A Study on Challenges and Opportunities of Consumer Cooperative Societies in Hawassa City, SNNPR, Ethiopia - An Analytical Approach

Dr. K. Kanagaraj
Department of Cooperatives, Hawassa University, Ethiopia, Africa
Email: drkanagaraj@gmail.com

ABSTRACT

The presence of consumer co-operatives creates an impact in the market, especially to protect the interests of consumers by way of keeping intermediaries away from the distribution channel. Consumer cooperatives aim to provide quality goods to consumers in the desired quantity and at reasonable prices. The Hawassa town is purposively selected for the present study since it is the predominating trade centre for southern Ethiopia. The study was focused on the Analysis of challenges and opportunities of 15 consumer cooperatives in four sub-cities. About 200 respondents were selected by adopting simple random sampling techniques. Data was collected by interviewing cooperative officials and by questioners from members as well as non-member respondents. Both qualitative and quantitative data analysis were pursued for the study purpose. Collected data was analyzed by using logistic regressions, charts, percentages and tables carried out to draw meaningful interpretations. From the study, the major challenges of consumer cooperatives under the study areas are corruption, lack of awareness, poor member participation, lack of managerial skills, lack of finance, lake of supervision and audit, hurriedly organized and weak linkage among and other cooperatives are the major problems that affect the activities of consumer cooperatives. Based on the findings government supports, willingness of non members to join in consumer cooperative and dissatisfaction of non-members by retailers take as an opportunity for those consumers cooperative in Hawassa town.

Keywords: consumers- distribution- channel- cooperative- awareness- finance- dissatisfaction

1. Introduction

1.1. Background of the Study

Cooperative is a form of economic organization based on certain human values. The International Cooperative Alliance has defined “cooperative as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise” ICA (1995). Cooperatives are service oriented institutions based on the principle of “each for all and all for each”. It is an organization of the people, by the people and for the people. The basic objective of the cooperative movement is to achieve the welfare of the members concerned and to protect them from all sort of exploitation. In developing countries like Ethiopia, cooperatives have been assigned an important role as instruments of economic and social transformation. Cooperation aims to provide necessary remedy for the economic inequality and the evils of concentration of income and wealth and thereby prevents the exploitation of the weaker sections by the stronger. Cooperative
societies may be broadly classified into primary societies and secondary societies. Primary societies are of two types—viz. credit societies and non-credit societies. Both credit and non-credit societies can be further classified into agricultural and non-agricultural, depending on the class of people who constitute these societies. The cooperatives have enlarged its activities in all spheres of human life, viz. production, distribution, housing, health, education etc. Since time immemorial, middlemen have been exploiting the consumers, who is ultimately bear all the burden of the various middlemen also indulge in a variety of malpractices such as adulteration, black marketing, hoarding and profiteering. As long as these nefarious activities of the middlemen are not checked, price line cannot be brought under control (Himachalam, 1991). Under this situation, the consumer cooperatives were found to be the only solution to protect the interests of consumers at large. 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.

1.2. Statement of the Problem

Members of consumer cooperatives are expected to provide them with a wide range of goods and services to be used in everyday living. Members hope to benefit from consumer cooperatives in respect of fair prices, high quality products and reliable services.

In Ethiopia, there is high population growth from time to time, which alternately results in rapid increase of the demand of goods and services. In addition to this, there is high middlemen exploitation and blood seeking of consumers by producers and few merchants. Inflation and price fluctuation has increased from time to time. Therefore, to regulate the above marketing problems, establishment of consumer cooperative is an indispensable tool. In recent periods, the government took various initiatives in order to establish consumer cooperatives with an aim of regulating price fluctuation in the market, creating marketing linkage, protecting consumers from the evil of monopoly, and distribution of goods and services at fair price with consumer satisfaction. However, things are not going well as expected from both the government and members. There are lot of bottlenecks that hindered the growth and function of consumer cooperatives in the study area and made them to fail to meet their intended purpose. There is limited knowledge of the people towards the aim of establishing consumer cooperative. Those established consumer cooperatives couldn’t perform as expected due to many challenges and obstacles. Therefore, the purpose of this research is to conduct an investigation on the challenges facing existing consumer cooperatives and to utilize favorable working conditions available to those operating in Hawassa town.

1.3. Problems of Consumer Cooperatives

The problems of consumer stores have been pointed out by the special committees or experts in conferences and seminars. The problems confronted by the consumer cooperatives could broadly be classified as follows.

(a) Supply of consumer goods and services.
(b) Financial problems
(c) Management problems
(d) Problems of coordination

Some of the reasons given for the failure of consumer cooperative movement are as follows:

1. Narrow Base of Operation or limited operation

It has been observed that most of the cooperative societies deal with limited number of commodities and the requirements of the customers are not at all satisfied.

2. Small and Uneconomic Size
Most of the primary cooperative societies have been very small and non-viable units and it has poor membership, inadequate working capital and their average sales have been very low that they could hardly meet their recurring expenditure.

3. Lack of Efficient Management

Most of the consumer cooperative stores are run by persons who are not having adequate experience in the field of business. They are unable to arrange proper training to the staff members.

4. Hurriedly Organized and Disloyalty of Members

Most of the stores were organized by cooperative staff in order to fill up the targets without making the members understand their responsibility. Some places they were organized by vested interests and persons running these stores have not been inspiring confidence in the general public.

5. Indifference of State Government

In spite of earnest directions from central government, state governments have followed policies which are not congenial to the development of cooperative movement. The main motto is not for earning profit but for rendering maximum services to its member, particularly supply of essential commodities are not received by members in time and preference will be given to private agencies.

6. Dishonesty of the Employees and Management

Pilferage has been a common disease in many stores. Some stores come to grief because of the dishonesty of employees. Prompt action was not taken against such employees who were found guilty.

7. Lack of Coordination and Cooperation among Different Constituents

It has been observed that in many instances there has been no proper coordination between cooperative marketing societies, processing societies, and the wholesale consumer stores. Hence, consumer cooperatives lose their market share and their members are dissatisfied.

8. Defective Price and Purchase Policy

Some of the cooperative came to grief as they did not follow a sound price and purchase policy. In the case of price policy it has been said that the store may either sell goods at market price or less than market price.

