ratios provide a useful tool to evaluate financial statements and single out return on equity (ROE) as the most important accounting ratio.

2.3.1. Approaches to measure financial performance

Financial Ratio is one of the widely used and powerful tools to express the numerical relationship between two or more cooperatives. It can be used as one tool in identifying areas of strengths or weaknesses in cooperatives. Financial ratios enable to make comparison of cooperatives financial conditions over time or in relation to other cooperatives. The financial ratios that allow forming a judgment about the performance of cooperatives such as, liquidity, leverage and profitability has been used to evaluate the performance of different cooperatives.

Liquidity ratios: - It measures the ability of the cooperatives to meet financial obligations as they come due in the ordinary course of business, without disrupting the normal operations of the business. As day-to-day operations are directly affected by the cooperative's degree of liquidity. A cooperative intends to remain viable business entity must have enough cash on hand to pay its debts as they come due. In other words, the cooperatives must remain liquid. Liquidity ratios are quick measure of cooperative's ability to provide sufficient cash to conduct business over the next few months. There are various methods to measure liquidity ratios such as: current ratio, liquid ratio, absolute liquid ratio and working capital. According to Nevue (1985); Bringham and Houston (1998) and William *et al.*, (2003) one of the most commonly used liquidity ratio is the current ratio that is computed by dividing current asset by current liabilities.

Current Ratio indicates the extent to which current assets, when liquidated, will cover current liabilities. It does not predict the timing of cash flows during the year or the adequacy of future inflows in relation to outflows (Miller *et al.*, 2001). The higher current ratio, the greater the liquidity of the cooperatives have (FFSC, 1997). Short-term creditors are primarily interested in the cooperative's current performance and its holdings of liquid assets that can provide a ready source of cash to meet current cash requirements. These assets include cash, marketable securities, accounts receivable, inventory, and other assets which can be sold for cash or can become cash through the normal course of a business cycle. (Sharifi, 2013).

However, this ratio does not consider the degree of liquidity of each of the components of current assets. In other words, if the current assets of a cooperative were mainly cash, they would be much more liquid than if comprised of mainly inventory (Eversull and Beverly, 1997). A rule of thumb sometimes applied to the current ratio is that it should be equal to 2 or more than 2 (Gittinger, 1982).

Financial leverage management ratio:-The relationship between cooperative assets and debt position can be evaluated with leverage ratios. Whenever a cooperative finances a portion of asset with any type of financing such as debts, the cooperative is said to be using financial leverage. According to Gittinger (1982), financial leverage management ratio measures the degree to which a cooperative is employing financial leverage and recommends the debt ratio to evaluate marketing performance.

Debt to Asset Ratio: It compares total cooperatives debt obligations owed against the value of total assets. This ratio expresses what proportion of total cooperatives assets is owed to creditors. In other words, it is the creditors' claims against the assets of a business. This ratio is one way to express the risk exposure of the cooperatives business.

Equity to asset ratio: This ratio measures the proportion of total cooperative assets financed by the owner's equity capital. In other words, it is the owner's claims against the assets of a business. This ratio is most meaningful for comparisons between cooperatives when the market value approach is used to value cooperatives assets. However, due to the impact of fluctuations in market values of assets, it is most meaningful for comparisons between accounting periods for an individual cooperatives operation when the cost approach is used to value assets. The higher the value of the ratio, the more total capital has been supplied by the owner(s) and less by the creditors (FFSC, 1997).

Debt to equity ratio: This ratio measures financial position and reflects the extent to which cooperatives debt capitalize being combined with equity capital. The higher the value of the ratio, the more total capital has been supplied by the creditors and less by the cooperatives (FFSC, 1997). There is no good rule of thumb for the debt-equity ratio, it depends but, in agricultural cooperatives are likely to need strong equity base (Gittinger, 1982).

Profit and profitability: Profit and profitability are not the same. Profit is the amount of money earned after total costs are deducted and necessary to ensure the survival and growth of the cooperatives. Profitability measures how well the cooperatives use the resources available to generate income and profit. Profitability is a measure that attempts to answer the question are cooperatives making enough money for the effort? Two cooperatives may show the same profits but may not be equally profitable. This could be a result of the way cooperatives use their resources. While the business may generate profits and be profitable, an important question to ask is whether or not the business is efficient. A cooperatives that is efficiently run is more likely to be profitable than a cooperatives that is not. Efficiency is the careful use of the resources available to the cooperatives (Kahan, 2010).

Profitability can be measured by Rate of return on Assets (ROA), Rate of return on Equity (ROE) and Operating Profit Margin (OPM). The earning power of the assets of the cooperatives is vital to its success. A principal means of judging this is to determine the return on assets (Gittinger, 1982).

ROA is often used as an overall index of profitability. Different authors also suggested that the most commonly used profitability ratio is return on total asset (FFSC, 1997). The higher the ROA value shows the cooperatives are more profitable. A crude rule of thumb is that, once the cooperatives is operating at normal capacity, the return on asset should exceed the cost of capital in the society as measured by lending rate (Gittinger, 1982).

2.4. Cooperative Member's Satisfaction

A member's satisfaction with the co-op is likely to be determined by the same factors that are known to influence a consumer in a wider business context. As Gronroos (2001) pointed the role played by technical quality and functional quality, as well as expected and perceived service levels in determining customer satisfaction. Technical quality is a measure of what is done or the service received. Function quality is a measure of how the service is performed.

Yang and Peterson (2004) found that improved consumer satisfaction can lead to consumer's loyalty. Employees must possess the required knowledge and skills while answering customer queries. In this way employees can contribute to consumer satisfaction with their service. Consumers evaluate service outcomes on the basis of their prior expectations and given specifications of a service. Service outcome could be positive or negative based on a comparison between actual service provided and consumer's expectations. Consumer's perceived value is a significant factor that influences consumer satisfaction. Chen (2011) explains , a large number of companies neglects to evaluate employee's motivation level while conducting consumer satisfaction surveys however many studies have confirmed that employees are internal customers and their satisfaction contributes to the overall consumer's satisfaction and organizational performance. Employees must have the ability to understand and solve specific needs of the consumer in a courteous manner. Simon and DeVaro (2006) argued that investment in developing motivated employees is an expense for the firm which will benefit the organization in the long run as it improves employee efficiency and quality of the service.

2.4.1. Approaches to Measure Members Satisfaction with Mean Score

Customer satisfaction has been considered the essence of success in today's highly competitive industry. Prabhakaran and Satya (2003) mentioned that the customer is the king. Generally speaking, if the customers are satisfied with the provided goods or services, the probability that they use the services again increases (East, 1997). Hence, the economic gain of the members from the cooperative is increased.

To calculate the level of member's satisfaction the researcher employed the mean score. According to Vichea (2005) has developed a measurement and decision rule to help infer from the mean value of scale responses. He has set ranges for each variable response.

2.1. Measurement & decision rule

Level of response	Score	MedianScore Range
Strongly Satisfied	5	4.2-5.0
Satisfied	4	3.40-4.19

Neutral	3	2.6-3.39
Dissatisfied	2	1.8-2.59
Strongly Dissatisfied	1	1.0-1.8

Source :Vichea (2005)

2.5. Review of Empirical Studies:

Cooperatives are community-based, rooted in democracy, flexible, and have participatory involvement, which makes them well suited for economic development (Gertler, 2001). The process of developing and sustaining a cooperative involves the processes of developing and promoting community spirit, identity and social organization as cooperatives play an increasingly important role worldwide in poverty reduction, facilitating job creation, economic growth and social development (Gibson, 2005).

Cooperatives are viewed as important tools for improving the living and working conditions of both women and men. Since the users of the services they provide owned them, cooperatives make decisions that balance the need for profitability with the welfare of their members and the community, which they serve. As cooperatives foster economies of scope and scale, they increase the bargaining power of their members providing them, among others benefits, higher income and social protection.

Hence, cooperatives accord members opportunity, protection and empowerment - essential elements in uplifting them from degradation and poverty (Somavia, 2002). As governments around the world cut services and withdraw from regulating markets, cooperatives are being considered useful mechanisms to manage risk for members and keep markets efficient (Henehan, 1997).

Daniel (2006), analyzing the performance of primary agricultural cooperatives and determinants of members decision to use as marketing agent. The authors selected 11 agricultural cooperatives

and a total of 132 sample respondents from AdaaLiben and Lume districts. Audit reports of the cooperatives were used to examine the financial performance. Financial performances were analyzed by financial ratio such as liquidity analysis, debt ratio and profitability ratio. The result shows that, the cooperatives under investigation were below the satisfactory rate in which current ratio of less than 2.00; financed more of their total asset with creditors fund and earn return on their asset below the interest rate.

Alema (2008), conducted his study on 10 primary agricultural multipurpose cooperatives and a total of 208 sample respondents to analyzed role of agricultural multipurpose cooperatives in Tigray Region of Ethiopia. Financial ratios were used to analyzed financial performance of primary agricultural multipurpose cooperatives based on two years audit report and adopted Probit model to identify the factors influencing the participation of cooperative members in input and output marketing. The result of financial ratio revealed that, the cooperatives under investigation had a current ratio of less than 2.00 and financed more of their total asset with creditors' fund and also the profitability ratio were not satisfactory. The econometrics results showed that, own land, shareholding, distance from the cooperatives, output price, membership in other cooperatives and seed price were significantly and positively affected the participation of cooperative members in the agricultural input and output marketing.

Omholt (1991), based on the investigations of the activity among the members of three consumer cooperative societies, stated that the more the member expectations of the cooperative are fulfilled, the more active is the member; the longer the person has been a member, the more active he is; old members are more active than young; men more than women; the more educated the member, the less active he is.

Ravichandran and Padmanabhan (1998), conducted a study in Chinthamani consumer cooperative in Colmbatore city in order to examine the purchase behavior and constraints in purchase. The factors that are influencing the purchases at the cooperative shops were quality of commodities, reasonable price, availability of unadulterated commodities and availability of full range of commodities. The majority constraints of the consumer store were found to be lack of

credit facilities, distance to the consumer cooperative shops, odd behavior of the employees and lack of customer services.

Madhavi et al. (1999) attempted to examine the customer satisfaction in Annamalainagar consumer cooperative stores and observed that in consumer cooperative stores, the high income segment are less satisfied compare to the less income group. Respondents were also not satisfied with the approaches of sales personnel, system of service, time taken for service, and time availability of brands.

Jemal (2008) study the role of cooperatives in agricultural input output marketing by selecting 7 multi-purpose agricultural cooperatives and a total of 162 members from Eastern Tigray Zone. Ratios were analyzed by taking the five years financial data to examine the performance. The liquidity analysis, financial leverage and profitability ratio showed that the overall performance of cooperatives under investigation were weak or below the desirable level. Tobit model were adopted to identify factors influencing the participation. The result revealed that, probability of participation were significantly and positively influenced by education status, sex, number of paid up share capital, off-income, livestock owned, access to input credit, membership status, access to alternative marketing and members' satisfaction; while the influence of members' age, off-farm income and access to alternative market had inverse relationship and significant to determine participation.

Adedpo (2014), the main reason for patronizing consumer cooperative is purchase of food items at cheaper price compare to market price. Result of the probit model shows the significant relationship between consumer cooperatives and household food security, a positive significant relationship between the level of education, level of income and household food security among civil servant in Ekiti state. However, there is a negative relationship between household size and food security, indicating that increase in household size has a corresponding influence on the level of food insecurity.

An assessment of challenges and prospects of consumer cooperatives by Mosisa (2014), the study was undertaken by taking sample from in HoroGuduruWollega Zone. The result of the study indicates that the major challenges and prospects of consumer cooperatives under the study

area were poor female as well as youth participation, poor infrastructure, residence distance from the CCs shop, lack of knowledge and properties owned by consumer cooperatives affect the economic contribution of consumer cooperatives.

An assessment of the effectiveness of consumer cooperatives were studied by Getahun (2016), the study was under taken by taking sample from Woreda 1, Kirkos sub city, Addis Ababa, Ethiopia. The study result pointed out that lack of the autonomy of the cooperative and the interference of local administration; poor governance and management; unable to provide basic goods adequately, timely and consistently were among others. These situations have affected the effectiveness of the consumer cooperative.

2.6. Conceptual Framework

A conceptual framework indicates the relationship between the variables that connect each other within in a model to give a concrete idea about the research objective. As can be observed from the empirical analysis part, different factors have been examined by different researchers at different times.

This paper tries to investigate determinant factors that are not considered by past researchers. Therefore, the following conceptual framework depicts five variables among which four are independent and one is dependent. The independent variables are: Age of the respondents, Income of the respondents, Number of households, Distance of the consumer cooperative shops to members' house and Gender.

The dependent variable is the price difference of the ccs with traders that the members gain per month.