9. Lack of Supervision and Audit

Auditing is an important tool, through which we find out whether the cooperative societies are successfully carried out the specific activities and also known whether accounts were properly kept and collect prices were charged. This was due to lack of supervision and audit by the cooperative department, which led to failure of some stores. The slackness in supervision, inspection and audit encouraged the dishonest office bearers to play with already meager resources of the stores.

10. Lack of Inventory and Verification of Stock

Periodical verification of goods in consumer cooperative store is essential in order to find out stock status position. Majority of central stores, the monthly or quarterly physical stock is not done which leads to an opportunity to pilferer for doing malpractices.

The basic reasons for the development of consumer movement in Ethiopia are different from those in the West. In western countries, consumer movement was the result of post-industrializations affluence-for more information about the merits of competing products and to influence producers especially for new and more sophisticated products.

In Ethiopia, the basic reasons for the consumers’ cooperative movement have been emerged due to:
1. Shortage of consumer products; inflation of early 1970's
2. Adulteration and the black market.
3. Lack of product choices due to lack of development in technology.
4. Thrust of consumer cooperative movement in India has been on availability, purity and prices
   The following factors which stimulated the consumer cooperative movement in recent years are:
   2. Increasing consumer awareness
   3. Declining quality of goods and services
   4. Increasing consumer expectations because of consumer education
   5. Influence of the pioneers and leaders of the consumer movement organized effort through consumer societies.

6. Objective of the Study

6.1. General objective

The general objective of the proposed study is to analyze the challenges and opportunities of consumer cooperatives societies in Hawassa town.

6.2. Specific Objectives

1. To identify problems facing consumer cooperative societies in Hawassa town.
2. To assess available prospects that enhances the performance of consumer cooperatives societies in Hawassa town.
3. To analyse socio-economic factors that affect membership in consumer cooperatives societies in Hawassa town.
4. To study the market performance of consumer cooperatives in comparison with private trader.
5. To examine the role of consumer cooperatives in implementing the schemes and programmes of the government.
6. To propose recommendation and solutions for the problems and challenges facing by consumer cooperatives societies.

2.3. Origin and History of Consumer Cooperatives

The consumer’s cooperative movement owes it origin to the famous Rochdale cooperative store established in 1844 in Britain. The success of the consumer movement is so well known, that it needs no detailed description. The movement has flourished in other European countries also but it did not make any headway in this country till the Second World War which gave a stimulus to this form of cooperation. Acute shortage and high prices of food grains and other necessities of life during the war and post war period, made controlled rationing a great necessity. It was the cooperative institutions which were considered to be the best agencies to make fair distribution of such goods and check black marketing. This movement has achieved spectacular success in some of the western countries like Sweden, Denmark, Finland and Britain.

2.4. Meaning and Definitions of Consumer Cooperatives

Jain, V. P. in his article “Consumer Cooperatives”, has given detailed information on the retail sale of consumer goods, public distribution system and rationalization of fair price shops, supermarkets, opening of self-service shops, mobile van shops and the like. Himachalam, D. emphasized the general problems of consumer cooperatives, consumer satisfaction, professionalism, product mix, sales efficiency, challenges and new strategy. Consumer cooperative societies are of a recent origin in this country. Ethiopian economy being predominantly agricultural, its production is dependent on the vagaries of the monsoon and very often there is partial failure of crops in one
or more regions. Again, in the event of such shortfalls in domestic production, the wholesalers and retailers often create artificial shortages. Apart from that, the tendency of private trade is to increase profit margin is more pronounced in such situations. The government therefore has promoted consumer cooperatives as an alternative channel of distribution to exercise a healthy influence on individual distributors. Although consumer cooperatives were organized even earlier, they increased in number rapidly during the Second World War and also in the immediate post war period owing to the encouragement from the government. Consumer co-operatives are those whose individual members are consumers. It means that the member of a consumer cooperative is an individual person acting as a consumer.

a. Significance of the Study

The purpose of this study is to assess the challenges and opportunities of consumer cooperative societies in selected consumer cooperatives in Hawassa town. Therefore, the study is expected to have some practical contributions in a sense that it shares some light on the problems and prospects of consumer cooperatives. In this regard this study will assist the effort of SNNPR government in creation of consumer cooperative association that plays a great role in the economic development of the country. These in turn are expected to help consumer cooperatives technically assisted by SNNPR Government to become productive and profitable. Moreover, it will provide an input for researchers for further study, analyzing the challenges facing consumer cooperatives, so that it will address the needs and problems of the cooperative societies and member to benefit from their cooperative organization.

a. Scope of the Study

The broad focus of this study is to analyze the challenges and opportunities of consumer cooperatives societies in Hawassa town. Attempts will be made to assess the role of primary consumer cooperative societies in the study area. In the study area there are 45 primary consumer cooperative societies in operation, but the study is confined only by selecting 29 consumer cooperative societies that are found in four sub-cities. The above consumer cooperative societies selected on the basis of business transactions they conduct.

2.5. Cooperatives and Market Economy

Just like any other kind of organization, cooperative societies develop their activities in the framework of a market economy. It means that they have to respect the rules that ensure the good functioning of such economic model while, at the same time, respecting the values and principles that define them. When a conflict between the two sets of rules arises it is necessary to evaluate which ones should prevail. One of the basic principles of a market economy is the existence of competition and this is probably the area where most questions can be raised regarding the compatibility with cooperative rules. It would be advisable, when a potential conflict emerges, to do an in-depth analysis of all the economic and social impacts that a decision may have or to have a set of guidelines already in place to help interpret the rules. One of the basic principles of a market economy is that competition is not an end in itself but rather a tool to achieve optimum growth and development. Consumer co-operatives contribute to this objective in many different ways and, in many cases, in a way that neither private nor public enterprises can. In fact: The close link that consumer co-operatives have with local communities is a factor of territorial cohesion. For consumers, they guarantee accessibility to basic products and services at affordable prices even in regions where most private enterprises do not. The economic and social benefits generated by their activity stay in those local communities. Consumer co-operatives provide thousands of stable and high standard jobs. Their ethical policies regarding the employment opportunities to
workers with long-term perspectives and stability. The ethical stance of consumer co-operatives provides not only consumers with safe, high quality and high social standards products but also with equitable conditions for each partner of the supply chain. Through their democratic governance structures they are in a privileged position to understand and address the real concerns and expectations of consumers. The long-term economic and social benefits generate by co-operative activity are a fundamental contribution to sustainable development which cannot be neglected.