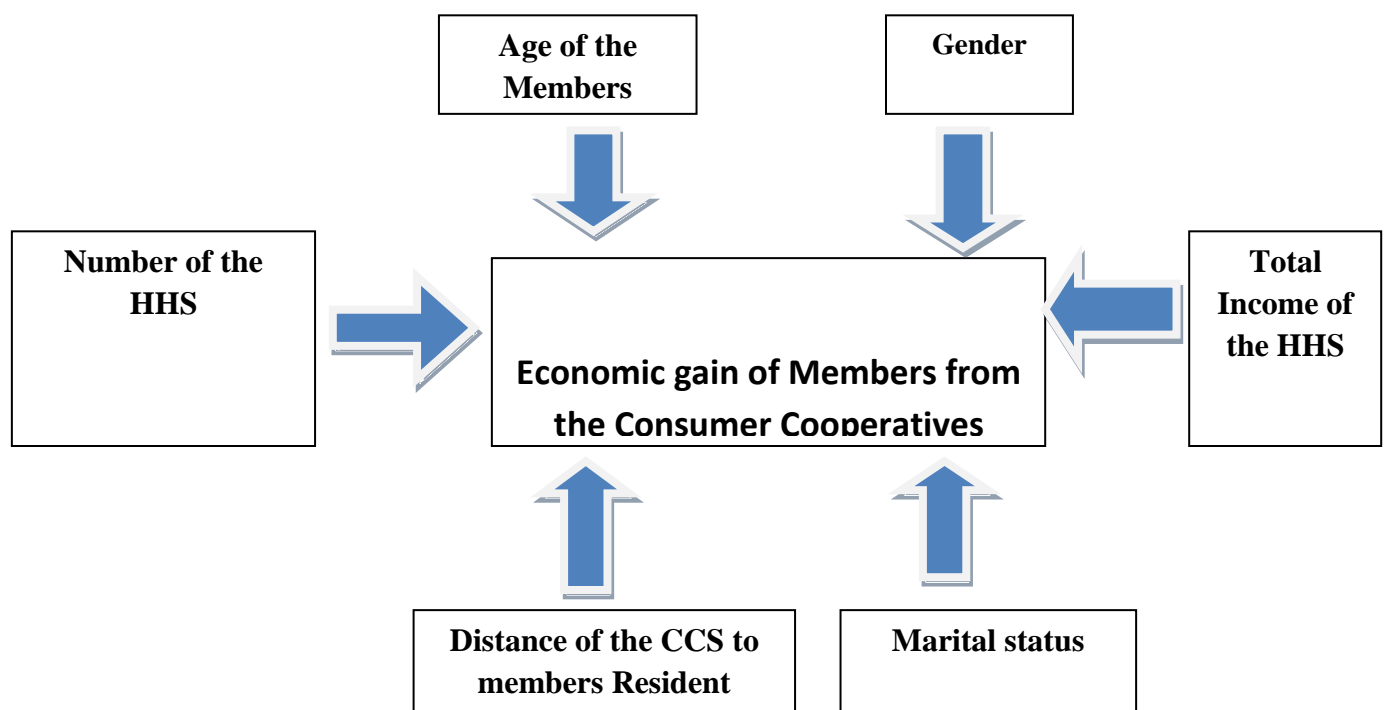


Figure 2.1 Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Description of Research Area

To see briefly the profile of Woreda 5 Consumer cooperative, it is important to start with Addis Ababa consumer cooperatives certain aspects. According to City Government of Addis Ababa Trade Bureau Cooperative Department there are 165 consumer cooperatives in Addis Ababa, with total capital of 498,739,717.7 movable and immovable (3rd National cooperatives Exhibition bulletin 2008 E.C.). Among these 18 are found in KolfieKeranyo Sub City, One of these is named Raeye Consumer Cooperative located at Woreda 5. The Raeye Consumer Cooperative was established in 2000 E.C. and has 47 employees three shops located at three places in Woreda 5. The shops are mainly sale consumable goods such as sugar, wheat flour, oil, pasta, macaroni, creels and the like commodities to customers. Raeye consumer cooperative currently has 3559 members, among these 957 (27%) male and 2602(73%) of them are female. (Woreda 5 Consumer Coop, March, 2016).

3.2 Sampling Method and Sample Size Determination

A simple random sampling procedure was adopted for the selection of the sample households who are members of the consumer cooperatives in the Woreda.

The sample size for the study is determined by a simplified formula suggested by Yemane (1967).

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the sample size, N is the population size which is members in the study area and e is the level of precision assumed to be 10%.

$$n = \frac{3559}{1 + 3559(0.1)^2} = 97$$

3.3. Types and Sources of Data, and Methods of Data Collection

3.2.1. Types and sources of data

Both primary and secondary data were collected. Primary data were collected from sample households to generate information at household level and focused group discussions. Data such as, age of respondents, marital status, sex of the household head, educational level, family size, family income, dividend payment, distance of the residence of the household head from consumer cooperative shops, frequencies they visit the CC shops, price difference between CC shops with traders, satisfaction level that the CC provided and other relevant variables were collected from the sample respondents who are members of the consumer cooperatives.

The data collection was made during the period of April and May 2017. Focused group discussions were attentive on economic contribution of the consumer cooperative with; the Woreda trade and industry development Office, Consumer cooperative board members, managers and officers, for economic contribution, and other relevant issues.

Secondary data relevant for this research work were collected from the offices of the consumer cooperatives, the Woreda trade and industry development Office, and other documents prepared by different organizations. The secondary data includes the financial performance, and other relevant information related with the research objectives.

3.3.2. Methods of data collection

The primary data were collected from sample respondents using a structured questionnaire. The questionnaire was pre-tested and its contents were refined on the basis of the results obtained during the pre-test.

Focused group discussions were also conducted using checklists with the management committee members of the consumer cooperatives, selected group members of the consumer cooperative, and staffs of the Woreda trade and industry development office. During group

discussion with members of the cooperatives the interviewer guided a conversation among a small group of six to eight members.

3.4. Methods of Data Analysis

3.4.1. Descriptive statistics

All the data obtained from respondents through questionnaires were organized, tallied and calculated by using descriptive statistical techniques to make them suitable for discussion or interpretation. Descriptive statistics percentages and median were used. To make the analysis of data convenient, raw data was coded and analyzed on question-by- question bases, and the statistical result of the questionnaire was analyzed using mean score and STATA 12.

3.4.2. Financial Ratio Analysis

To meet the first objective of the study, different financial ratios are used. Financial ratios can be designed to manage cooperatives financial performance. Ratios can be used as one tool in identifying areas of strengths or weakness in cooperatives. Financial ratios enable to make comparison of cooperative's financial conditions over time or in relation to other cooperatives.

Balance sheets and income statements were used from audit reports of the primary multi-purpose agricultural cooperatives to analyze financial ratios. The financial ratios were calculated using the most significant financial ratios that allow forming a judgment about the financial performance of the consumer cooperatives such as; liquidity, leverage and profitability were calculated.

3.4.3. Econometric Model Specification

Economic contribution of the consumer cooperatives: refers to the economic gain of the members. Economic contribution is the difference price between the open market (traders) with the consumer cooperative shops.

In order to measure the economic contribution of the consumer cooperative towards the members, this study identifies most important indicators of the total income of the members, the distance from the residents' home to consumer cooperative shop, the number of households and age. The price difference that the members gain was worked out by subtracting each major item goods of the trader shops to consumer cooperative shop that members bought per a month.

The dependent variable is a continuous nature representing the members' economic gain in consumer cooperatives affairs with value of zero and above. Therefore, a multiple linear regression model (OLS) was employed to identify factors determining members' economic gain in consumer cooperatives following, Green (2012), the multiple linear regression model was specified as:

$$Y_i = X_i B_i + e_i$$

Where: Y_i represents the price difference from the open market with consumer cooperative shop per month, X_i represents a vector of independent variables, B_i represents a vector of parameters to be estimated and e_i is the error term.

3.5.3 Variable Specification and Hypothesis

The dependent variable (Y_i) is the economic gain of the members. It is a continuous variable measured in Birr per month. It founds that by subtracting the major goods price of the traders from the consumer cooperative shop that the members bought per month.

Age

It is a continuous variable measured in number of years. Consumer behavior change came from through ages (Dorota, 2013). The older the person the more purchasing experience they have than the younger one. Older people consider diversified option through the experience they have developed. While younger ones with less experience rely on brand and price (Paul et.al, 1996). Thus young generation is easily to be influenced by brand image.

According to Thomas (2002), the consumer cooperatives were not able to attract the young generation. It is a dangerous trend from the marketing perspectives especially, in the era of liberalization and globalization. The launching of super market concept and their sophisticated and customer friendly strategies attract the younger generations towards them.

Income

It is a continuous variable. It refers to the total amount of income measured in birr that is earned from different activities. Income is superior determinant of purchasing behavior (Dorota, 2013). The level of income affect the life style and attitude of a consumer. A person with high income purchase expensive product and these with low income prefer to buy product with lower price. Higher Income level's purchasing behavior has a negative relationship with PLBs. whereas the lower Income levels have negative relation related to purchasing PLBs products (Paul et al 1996).

According to Thomas (2002), a major share of customers of primary consumers stores is belonging to the lower middle income group or higher middle income group only. The higher income groups or elite groups are not preferring the primary consumers stores because of their status consciousness or ego or related factors. This supports our hypothesis that consumer cooperative stores fail to attract the upper income group customers.

Distance of the Consumer Cooperative Shops from the Members' House

It is a continuous variable measured in kilometer. It refers to the kilometer take from the members' house to the consumer cooperatives shop. The proximity of the CCs shop from the resident's house reduces the cost of time and transportation that the members spent to buy the goods. Therefore, in this study the distance of the consumer cooperatives shop from the members' residents' house is expected to influence the economic gain of members negatively.

Size of Households

It is a continuous variable measured in number. If the size of household member increase their consumption also increase. Therefore, to get the advantage from the economics of sale members use the consumer cooperative shops.

Hypothesis:

In line with the specific objectives and research questions of the study the following hypothesis was formulated for investigation. Hypothesis of the study stands on the theories related to economic gain of the members. Hence, based on the objective, the study tested the following six hypotheses;

Ho: Age of the members has no significant influence on the economic gain of the members from the cooperative.

Ho: Income of the members has no significant influence on the economic gain of the members from the cooperative.

Ho: Number of household's has no significant influence on the economic gain of the members from the cooperative.

Ho:Distance of the Consumer Cooperative Shops from the Members' Househas no significant influence on the economic gain of the members from the cooperative.

Ho: Gender of the members has no significant influence on the economic gain of the members from the cooperative.

Ho: Marital status of the members has no significant influence on the economic gain of the members from the cooperative.

Test of assumptions of OLS

Detection of multicollinearity: Multicollinearity may cause lack of significance of individual independent variables, while the overall model may be strongly significant. It may also result in wrong signs and magnitudes of regression coefficient estimates and consequently incorrect conclusions about relationships between independent and dependent variables (Maddalla,

1977). Variance inflation factor was employed to detect the existence of multicollinearity among explanatory variables.

Detection of heteroscedasticity: Heteroscedasticity occurs when the error term has non-constant variance but all other assumptions of the classical linear regression model are satisfied, then the consequences of using the OLS estimator to obtain estimates of the population parameters are: still unbiased, OLS estimator is inefficient (it is not BLUE), the estimated variances and covariance of the OLS estimates are biased and inconsistent and hypothesis tests are not valid. The result estimates are not even consistent in other word the regression coefficient is upward biased. This study tested the existence of hetroskedasticity by employed Breusch-Pagan test using STATA command *hettest* and the remedies for hetroskedasticity is robust the model.

Detection of specification error: Functional form and hypothesis testing are directed towards improving the specification of the model or using that model to draw generally narrow inferences about population. Specification of the functional form is important, because a correct explanatory variable may well appear to be insignificant or to have an unexpected sign if an inappropriate functional form is used. There are numerous types of errors that one might make on the specification of the estimated equation. Perhaps the most common ones are the omission of relevant variables and inclusion of superfluous variables. This can be detected by *ovtest* through STATA command (Gujrati, 2003). No rule of thumb for specification error, the only means is trial and error until included relevant variables which omitted before and excluding superfluous variables in the model.

CHAPTER FOUR

RESULT AND DISCUSSION

This chapter deals with the empirical findings and discussion of the results obtained from descriptive and econometric analysis. It has three major parts: In the first part the characteristics of members of cooperatives such as demographic, socioeconomic, institutional factors are

presented and discussed. In the second part financial performance of consumer cooperatives were analyzed from income statements and balance sheets from audit report of the consumer cooperatives for the years 2007 and 2008. Finally the factors that affect the economic contribution of the consumer cooperatives towards their members are presented and discussed.

4.1. Demographic and socio economic characteristics of sample households

4.1. Gender of the respondents

Gender Representative	Frequency	Percentage	Cumulative Percentage
Male	30	31	
Female	67	69	100

As shown in table 4.1, respondents figure comprised of 30 (31%) male and 67 (69%) female. Therefore, the majority of the respondents were female. This was because women members exceed the male in terms of numbers at the study area.