2.6. Cooperative in Ethiopia

The people of Ethiopia have got a very long social history of working together to fulfill their socio-economic needs. Agriculture, Trade and Military Operations were carried out through cooperative efforts. Many social events are still taking place in rural Ethiopia through collective effort. The Federal Government of Ethiopia has identified Cooperative form of business organizations as an instrument of socio-economic change particularly to achieve food security which leads to sustainable development. As a result as on 30th June 1998 Ethiopian Calendar, the country has recorded 6004 Primary Agriculture and Allied Cooperatives to serve the suppressed and depressed community of Ethiopia. The concept of human cooperation is not new. It was existing even before the formation of modern cooperative. The spirit of self-help and co-operation has long been a part of the farming community in Ethiopia. There have been mutual organizations in urban areas, too. When communities face problems, they devise ways of addressing these problems based on their values, culture and beliefs. In Ethiopia, various self-help co-operatives still exist. They are local level institutions with an organizational base that are indigenous, such as Debo, Mahiber, Iddir, and Iqub. These traditional informal cooperatives would be a base for formal cooperatives. The first cooperative organizations were established in Ethiopia in the year 1950s (Couture et al., 2002). The cooperatives were active during the Derg Regime from 1974 to 1991(5) (Dorsey & Tesfaye, 2005). The activities of cooperatives during the Derg regime were completely different from those of Western-type cooperatives because they were based on Marxist principles. The government claimed that the objective of cooperatives was “to bring an end to capitalist exploitation and to prevent the re-emergence of capitalism in agriculture” (Dessalegn, 1990). Cooperative activities under the Derg regime were halted in 1990. When the new mixed economic policy permitted peasants to choose whether they would work for cooperatives or individually, most peasants decided to reallocate cooperative lands to individual holdings (Dessalegn 1994; Gezachew, 1994; Tessema, 1994). After the collapse of the Derg regime in 1991, during the confusion of the transitional period, some SCs were looted and vandalized by local people for their assets (Dessalegn, 1994), whereas others scaled down their activities due to severe competition with private traders after trade liberalization (Kodama, 2003). Ethiopia has introduced modern types of cooperatives in various areas of Endeavour after the majority of African countries, where their cooperatives were established by the Western powers during their colonization period. In fact, the first consumer cooperative societies were established in Addis Ababa in 1945 (ILO, 1975). However, it was after decree No. 44 of 1960 that modern or ‘imported’ co-operatives were officially introduced. The decree No 44/1960 was replaced by “Co-operative Society Proclamation No. 241 of 1966”. The main objective of this proclamation was improving the standard of living of the farmers, better business performance and improving methods of production. In reality, this proclamation benefited the wealthy commercial farmers who resided in the most potential areas. The crisis of co-operative identity began at the time when the Derg abolished all co-operatives except the housing and saving co-operatives which were organized under the Proclamation 241/ 1966. The
Cooperatives during that period were not autonomous organizations, but had purely political character. This was clearly reflected in the proclamation of 138/1978 Article 3.5 i.e. “Cooperative shall be organized to conduct political agitation”. Besides, Article 3.6 says: “Co-operative is organized to participate in the building of the socialist economy.” ILO (1997 as cited by Haileselassie, 2003) clearly states that many cooperatives in Africa are not (were not until recently) “genuine”, because they served the state, a political party or individuals instead of their members. When the State ‘incorporates’ cooperatives, they become instruments of oppression instead of participation. An example (though now dissolved) is the peasants’ associations of Ethiopia, which forced farmers into collective production against their will. Therefore, the proclamation was enacted on the basis of socialist ideology. They were considered as the extension of State institutions, and almost all lost their co-operative identity. By abolishing the more centralized economic policy and planning and with the new market liberalization policy, which is democratic and decentralized policy, launched the formation of new “Agricultural Co-operative Societies Proclamation No.85/1994”. This proclamation restricts the government from negative interference in the internal affairs of co-operatives and initiates the organization of free, autonomous and independent co-operatives. For establishment of different types of co-operatives in the country, “Co-operative Societies Proclamation No. 147/1998” replaced the proclamation of No. 85/1994. This proclamation in particular includes the following: Agricultural, Consumer, Housing, Industrial and Artisan Producers’, saving and Credit, Fishing and Mining Co-operative Societies. Under this proclamation, cooperatives are organized to solve the problems collectively, to achieve a better result by coordinating their knowledge, wealth and labor to promote self-reliance, to improve their living standard of members and so on. The Ethiopian government is trying to promote co-operatives with the main objective of developing them into autonomous self-help institutions. It was the main reason for setting up Cooperative Promotion Department in Prime Minister’s office, Co-operative Promotion Bureaus in regions and in line administrative units (zones and woredas) and later Cooperative Commission was started at federal level. Former United Nations Secretary-General Boutros Boutros-Ghali, in his 1994 Report to the General Assembly, stated that “Cooperative enterprises provide the organizational means where by a significant proportion of humanity is able to take into its own hands the tasks of creating productive employment, overcoming poverty and achieving social integration.” Therefore the aim of consumer co-operatives is to meet the needs and aspirations of consumers and accountability of managers of a consumer co-operative is emphasized consumers themselves and not for shareholders. Democratic accountability is direct because every individual member has a right to participate in the general assemblies. To sum up, consumer cooperatives are enterprises owned by consumers, managed democratically, aiming at fulfilling the needs and aspirations of the members. With the advent of modern market economy, the position has radically changed and a growing number of market functionaries have interposed themselves, adding to the margins at various stages. The result is that, now there is often a considerable price-spread between the producer and the consumer. Of the various measures taken by the government to hold the price line, the development of the consumer cooperatives has by far attracted the greatest attention. A consumer co-operative is a voluntary organization of consumers, organized to obtain their requirements of consumer goods and services on terms of greatest advantage to them. This type of cooperative undertakes retailing, wholesale trading, and sometimes the production and processing of consumer goods. Most of the consumer stores have been established on the principles enunciated by the Rochdale pioneers. These principles are open membership,
democratic control, cash trading on a market price, fixed on capital and dividend on purchases. The main objective of a consumer store is rendering services of its members and customers with goods required by them for household consumption. It is expected to provide goods at a reasonable price and to protect the interest of the members. These stores are also expected to stabilize the price line and check the exploitation of the consumers by the private businessmen.