4.2. Age of the respondents

Age of Respondents'	Frequency	Percentage	Cumulative Percentage
21-35	0	0	0
36-45	28	29	29
46-60	61	63	92
60 and above	8	8	100

The answers of respondents to their age are outlined in Table 4.2 shows, the majority of the respondents or 61 (63%) are from the age of 46 to 60 then 28(29%) from the age of 36to 45, followed by 8(8%) from age of above 60. The result indicates that more than 67% of respondents were above 46.

4.3. Marital status of the respondents

Marital Status	Frequency	Percentage	Cumulative
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of the Respondents'			Percentage
Unmarried	8	8	8
Married	70	72	80
Divorced	19	20	100
Widow	0	0	100

As shown in table 4.3 the majority or 70 (72%) of the respondents are married, 8(8%) unmarried and 19(20%) divorced. The result shows that the most customers of consumer cooperative in the study area were married people.

4.4 Educational status of the respondents

Educational Status of the Respondents'	Frequency	Percentage	Cumulative Percentage
Illiterate	19	20	20
1-6 Grade	15	15	35
7-12 Grade	34	35	70
Diploma and above	29	30	100

As indicated in table 4.4 the educational status of the respondents are from beginner to higher education. The majority or 34(35%) from grade 7 to 12 followed by diploma level and above 29(30%) and 19 (20%) of them illiterate. In addition 15 (15%) of the members are from grade 1 to 6.

4.2. Financial performance of the Consumer Cooperative

Measurement of financial performance involves knowing how far actual performance is consistent with planned performance or with standards already established and assesses the change in the trend of business transaction in the financial condition of cooperatives. The financial performances of the consumer cooperatives were analyzed by using financial ratios calculated from income statements and balance sheets. Healthiness of financial performance of

consumer cooperatives is a function of liquidity; leverage and profitability are presented as follows:

4.5. Financial Performance: Ratio analysis

Ratio	Year	
	2007 E.C	2008 E.C
1. Liquidity Ratio		
• Current Ratio	2.67	1.32
• Quick Ratio	2.36	0.84
2. Leverage Ratio		
• Debt Ratio	0.36	0.73
• Debt-Equity Ratio	0.57	2.63
3. Profitability Ratio		
• GR Margin	0.06	0.05
• NP Margin	0.01	0.02

Source: Documents of the Consumer Cooperative.

Liquidity:

The satisfactory rate of current ratio that is accepted by most lenders and financial institutions as condition for granting or continuing commercial loan is 2.00. The current ratio for Raeye in 2007 E.C indicates that, they have 2.67 birr in current assets for each birr of current liabilities (Table 4.2.1). This implies that they have ability to satisfy their members with respect to provision of credit in cash and readiness in short-term debt servicing or cash flow capacity without disrupting the normal operations of the business. However, this ratio decreased to 1.32:1 in the year 2008 E.C which is an indicator of insufficient liquidity that recharges their short term obligation.

The quick ratio of the consumer cooperative in the year 2007 was 2.36, which is above the generally accepted standard of quick ratio measure of liquidity. This might be due to inability to manage its cash, receivables or debt properly. This indicates that either idle cash or too low liabilities held by the cooperative. While in the next year approximately equal to the accepted standard and indicates good performance in regard to this measure of liquidity ratio.

Leverage/Capital Structure:

Leverage ratios are calculated to determine the proportion of *debt* in total financing—the extent to which a firm has relied on *debt* in financing its *assets*. The *Debt Ratio* of *0.36:1* for the year 2007 means that lenders had financed *36 percent* of *Raeye net assets*. It obviously implies that owner members have provided the remaining finance, *64 percent*. In 2008, the *Debt Ratio* increased to *0.73:1* indicating that the portion of finance covered by creditors increased to *73 percent* in that year. The *Debt-Equity Ratios* of *0.57:1* and *2.63:1* respectively for 2007 and 2008, on the other hand, show that lenders have contributed *Birr 0.57* for *each Birr* of the owners' contribution in 2007 and *Birr 2.63* for *each Birr* of the owners' contribution in 2008. A *Debt-Equity Ratio* of *greater than 1* implies a greater claim of creditors than owners. From the point of view of the owners, this is advantageous during a period of good economic activities given a lower interest rate than the firm's overall rate of return. The decrease in these ratios indicates that the amount of *total debt* of the *cooperative* decreased in 2007.

Profitability:

Although a Cooperative is a non-profit organization, it needs to earn a reasonable amount of profit to survive and grow over a long period of time. Profits are essential especially from dealings with the macro environment (non-members). But it would be wrong to assume that every action initiated by management of the Cooperative should be aimed at maximizing profits, irrespective of social consequences.

Profitability ratios are used to evaluate the overall performance of a firm, The *Gross Profit (GP) Margins* of *0.06* and *0.05*, and *Net Profit (NP) Margin* of *0.01* and *0.02* (Table 4.5) for the year 2007 and 2008 respectively, shows that the *cooperative* generated *net profits* of *one and two percent* of its *sales* in the year 2007 and 2008 respectively. A higher NP margin is a sign of good management. The trend over the two years under study shows that the performance of *Raeye consumer cooperative* was improving. The improvement was the result of higher sales value due to higher sales prices, better demand of the community, and better experience of the consumer cooperative personnel.

4.3. Satisfaction level of the members of consumer cooperatives:

Satisfaction according to Hokanson (1995) is affected by many factors which include friendly employees, courteous employees, knowledgeable employees, and helpful employees, accuracy of billing, competitive pricing, service quality, good value and quick service. For purposes of this study, we concentrate on seven dimensions of customer satisfaction which are Sharing of profit(dividend), Reasonable price, Location, Timely supply of goods and services, product quality, Measurement of goods, Courtesy of service providers.

4.6. Members' satisfactions median scores

Members satisfaction	Percentage					median
	Strongly unsatisfied (1)	Unsatisfied (2)	Neutral (3)	Satisfied (4)	Strongly satisfied (5)	
Sharing of profit(dividend)	14	57	9	14	6	2
Reasonable price	10	13	3	59	15	4
Location	11	64	3	15	6	2
Timely supply of goods and services	4	44	2	13	2	2
Quality of goods and services provided	8	21	6	49	16	4
Measurement of goods	8	21	6	49	16	4
Courtesy of service providers	32	38	8	15	7	2

Sharing of Profit (Dividend) :It is expected that households are encouraged to participate more actively in consumer cooperative if there is surplus appropriation in the form patronage refund.

According to Dejen (2014) in most of the cooperatives the amount they actually receive through dividend payment is very low and sometimes null. The survey also shows that the dividend has a median value of 2; alike with the researchers that previously did the members of the cooperative are not satisfied by dividend.

Reasonable price: According to Thomas(2002) the reason for the establishment of the consumer cooperative is to provide the goods and services with a reasonable price than traders. Getahun (2016), found that the majority of the respondents were in difference. As shown in table 4.1 the median value of 4 indicates that majority of the members are satisfied by the pricing of the consumer cooperative.

Location:The location of any store is always very important. Location can mean convenience and accessibility. Location can also refer to the number of stores in a particular geographical setting. According to Martinez-Ruiz et al (2010:280), suggest that once a location is near to the home then transaction costs associated with purchase such as transport costs and time spent are likely to be reduced. From the survey obtained median value of convenient distribution center is 2. It indicates that members are not satisfied with the accessibility of the shops.

Timely Supply of Goods:- Due to unavailability of basic goods timely on consumer cooperative shops, the members are forced to purchase adulterated goods with high price from the open market. The situation causes lack of sense of ownership by members. As shown in table 4.1 the timely supply of goods median value is 2, it indicates that the majority of the members are not satisfied.

Quality of Goods and Services: - From the median scores obtained, majority of the members are satisfied with a mean value of 4.

Measurement of Goods: - As shown in table 4.1 the median value of the measurement of goods is 4. It indicates that the majority of the members are satisfied by measurement.

Courtesy of Service Providers: - Courtesy is the first impression whether the goods and services are available or not; the word of mouth has a role to play in clients' satisfaction. All firms are responsible for making sure customers are treated fairly. However, from the survey as shown in table 4.1 the median value of 2 obtained. It indicates that most of the members are not satisfied by service providers' treatment.

4.4. Determinants factors that affect the economic gain of the members from consumer cooperatives.

Household economic gain from the consumer cooperative is determined by various, demographic, socioeconomic and institutional factors. In view of this, efforts were made to include variables found relevant to the model in order to estimate the effects of the hypothesized explanatory variables on level of economic gain of households from consumer cooperatives. Multiple linear regression models were employed to identify the significant factors that affect household economic gain by using the OLS in STATA software version 12. For the parameter estimates to be efficient, test of assumptions of OLS were performed using appropriate test statistics.

The five most important diagnostic tests after OLS, heteroscedasticity, omitted variable, normality, multicollinearity and specification, were conducted.

The Heteroscedasticity tests were performed and there was no heteroscedasticity problem (Appendix Table 7). The VIF values were ranging between 1.12 and 2.10 and the mean VIF value was 1.70 (Appendix Table 7). These results indicated the absence of serious multicollinearity problem among the independent variables. Similarly, omitted variable test result also showed that there was no specification error (Appendix Table 7).

4.7. Statistical description of the variables

The table shows that the mean, maximum and minimum value of variables.

stats	prd	inc	dis	nhh	age	gen2
mean	114.1047	2787.326	.4651163	4.72093	51.63953	1.337209
max	187	5000	1.5	7	70	2
min	51	800	.25	3	38	1

4.8. Regression result

Price difference	Coefficient	T - statistics	p-value
Constant	141.88	8.55	0.000***
Total income	- 0.02	- 13.29	0.000***
Age of the member	0.55	2.18	0.032**
Distance from CCs	- 19.42	- 3.53	0.001***
Number of HHs	4.59	2.26	0.026**
Gender	- 4.43	- 0.97	0.337
Marital status	1.58	0.51	0.608

*Indicates 90% significant level, ** indicates 95% significant level and *** indicates 99% significant level

Number of observation	97
F(4,81)	92.03
Prob>F	0.000
R-Squared	0.8599
Adjusted R ²	0.8505

From the results of regression analysis the coefficient of determination, the adjusted R squared of 0.8505 in table 4.8 tells us the variation in the dependent variable due changes in the independent variables. From the findings of the study, the regression analysis indicated.

A total of 7 explanatory variables were considered in the econometric model, all variables were found to significantly influence the economic contribution of the consumer cooperative except gender and marital status.

The economic contribution of the consumer cooperatives were significantly influenced by total income; distance from the consumer cooperative shop and number of households at 99% level of significance and age of the members and number of households are significant at 95%.

Regression equation:-

$$prd = 141.88 - 0.02 inc - 19.42dis + 4.59nhh + 0.55age + e$$

Distance from the consumer cooperative shops to the household house had found negatively determining the economic gain of the members from the consumer cooperative at 99% level of significance. This implies that the households who live far-away from the consumer cooperative shops by one kilo meter their economic gain from the consumer cooperative decreases by 19.42 birr. The plausible reason is that, the households, who live relatively nearer to the consumer cooperative shops, have more transaction in consumer cooperatives. This study result was similar with the finding of Daniel (2006) and Muthyalu, (2013).

Total income of the households had found negatively determining the economic gain of the members from the consumer cooperative at 99% level of significance. The result reveals that for each additional birr of the household, 0.02 birr decrease economic gain from the consumer cooperative. The plausible reason is that, When the people income becomes higher, not preferring the consumer cooperatives because of their status consciousness or ego. This study result was similar with the finding of Thomas (2002).

Number of Households had found positively determining the economic gain of the members from the consumer cooperative at 95% level of significance. This implies that the Number of Households increase by one their economic gain from the consumer cooperative increase by 4.59 birr. The plausible reason is that, to get the economics of scale members bought and uses goods and services from the consumer cooperative shops.

Age of the members had found positively determining the economic gain of the members from the consumer cooperative at 95% level of significance. This implies that the age of the members increase by one their economic gain from the consumer cooperative increase by 0.55 birr. The plausible reason is that, As age of members become older and older they have strong sense of ownership which leads to actively participate in the consumer cooperatives. This study result was similar with the finding of Demeke, 2007; Alema, 2008, Jemal, 2008.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1. Conclusion

Cooperatives are service oriented institutions based on the principle of each for all and all for each. The basic objective of the cooperative movement is to achieve the welfare: of the members concerned and to protect them from exploitation. Consumer cooperatives are organized to serve as the best custodians of the unorganized consumers by supplying quality products and services at reasonable prices and in correct weights and measurements. The process of economic reforms under the World Trade Organization (WTO) has further increased the relevance of the cooperative institutions. The first consumer cooperative society was established by Rochdale Pioneers in the year 1844 in Manchester in England. However, Ethiopian consumer cooperative movement is about decades old.