3. Research Methodology

3.1. Description of the Study Area

This research is conducted in Hawassa city. Hawassa is located at 70°’ 30’’ latitude north and 80° 29” east longitude also located south of Addis at 275 km, with an altitude of 168m above sea level. It covers an area of 50km$^2$. Its population is estimated about 289,806 people. The name has driven from Lake Hawassa which mean wide in sidama language. The city was established in 1960 by emperor Haileilassie I. Hawassa is an important industrial, commercial as well as tourist centre in the southern edge of the country. The city administration of Hawassa is structured in 8 sub cities and 32 kebeles. There are 45 primary consumers cooperative societies are functioning.

3.2. Study Population and Study Design

The study is aimed at assessing the challenges and opportunities of consumer cooperative societies in Hawassa city. Hence, the study population constitutes all the members of consumer cooperatives in Hawassa city. Cross-sectional study design will be employed to meet the objectives.

3.3. Sampling Design & Sample Size Determination

Multistage probability sampling method will be employed to identify the sample members of consumer cooperatives. There are of 45 primary consumer cooperatives are functioning in the eight sub-cities of Hawassa city. In the first stage, eight clusters are formed based upon the consumer cooperatives in the eight sub-cities. Then using simple random sampling method, four of the clusters (sub-cities) are selected based on the volume of business transaction, namely: Tabor, Menharia, Misrak and Addis-ketema. These four sub-cities contain 30 consumer cooperatives. From the selected four sub-cities, 15 samples of consumer cooperatives are chosen using simple random sampling. Finally, sample consumer cooperative members from the selected consumer cooperatives are selected using simple random sampling by considering the size of cooperative members in the selected cooperatives. The minimum required sample size for this study is specified by using the following sample size determination formula:

$$n = \left( \frac{z_{\alpha/2}}{e} \right)^2 \times pq$$

Where

1. $n$ is the minimum required sample size; $e$ is the desired level of precision- it is the range in which the true value of the population is estimated to be; $\alpha$ is level of significance; and $p$ is estimated proportion of the challenges reported by the members of consumer cooperatives. Since there is no previous study conducted in related topic, it was difficult to get the estimate for the proportion $p$. Therefore, the value of 0.5 is used to obtain the maximum possible sample size. Using the above formula, the minimum required sample size with 95% confidence level, 8% precision level, and 0.5 estimated proportions is $n = 150$. To compare as a control group 50 non member respondents were selected using simple random sampling technique.
To meet the specified research objectives, both qualitative and quantitative data analysis are perused for the study purpose. Descriptive statistics like frequency distributions, charts, cross-tabulations and inferential statistics like linear regression and binary logistic regression was used to elicit meaningful information. The data entry and analysis was performed by using Statistical Package for Social Science (SPSS).

3.7. Logistic Regression

Logistic regression is used when the regressed, the dependent variable or the response variable is qualitative in nature or categorical. Qualitative response variable are either binary (dichotomous variable) or multiple category. Binomionaly or binary logistic regression is the form of regression that is used when the dependent variable is dichotomous and the dependent variables are of any type. Multinomial regression can handle the case of dependent variable with more than two classes. Logistic regression can be used to predict a dependent variable on the basis of continuous and (categorical independent variables) to determine the percent of variance in the dependent variable explained by the independents; to rank the relative importance of independent; to assess the interaction effect and to understand the impact of covariate control variables. The regression model when the dependent variable is quantitative our aim (objective) is to estimate the expected (mean), value given the values of the regresses. E (yi|x1i… xKi ). But in logistic regression our objective is to find the probability of something happening (probability of success).

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Where:
- P: the probability of success (probability of something happened)
- 1- P: the Probability of failure.
- \(\beta_0\): is constant term
Properties of Logistic Regression

1. Logistic regression does not assume linear relationship between the dependent variable and independent variable.

2. The dependent variable need not be normally distributed (but does assume) its distribution is within the range of the exponential family such as normal, poison, binomial and gamma.

3. The dependent variable need not be homostedastic for each level of independent variables; that is there is no homogeneity of variance assumption.

4. Normally distributed errors terms are not assumed.

5. A logistic regression does not require that the independent variables be continuous.

6. Logistic regressions do not require that the independent variables be unbounded

4. Data Analysis and Interpretation

4.1. Background of the Respondents

The result of table 4.1 provides data on demographic characteristics of the respondents. It includes variables like sex, religion, marital status, educational status, occupation and income level of members as well as non-member. As can be seen in table 4.1, 38 percent of member respondents are male and the remaining 62 percent are females. 60 percent of non-member respondents are male and the remaining 40 percent were females. Based on the table, 43.5 percent of the total respondents are male and 56.5 percent are female. Majority of member respondents are females which constitutes 62 percent and majority of non-member respondents are male which accounts 60 percent. Hence, the involvement of females in consumer cooperative society is higher than male this is because of high responsibility of women for their family. These show that the contribution of consumer cooperative in the future become high by participating women in the economic activities. According to the result of table 4.1, majority of the respondents are orthodox. As shown in the table, out of the total respondents' orthodox, protestant, catholic and Muslim constitute 42.5 percent, 40.5%, 5% and 12% respectively. Depending up on the responses, majority of the member respondents are married which account 74.7% and majority of non-member respondents are single which account 66%. From the members respondents 25% are single and 74.7% are married. 66% of non-member respondent are single and the remaining 34% are married. Marital status of the total respondents shows that 35.5% are single and 64.5% are married.