According to City Government of Addis Ababa Trade Bureau Cooperative Department there are 165 consumer cooperatives in Addis Ababa, with total capital of 498,739,717.7. Among these Raeye consumer cooperatives are the one which established in kolfiekeranyo sub city woreda 5.

To assess the economic contribution of the consumer cooperative in Addis Ababa, the study conducted three specific objectives:-

- To assess the financial performance of the consumer cooperative.
- To assess the rate of members' satisfaction on the services of consumer cooperatives.
- To identify the determinant factors of economic contributions of the consumer cooperative in the study area

A random sampling procedure was followed to select the consumer cooperatives and sample households. Both qualitative and quantitative data was collected through primary and secondary data. A structured interview schedule was developed for the collection of necessary primary information.

Descriptive statistics such as mean, percentage, and frequency were computed to analyze demographic and socio economic status of the study area and satisfaction level of the members. Financial ratios measuring liquidity, leverage and profitability were computed from audit report of the consumer cooperatives in 2007 and 2008 E.C production years. Finally, OLS econometrics model were employed to identify determinants of members economic gain from the consumer cooperatives.

Financial ratio analysis of the consumer cooperative showed inconsistent. Rather fluctuating liquidity performance for the consecutive two years under study. For instance, the current ratio in its first year audit report was above the standard (greater than 2:1) while in the following year it was below the accepted standard and the same scenario was observed for the quick ratio. On the other hand, its financial performance with regard to leverage ratio and profitability ratio was relatively better but still fluctuations were observed.

According to the findings the consumer cooperative in the study area was unable to provide basic goods and services adequately, timely and consistently. Moreover, in terms of accessibility, courtesy of service providers, sharing of profit and providing job opportunity the members were unsatisfied.

This study adopted OLS econometrics model to identify determinants of members' economic gain from the consumer cooperatives. A total of 6 explanatory variables were considered in the econometric model, all variables are continuous explanatory variables. Members' economic gain from the consumer cooperatives were significantly influenced by Total income, Distance of the members' resident to consumer cooperative shop and number of households of members at 99% level of significance and Age of the members and number of households were significantly affect the economic gain at 95%. Whereas gender and marital status were not significantly affect the economic gain.

5.2. Recommendation

To further enhance the role of Consumer cooperatives the following recommendations are made:-

- In many cases, the specific brands of some products preferred by the customers were not available in the primary consumers' cooperative societies. Thus, the consumer cooperatives should pay more attention to make available the brands demanded by the customers.
- The employees in the consumers' cooperative societies should also be equipped with necessary skills, knowledge and experience to serve the customers. In order to equip the employees with the financial aspect, periodical training programmes are to be organized by the cooperative training institutions.
- There is excess government and political intervention in the affairs of the primary consumers' cooperative societies. The excess government intervention is to be curtailed by the amendments in the Cooperatives Societies.
- The distances from consumer cooperatives to the household residents influence the level of economic gain of the members negatively. This implies that the households who live far-away from the cooperative office have low level of participation in consumer cooperatives. Therefore cooperative should give attention while they establish new cooperative shops to the center of the households' residence based on economical feasibility.
- Patronage refund positively affected household level of participation. According to the proclamation 147/1998, 70% of the surplus the cooperative earned in the year should be appropriated to the members. Therefore, cooperative management should have to realize the proclamation 147/1998 and allocate the surplus in the form of patronage refund to motivate the members.
- The Board of Directors and managers have to give emphasis on the timely supply of goods and services.

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Appendix-1

Raeye Consumer Cooperative
Income statement
For the year 2007 E.C, ending June 30/2007E.C

Sales:

Merchandise	1,462,151.05
Total sales	1,462,151.05

Purchase:

Merchandise	1,443,906.08
Total purchase	1,443,906.08
Cost of goods available for sale	1,443,906.08
Less: Ending inventory	66,481.05
Cost of goods sold	1,377,424.58
Gross profit	90,497.20

Administrative expenses

Transport	5,815
Per diem	6,500
Labor	5,169
maintenance	6,942.69
Gas and oil	500
Plastic package printing	4,600
Tax	19,000
Salary	12,336
Stationery	12,640
Telephone bill	2,015.36
	300

Other revenues

Interest	5,770.73
----------	----------

Other expenses

Interest expense	288.54
Miscellaneous	700
Total expense	

Net profit

76,817.14
13,680.06

Appendix-2

Balance sheet, 2007
Raeye Consumer Cooperative
Balance sheet
For the month June 30/2007 E.C

1. Assets		
1.1. Current Assets		
	Cash on hand	66,481.50
	Cash in CBE	162,921.65
	Cash in Document	346,217.18
Total current Assets		575,620.33
1.2. Fixed assets		
	Office Equipments	10,500
	Accumulated depreciation	
	Store equipments	8049.88
	Accumulated depreciation	
Total fixed assets		18,549.88
Total current and fixed assets		594,170.21
2. Liabilities		
	A/P (public rec. club.)	215,000
Total liabilities (current)		215,000
3. Capital		
	Share	325,054.38
	Unpaid dividend	30,531.08
	Reserve fund	13,084.75
Total capital		368,670.21
Total liability and capital		583,670.21

Appendix-3

Raeye Consumer Cooperative
Income statement
For the year 2008 E.C, ending June
30/2008E.C

Sales:			
	Merchandise	21,179,193.99	
	Total sales		21,179,193.99
Purchase:			
	Merchandise	21,374,727.44	
	Total purchase	21,374,727.44	
	Cost of goods available for sale	21,441,208.94	
	Less: Ending inventory	66,481.50	
	Cost of goods sold		20,118,884.83
	Gross profit		1,136,593
Administrative expenses			
	Working closet	6,937.26	
	Per diem	8,300	
	Labor & car rent	291,296.80	
	Development support	10,304.46	
	Plastic package	12,979.31	
	Salary	259,801.88	
	Stationery	43,205.16	
	House rent	21,500	
	Telephone bill	1000	
Other revenues			
	Interest	5,770.73	
Other expenses			
	Interest expense	120	
	Miscellaneous	3,389.98	
	Total expense		658,834.85
Net profit			477,758.15

Appendix-4

Balance sheet, 2008
Raeye Consumer Cooperative
Balance sheet
For the month June 30/2008 E.C

1. Assets		
1.1. Current Assets		
	Cash on hand	242,016.59
	Cash in CBE	363,048.92
	Sugar Corporation	3,600
	Inve. 2008	1,322,324.11
	Cash in Document	1,664,585.84
Total current Assets		3,595,575.46
1.2. Fixed assets		
	Office Equipments	16,949.88
	Accumulated depreciation	3,389.98
	Store	135,921.00
	Accumulated depreciation	
Total fixed assets		149,480.90
Total current and fixed assets		3,745,056.36
2. Liabilities		
	A/P (public rec. club.)	2,715,778
Total liabilities (current)		2,715,778
3. Capital		
	Share	507,904.38
	dividend	364,961.79
	Reserve fund	156,412.19
Total capital		1,029,278.36
Total liability and capital		3,745,056.36

Appendix-5

Calculation of Financial Ratios

i. Liquidity ratios:

1. Current ratio = Current Asset ÷ Current Liability

$$(2007): 575620.33 \div 215000 = 2.67$$

$$(2008): 3595575.46 \div 2715778 = 1.32$$

2. Quick ratio = (Current Asset – Inventory) ÷ Current Liability

$$(2007): (575620.33 - 66481.50) \div 215000 = 2.36$$

$$(2008): (3595575.46 - 1322324.11) \div 2715778 = 0.84$$

ii. Leverage ratios (Capital structure ratios):

1. Debt Ratio (DR) = Total Debt (TD)/Capital Employed (CE)

$$(2007): 215000 \div 594170.21 = 0.36$$

$$(2008): 2715778 \div 3745056.36 = 0.73$$

2. Debt-Equity Ratio = TD/Net Worth (NW)

$$(2007): 215000 \div 379170.21 = 0.57$$

$$(2008): 2715778 \div 1029278.36 = 2.63$$

iii. Profitability ratios:

1. Gross profit margin = (Sales – CGS) ÷ Sales = GP ÷ Sales

$$(2007): 90497.20 \div 1462151.05 = 0.06$$

$$(2008): 1136593 \div 21176193.99 = 0.05$$

2. Net profit Margin = Net profit ÷ Sales

$$(2007): 13680.06 \div 1462151.05 = 0.01$$

$$(2008): 477758.15 \div 21179193.99 = 0.02$$

Appendix-6

1. Regressionresult

```
. reg prd inc dis nhh age gen2 marital2
```

Source	SS	df	MS	Number of obs =	97
Model	118563.795	6	19760.6324	F(6, 90) =	92.03
Residual	19324.226	90	214.713622	Prob > F =	0.0000
Total	137888.021	96	1436.33355	R-squared =	0.8599
				Adj R-squared =	0.8505
				Root MSE =	14.653

prd	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
inc	-.0235469	.0017714	-13.29	0.000	-.0270661 - .0200277
dis	-19.42641	5.502891	-3.53	0.001	-30.35886 -8.493953
nhh	4.590078	2.027407	2.26	0.026	.5622808 8.617876
age	.550531	.2521115	2.18	0.032	.0496674 1.051395
gen2	-4.431629	4.589949	-0.97	0.337	-13.55036 4.687107
marital2	1.589061	3.091353	0.51	0.608	-4.55245 7.730573
_cons	141.8874	16.60237	8.55	0.000	108.9039 174.8709

Appendix-7- Tests of OLS

2. Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
ehat	97	0.98986	0.739	-0.667	0.74747

3. Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of logprd

chi2(1) = 0.63

Prob>chi2 = 0.4265

4. vif

. vif

Variable	VIF	1/VIF
age	2.09	0.479391
gen2	2.03	0.491835
inc	1.90	0.527329
dis	1.72	0.582556
nhh	1.34	0.747122
marital2	1.15	0.872453
Mean VIF	1.70	

5. ovttest

Ramsey RESET test using powers of the fitted values of logprd

Ho: model has no omitted variables

F(3, 78) = 1.82

Prob> F = 0.1496

Appendix-9 Questionnaire

St. Marry University

Institute of Agriculture and Development Studies

Departments of Agricultural Economics

Dear Respondents. Please I would like to inform you that the Purpose of this questionnaire is only for academic research in partial fulfillment of Master of Science Degree. The title of the research is “Economic Contributions of Consumer Cooperatives towards the members: The case of woreda 5 Consumer cooperatives at KolfieKeranyo Sub-city in Addis Ababa. These Questionnaire is to be filled members of Consumer’s Cooperatives and staff concerned with cooperatives .

-Please use (√)mark

I. PERSONAL INFORMATION

1. Gender A. Male B. Female

2. Age of the member

3. 3. Marital Status A. Unmarried

B. Married

C. Divorced

D. Widow/er.

4. Number of House Holds

5. Education A. Illiterate

B. 1-6 Grade

C. 7-12 Grade

D. Diploma and above

6. Occupation

A. Daily Laborer

B. Government Employee

C. NGO Employee

D. Private Company

E. Own business

7. House hold Income per month

8. How often do you visit the CCs shop?

A. Daily

B. Twice a Weekly

C. Weekly

D. Biweekly

E. Monthly

F. Rarely

11. How far the CCs shop from your residence?

12. Have your any HHs directly or indirectly get job opportunity in the CCs?

A. Yes

B. No

13. For question number 12 If the answer is yes, how many of them and their salary?

14. Have you got a dividend last year?

A. Yes

B. No

15. For question number “14” If the answer is yes, how much did you get?

16. Do you make any comparison of the goods purchased from the CC store and from other traders ?

A. Yes

B. No

17. For question number “16” If the answer is yes, Please fill the table below.

S.No.	Item	CCs. Price	Open Market Price	Price Difference
1	Pasta			
2	Macaroni			
3	Rice			
4	Ordinal Soap			
5	Teff			
6	Lentil			
7	Meat			
8	Sugar			
9	Edible palm oil			
SUM				

II. What is your satisfaction on the following factors with reference to the cooperative store in comparison with other traders?

S. No.	Members Satisfaction that CCs Provided	Strongly Satisfied	Satisfied	Indifferent	Not Satisfied	Strongly dissatisfied
1	Providing job opportunity					
2	Payment of dividend to the members					
3	Quality of goods and Services provided by CCs.					
4	Appropriateness of physical location of the shop,					

	Accessibility.					
5	Reasonable price of goods and services					
6	Timely supply of basic goods and services					
7	Courtesy of service providers					
8	Availability of preferred brands					
9	Measurement of the goods					
10	Stock level of goods maintained in the stores					

19. Any other comments related to the above?

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IV. What should be done in the future?

1. What are your recommendations for the effectiveness of consumer’s cooperative in contributing on economic aspect?

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2. What measures should be taken to improve the consumer’s cooperative in order to give better service?

Appendix - 10

source:- Addis Ababa City Administration, integrated land information center