<table>
<thead>
<tr>
<th>Item</th>
<th>Members</th>
<th>Non Members</th>
<th>Total</th>
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<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Percent</td>
<td>No.</td>
</tr>
<tr>
<td>Sex</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Male</td>
<td>57</td>
<td>38</td>
<td>30</td>
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A Study on Challenges and Opportunities of Consumer Cooperative Societies in Hawassa City, SNNPR, Ethiopia - An Analytical Approach
Based on the above table, the educational qualification of the respondents 47% are diploma and/or degree. Respondents below secondary school education constitute 15% of the whole respondents. 30% of them are secondary school, diploma/degree and above degree comprise 47% and 8% respectively. Majority of the member respondents are lower and middle level educational qualification and majority of non-member respondents are high educational qualification. Hence, consumer cooperatives are taken as an alternative option to organize weaker section of the society to being productive.

The occupational status of the respondent shows that majority of the respondents are employed which account 79% of the total respondents and the remaining persons engaged

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Total</th>
<th>150</th>
<th>100</th>
<th>50</th>
<th>100</th>
<th>200</th>
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<td>Petty trade</td>
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<td>5.5</td>
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<tr>
<td>Laborer</td>
<td>23</td>
<td>11.5</td>
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<tr>
<td>Employed</td>
<td>108</td>
<td>79</td>
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<tr>
<td>Merchant</td>
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<td>4</td>
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<tr>
<td>Total</td>
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<th>Income</th>
<th>Total</th>
<th>150</th>
<th>100</th>
<th>50</th>
<th>100</th>
<th>200</th>
<th>100</th>
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<tr>
<td>Below 1,500</td>
<td>88</td>
<td>47</td>
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<td>1,500 – 5,000</td>
<td>54</td>
<td>39.5</td>
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<td>5,000 – 10,000</td>
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<td>12</td>
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<td>Above 10,000</td>
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<td>1.5</td>
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<td>Total</td>
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in some other activities such as petty trade, laborer, and merchants account 5.5%, 11.5% and 4% respectively. The income level of the respondent shows that majority of the respondents are earned below birr 1500, which accounts 47.5% of the total respondents. The remaining 39.5%, 12% and 1.5% of them earns birr 1500-5000, birr 5000-10,000 and above birr 10,000. Majority of the member respondents are earn low income which account 58.7% and majority of non-member respondents are earn middle and higher income which comprises 82%. Therefore, consumer cooperatives are an organization of mainly for economically weaker section of the society to being economically strong and protect themselves from all sort of exploitation by the stronger.

**Problems of Consumer’s Cooperatives**

Cooperatives today are viewed as failed institutions encircled by inefficiency and corruption. This should be changed. People don’t believe what you intent to do, rather they judge you only by the things what you have done. If cooperatives can give successful products, sure they will believe cooperatives are kick and alive. According to the response obtained from the members, corruption, poor member participation, lack of managerial skills, lack of finance, lack of motivation on employee, lack of government support and others are the major problems that face consumer cooperative. Based on the multiple responses, corruption and poor member participations are the major problems that face consumer cooperatives which account 93.3% and 91.3% respectively. Lack of managerial skills, lack of finance, lack of motivation and lack of government supports constitutes 88.7%, 86%, 63.3%, and 34.7% respective. Hence, the cooperative agency, government and all concerned bodies should fight the problems by designing different strategies and techniques to overcome the problems and to enhance their performance.

The following bar graph shows the major problems that face consumer cooperatives.

![Major Challenges of Consumer Cooperatives](image)

*Source: Primary Data-2012*

**Fig.4.1. Major challenges of consumer cooperatives**

**4.2. Lack of Awareness**

People are not well informed about the objectives and the contributions, it can make in rebuilding the society and the rules and regulations of cooperative institutions. Unfortunately, no special efforts have been made in this direction. People look upon these institutions as means for obtaining facilities and concessions from the government. Cooperatives are perceived as government institutions by many. Even the members don’t understand them as their own business units. This ignorance or myopia is the reason why the members of the
cooperative themselves are not loyal to the business, the worst part of it is, many time they readily enjoy the benefits and willfully refuse to pay back their liabilities. All this is because the wrong understanding of the system. Unless they are educated the original nature of the business, realize the need for their own active participation in the business operations, understand the meaning of patronage dividend all other efforts will remain only futile. So long as people expect to get something from the government, they see to it that societies somehow continue to function. As per the interview result, consumer cooperative in the study area have a skeleton without a Soul i.e. members simply join without the awareness of the benefits and objectives of consumer cooperatives. This problem also assessed from respondents of the members. Out of the total member respondent, only 76% of them have awareness about consumer cooperatives and the remaining 24% haven’t awareness about consumer cooperatives. From these we can understand that, some members are simply join and associated without the awareness of consumer cooperatives. Therefore, being member without believe should not bring to success of consumer cooperatives. Hence, the authorities should take some efforts for disseminating the necessary information through mass medias. These can be depicts by the following pie chart:

**Awareness about the Necessity of Consumer Cooperatives**

![Pie Chart]

**Source:** Primary Data-2012

**Fig. 4.2. Awareness about the necessity of consumer cooperatives**

**4.3. Poor Members Participation**

Members are voluntarily come forward to participate in all the activities of consumer cooperatives towards for sustainable development and cooperative awareness are prerequisite for organizing a cooperative. To elect a committee for management and to participate in the general body meeting and in the business, members should be motivated by the cooperative officials. According to the response obtained from the member, 62.7% of the respondent attends the general body meeting very rarely and 22.7% of them attend rarely. From these we can understand that member participation in those consumer cooperatives is poor. Hence, to enhance member participation, the government as well as the cooperative agency provides education and training on the awareness
creation about the benefits and objectives of consumer cooperative for their members. The following table shows the frequency of members’ participation in to general body meetings.

<table>
<thead>
<tr>
<th>Frequency of Members Attendance</th>
<th>No. of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regularly</td>
<td>22</td>
<td>14.7</td>
</tr>
<tr>
<td>Rarely</td>
<td>34</td>
<td>22.7</td>
</tr>
<tr>
<td>Very Rarely</td>
<td>94</td>
<td>62.7</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Own Survey 2012

**Table 4.2. Classification of respondents on member participation**

Generally being membership without believe, should not bring to the success for consumer cooperative rather this lead to poor member participation and weak commitments for the success of their consumer cooperative.

**4.4. Weak Linkage with other Cooperative**

As per the responses obtained from the members, the linkage among and with other types of cooperatives are very weak. Based on the following table, majority of (63%) of respondents think that there is a weak forward and backward linkage with other cooperatives that provides inputs for smooth functioning of consumer cooperatives. The remaining 16% of the respondents agree that linkage among and

<table>
<thead>
<tr>
<th>Strength of Linkage</th>
<th>No. of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Agree</td>
<td>24</td>
<td>16</td>
</tr>
<tr>
<td>Neutral</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Disagree</td>
<td>95</td>
<td>63.3</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>13</td>
<td>8.7</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary Data-2012

**Table 4.3. Linkage with other cooperatives**

The success of cooperative businesses lies in their democratic way of management. The boards

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A Study on Challenges and Opportunities of Consumer Cooperative Societies in Hawassa City, SNNPR, Ethiopia - An Analytical Approach
of cooperative societies in many places have been liquidated.

Like other business organizations, consumer cooperatives need skillful managers. Majority of the members of consumer cooperatives are lack of knowledge and managerial skills. The significance of consumer cooperatives has been recognized at all relevant levels by one and all. But, in order to manage and administer cooperatives effectively, there is a dire need of qualified, trained and competent people. Therefore, government should constitute the screening committee for giving preference to cooperative skill, knowledge and background persons rather than non cooperative personnel during the selection time.

4.6. Organizational and Structural Problems

Based on the finding of interview cooperative agencies and cooperative officials, most of the consumer cooperatives have not sound and formal organizational structure. Organizations performance is the result of sound structure. Therefore, consumer cooperatives need to have clear structure and basically needs strong cooperative extension team to propagate the concept, principles and philosophy of cooperatives to the general public, potential members, youth and women in order to strengthen the cooperative sector.

4.7. Corruption

Red tapism in business operations, vested interests of bureaucrats and increased corruption and frauds are the other challenges which affect the efficiency of consumer cooperative businesses. Unless such offences are severely punished it will erode their financial soundness like anything and will hinder their successful operation in the market.

From the members respondent stated that, major problem of consumer cooperatives are corruption. BOD and Managers of consumer cooperatives are making corruptions by violating the principles and values of cooperatives. This leads to lack of trust by members as well as non-members. Therefore, the continuity and success of these consumer cooperatives is under questions. Hence, the government as well as all concerned bodies takes necessary effort to eradicate corruption among the officials in consumer cooperatives.

4.8. Lack of Finance

4.9. Finance is an essential component and is considered as a backbone in any type of business organization. Most of the cooperative societies are not financially strong enough to deliver vibrant products and services so as to ensure their market share. This is a basic challenge before the cooperatives. They should be made financially self sustained by increasing the member contribution in realistic terms.

The members in consumer cooperatives are poor having very limited savings. The consumer cooperatives are finding it very difficult to mobilize financial resource base from among the members. The members themselves are living in a precarious condition and they can’t contribute considerably to build facilities for the cooperatives. Hence, the government should devote sum amount of birr in the future for the betterment of consumer cooperatives.

4.9. Lack of Supervision and Audit

From the finding of the interview, many consumer cooperative employees are not having adequate training to maintain their accounts properly. Out of 15 consumer cooperative societies under the study, only two consumer cooperatives namely Andenet and Alamura are audited (Source: consumer cooperative union of Hawassa town). It shows that consumer cooperatives are not supervised and audited on time. Therefore, consumer cooperatives need to be supervised, inspected, monitored and audited at regular intervals, failing which, the members of the board and the employees working in the cooperatives may ignore accountability to the general body. Moreover, the future plan of action
cannot be framed without the results of earlier attempts, for which, the consumer cooperative bureaus of the governments need professionals.

4.10. Stiff Competition and unavailability of Preferred brand

Based on the findings of interview, stiff competition from private traders are the main problems that face consumer cooperative. Unavailability of preferred brand for members Preference loss their competitive advantages and Provide inadequate services.

4.11. Members Dissatisfaction

Based on the response obtained from the member, 35% of the respondents are satisfied by the service offered by a consumer cooperative and the remaining 65% of them are not satisfied due to non availability of preferred brand, problems on the supply of consumer goods and services, adulteration and the black market, lack of product choices due to lack of development in technology. Therefore member dissatisfaction is a threat that affects the continuity of consumer cooperatives.

<table>
<thead>
<tr>
<th>Members Dissatisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>35%</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>65%</td>
</tr>
</tbody>
</table>

Source: Primary Data-2012
Fig 3.3.Member dissatisfaction by consumer cooperative

4.12. Prospects of Consumer Cooperative

3.2. Government Support

As per the interview findings and based on the response from the members, government support and commitment for their cooperatives are increasing from time to time. Therefore the support of the government is an opportunity for building their infrastructural facilities of consumer cooperatives in the fourth coming years.

3.3.2. Non member Dissatisfaction on Retailers and Private traders

Dissatisfaction of non-members by retailers and private traders which creates an opportunity to join as member in a consumer cooperative. These enhance the working capital of consumer cooperatives and inject the new blood for those cooperatives.

<table>
<thead>
<tr>
<th>Opinion</th>
<th>No. of Respondents</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>13</td>
<td>26.0</td>
</tr>
<tr>
<td>No</td>
<td>37</td>
<td>74.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Source: Primary Data-2012

Table 3.4. Non member dissatisfaction on retailers

Source: Primary Data-2012
Fig 3.4. Non Members Plan To Join Consumer Cooperatives

3.4. Performance of Consumer Cooperative As Compared to Private Traders

Based on the response obtained from members, price charge by consumer cooperative is fair and/or better than private traders and retailers. Out of the total member respondents, 56% of the respondent expressed that consumer cooperative is performed in a better way in terms of price charge than Private traders. The remaining 32.3% and 11.7% of the respondents expressed that the price charge by consumer cooperative is equal and worse respectively. Regarding the quality of product supplied by both consumers cooperative and private traders are equal. As per the members’ response, 76% of the respondents opened that both organizations offer quality product equally. 17% of the respondent opened that consumer cooperatives are offers better quality than private traders and the remaining 7% of the respondent opened that consumer cooperative is not up to the Mary in terms of quality product offer. In terms of availability of brand preference, the performance of consumer cooperative is not satisfactory, i.e. consumer cooperative does not offer brand preference as compared to private trader. As per the members response, 68% of the respondents expressed that consumer cooperative is not good in brand preference than private trader. 17% of the respondent expressed that the performance of consumer cooperative are better in availability of brand preference and the remaining 15% of the respondents opened that both are equally emphasized the brand preference. Therefore, in order to enhance their performance and get competitive advantage over private traders’ consumer cooperatives in the future should enable to provide different brand preference for their client. The following graph shows that the comparison between consumer cooperatives with private traders in terms of price, quality and availability of brand:-
3.5. The Role of Consumer Cooperative in Implementing Government Policy

Based on the response obtained from the members, consumer cooperatives play a significant role in price regulation, protecting members from exploitation of middlemen, proving prompt service to members, providing quality offers and others.

Fig 3.5. Comparisons between consumer cooperative with private traders

4.5.1. Price Regulation

As per the members’ response, 95% of the respondent stated that consumer cooperative play a significant role on price regulation. Currently the major marketing problem is price instability. Therefore to regulate the price, consumer cooperatives play significant role.
3.5.2. Protect From Middlemen Exploitation

Consumer cooperatives are also important to protect member from middleman exploitation and the evil of monopoly. 85.1 % of the respondent said that consumer cooperative has significant role to protect members from middlemen exploitation and blood seeking of consumers by few merchants.

3.5.3. Provide Superior Service to Members

By providing prompt services with fair price, consumer cooperative play a significant role for rendering maximum service to its members. Cooperative strives for the benefits of members. 74.4% of the respondents said that the roles of consumer cooperatives are for the benefit of members.

Regulate Inflation

Source: Primary Data-2012

**Fig 3.7.Consumer cooperatives in price regulation**

Inflation and price fluctuation are increasing from time to time. Consumer cooperative also play significant role in regulating price fluctuation. As per the members’ response, 91% of the respondent opined that consumer cooperatives has playing a significant role on inflation regulation and the remaining 9% of the respondents opined that not significant role. Generally the role of consumer cooperatives are regulating price fluctuation, protecting consumers from the evil of monopoly and distribution of goods and services at fair price to satisfy consumer. Based on the findings of the interview, consumer cooperative has play a vital role for the socio-economic aspect of the country. Consumer co-operatives have been successful in halting some of the abuses of the monopolies and in improving conditions of the lower-income classes. Consumer co-operatives are very important for improving the distribution of essential goods and combating inflation.

In order to implement growth and transformation plan (GTP), consumer cooperatives are an indispensable tool. The following table shows that the level of agreements of the respondents on the importance of consumer cooperative to implement government policies and programs. Based on the response, 52% of the respondents are agreed that consumer cooperatives have playing a great role to implement government programs and 16% of the respondents stated that they are disagreeing. This shows that to implement government policies and programs, consumer cooperatives play significant role.

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A Study on Challenges and Opportunities of Consumer Cooperative Societies in Hawassa City, SNNPR, Ethiopia - An Analytical Approach
### Table 3.5. Role of consumer cooperative to implement government program

<table>
<thead>
<tr>
<th>Implementing Programs</th>
<th>Government Policies and Programs</th>
<th>No. of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
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<td>19.3</td>
</tr>
<tr>
<td>Agree</td>
<td></td>
<td>78</td>
<td>52</td>
</tr>
<tr>
<td>Neutral</td>
<td></td>
<td>11</td>
<td>7.3</td>
</tr>
<tr>
<td>Disagree</td>
<td></td>
<td>24</td>
<td>16</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td></td>
<td>8</td>
<td>5.3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>150</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: Primary Data-2012*

### 3.6. Membership in Consumer Cooperatives

#### 4.6.1. Why members join in a consumer cooperative?

Members are rational to join in a consumer cooperative. As per the members’ response, the main reasons to join as member in consumer cooperative are to avail the goods on rebate base. Unlike private trader, the objective of consumer cooperative is not for profit maximization rather than to serve customers by offering fair price. Therefore, 76% of the respondents expressed that the main reason to join as member in consumer cooperative is to get price reduction. 60% of the respondents expressed that the reason to join in consumer cooperative is to get prompt service. To get divided and to get quality products constitutes 50% and 35% of the response. Member’s reason to join as member in a consumer cooperatives societies presented by the following bar graph.

![Memebrs Reason to Join Consumer Cooperatives](image)

*Source: Primary Data-2012*

*Fig 3.8. Members’ reasons to join consumer cooperative*

#### 3.6.2. Why Non-Member Resist to Join Consumer Cooperative?

Based on non-members responses, lack of awareness, lack of trust on Board of Directors and cooperative manages, no special benefit for members, less benefit than private traders and lack of faith on the idea of cooperatives are the major reasons. Majority of the respondent opined that lack of awareness about cooperative is the
main reason for not join as member to a consumer cooperatives, which constitute 94% and others opined that lack of trust on boards & manager, consumer cooperatives are no special benefit for members, less benefits than private traders and lack of faith on cooperative philosophy constitutes 62%, 40%, 30% and 8% respectively. Therefore, education and training on the awareness creation about the benefits and objectives of consumer cooperative is important not only for members but also for non members.

\[ \text{Non-members Reason for not Joining} \]

![Graph showing reasons for not joining](image)

*Source: Primary Data-2012

**Fig 3.2. Non members reason for not joining**

### 3.6.3. Socio-Economic Factors that Affect Membership in Consumer Cooperative societies

There are some socio-economic variables that affect membership in consumer cooperatives societies. Such variables are sex, marital status, level of education and income level. To show the relationship between those independent variables with being membership (dependent) variable, logistic regression can be used.

| Test | Chi-square | d | Sig | This table shows that the Hosmer and Lemeshow test used to determine the goodness of the fit of the model in the study at the time of the probability value of dependent variable is greater than the level of significance. Based on the above output male, single, low level of education and low level of income has significant on the determine variable of be members.

Based on the above output of logistic regression log it (male/member)

1. Being male has decrease to be membership in a consumer cooperative by 66.2% i.e 1-0.338=66.2%. Therefore, the probability to be member in a consumer cooperative is decreased by 66.2%, while the sex is male. The justification behind this is that male is less responsible for household consumable items in comparison to females. Females have high burden of family responsibility, due to this majority of members in consumer cooperatives are females. Hence, in comparisons to men, women have high probability to be member in a consumer cooperative. Log it(single/member)

2. Being single has decrease to be membership in a consumer cooperative by 83%
i.e 1-0.170=0.83=83%. The probability to be member in a consumer cooperative is decreased by 83% while the marital status is single. The justification behind this is that singles are not as such worry about their daily consumptions as compared with married. Married are feeling high burden of family responsibility, while singles are single. Hence, in comparison to single, majority of members join in a consumer cooperatives are married people. Log it (low level of education/member)

3. Low level of education increases 4 times to be member in a consumer cooperative. i.e in comparison to high level of educated people, low level of educated people (below secondary) has high probability to join in consumer cooperative. Low level of education is directly ties with unemployment and low level of income. In order to overcome all the socio-economic challenges, they prefer to fight come together rather than individually. Hence, in comparison to high level of educated people, majority of members join in a consumer cooperatives are low level of educated people. Log it(low level of income/member)

4. Low level of income 6 times increase to be member in a consumer cooperatives i.e when the level of income is low, the probability to join in a consumer cooperative is increases 6 times. The justification behind this is that in order to overcome all the socio-economic challenges like inflation, people who earn low level of income frustrate and they prefer to fight come together rather than individually. While peoples who earn high level of income have the capacities to cope up with those problems. Therefore, the income level of the individual has its own impact on the membership status of consumer cooperative.

Recommendation and Conclusion

Recommendations

Cooperatives today are viewed as failed institutions encircled by inefficiency and corruption. This should be changed. People don’t believe what you intent to do, rather they judge you only by the things what you have done. If cooperatives can give successful products, sure they will believe cooperatives are kick and alive. But can cooperatives give such products? Yes they can. All that needed is their morphing into new design of working so that these weaknesses can be managed effectively. In order to enhance the socio-economic contribution of those consumer cooperatives and to bring development by a chining growth and transformation plan (GTP) it is important to tackle challenges to promote renaissance. To enhance member participation and being aware about objectives & benefits of consumer cooperatives providing education, training and development is important. Training is directly related to the performance of individuals and organizations. In order to manage and administer consumer cooperatives effectively there is a dire need of qualified, trained and competent people by providing necessary training and development members with in cooperative awareness are prerequisites for organizing consumer cooperatives. Among and with other cooperatives board of directors (BOD) and designed the system of communication and linkage that create vertical as well as horizontal integration among and with other cooperatives. To eradicate corruption and develop trust between board and members, consumer cooperative should perform activities with transparently and clearly. Board are presenting annual report on time and clearly discusses the financial performance, proper application of cooperative principles and values by the BOD also an important mechanism to create a good relationship with members. Regular audit of accounts, sincere action against misappropriation of funds if any are mandatory to ensure their viability. To enhance the services offered by consumer cooperatives and improve their performance the researcher recommends that experience sharing with consumer cooperatives is important in order to get a new idea for future development, by taking experiences on how to provide better services for member satisfaction,
consumer cooperatives achieve their missions and objectives.

To improve the performance of consumer cooperatives achieve their mission and objectives, designing their organizational structure are very important. The performance of the organization is highly affected by the structure of organization itself. Therefore, designing sound organizational structure is an important to consumer cooperatives in order to achieve their objectives. To enhance the financial capacity of consumer cooperatives, the government as well as the financial institutions provide and facilitate the availability of credit. Cooperatives in general, collect very nominal contribution from members towards share capital with a view to enable even the poor to become a member. This liberal approach is jeopardy. It has neither helped the business to grow nor has empowered the members. Moreover, further research is recommended by incorporating more variables like (awareness, knowledge, and benefit etc) to determine membership status in a consumer cooperative. Rather it has eroded their bindings with the business. Since the money investment is very meager their real involvement in business operations has become a question mark. So raising share value will result both in increased member involvement as well as business soundness. Establishing cooperative bank also important to provide credit facilities and support all the activities of cooperatives.

4.1 Conclusion

The study was focuses on the analysis of challenges and opportunities of 15 consumer cooperatives in four sub-cities of Hawassa Town, Ethiopia. Based on the demographic data of the respondents, majority of the members in a consumer cooperatives are females, married, low level of educational qualification and earn low income. And majority of non- members are male, single and earn high income. The output of logistic regression also shows that being male and single are negatively affect the probability to be a member and low level of educational qualification and earn low income increases the probability of a person to be member.

The major challenges of consumer cooperatives under the study areas are corruption, lack of awareness, poor member participation, lack of managerial skills, lack of finance, lake of supervision and audit, hurriedly organized and weak linkage among and other cooperatives are the major problems that affect the activities of consumer cooperatives.

The study also attempts to show what prospect have in the future for those consumer cooperatives. Based on the findings government supports shows a progress from time to time and give a due attention for consumer cooperatives. These create a conductive work environment and an opportunity for those cooperatives. Dissatisfaction of non- members by retailers increases the probability by 33.1% to join as member in a consumer cooperative. Based on the performance comparison with private traders, in terms of price charge, quality offer and brand availability the study shows that, consumer cooperatives are better than private trader. Consumer cooperatives are playing a significant role to bring socio- economic improvement of the society. It brings consumer satisfaction by regulating price and protecting consumers from the evil of monopolist and middlemen exploitation. Generally consumer cooperatives are the corner stone for the success of renaissance by implementing government policies and programs. Because of these the Growth and Transformation Plan (GTP) give special attention for consumer cooperatives to bring socio- economic renaissance.

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http://www.fao.org/agl/index-eu.htm
AUTHOR’S PROFILE

Kalimuthu Kanagaraj is an Assistant Professor, Department of Cooperatives, Hawassa University, Ethiopia. He has rich experience in teaching, research and extension for more than 16 years. He has published 21 articles, contributed 6 research papers at the National level, 2 articles at the International level and also published two books. His major area of interest is: Cooperatives, Entrepreneurship & Management.