



ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

**ASSESSMENTS OF FINANCIAL PERFORMANCE OF SAVING AND
CREDIT COOPERATIVE SOCIETY, SELCTED SIX SAVING AND
CREDIT COOPERATIVE SOCIETIES IN BOLE SUB CITY**

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JUNE , 2015

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ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
FACULTY OF BUSINESS

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List of Acronyms/Abbreviations

AA	Addis Ababa
ACDI/VOCA	Agricultural Cooperatives Development Initiative /Volunteers for Overseas Cooperative Assistance
CAMEL	Capital Adequacy, Asset Quality, Management Efficiency and Liquidity
CSA	Central Statistical Agency
FDRE	Federal Democratic Republic of Ethiopia
ETB	Ethiopian Birr
FAO	Food and Agricultural Organization
FCA	Federal Cooperatives Agency
GDP	Gross Domestic Product
IFAD	International Fund for Agricultural Development
IFRI	International Food Policy Research Institute
ILO	International Labor Organization
PEARL	Protection, Effective Financial Structure, Asset Quality, Rates of Return and Costs, Liquidity and Signs of Growth
SACCOs	Saving and Credit Cooperatives Societies
UNDP	United Nation Development Program
WOCCU	World Council of Credit Union

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Abstract

The main purpose of this research is, to study financial performance (liquidity analysis of current ratio, leverage ratio –Total Debit to Account Receivable and Total Asset to Debit ration, and Capital to Asset ratio against PEARLs the standard ratio and percentage of World Council of Credit Unions of selected six Saving and Credit Cooperative Societies in Bole Sub City. Six cooperative Societies are selected based on availability three years audited financial reports. The employed methodology in this research is secondary quantitative data source and explanatory way of analyzed ration and percentage. Financial analysis tools, such as liquidity ratios ,leverage ratio, profitability ratio trend analysis of balance sheet and income statement. The study results indicated that cooperative Societies except one cooperative Ethiopian Airlines Employees, in others inefficiencies were noted regarding capital adequacy, leverage ratio, current asset ratio and working capital lower than the average ratio standard proposed to World Council of Credit Union. The study considered six years' from year 2007 to 2012 in to two categories(from the years 2007 to 2009 of G.C under group one and from years 2010 to 2012 G.C under two group) audited reports. The ratio and percentages performed by these selected five out of six SACCOs were below PEALS proposed by World Council of Credit Union. The profitability of the cooperatives societies also were not stable from year to year. All these issues need the attention of all stake holders specially as goal owner Federal Cooperative Agency and structurally related offices to improve the cooperative Societies performance and sustainability to give better benefit to their members as per designed objective.

KEYWORDS: *Financial Analysis, performance, Ratio Analysis and cooperative Societies*

CHAPTER ONE: INTRODUCTION

1.1 Back Ground of the Study

In 2009 there were over 49,330 credit unions across 98 countries with more than 184 million members and approximately \$1,354 billion in assets. There is a great diversity within the credit union movement across these countries. This reflects the various economic, historic and cultural contexts within which credit unions operate Donal & John (2010).

As per World Council of Cooperative Union 2013 Statistical Report released globally, cooperatives serve over 3 billion people. The U.S. has the most cooperative members, followed by China and India. The largest 300 cooperatives in the world have resources that equal the economy of Canada. In Canada, one in every 4 people is a member of a cooperative (SACCO Supervision Annual Report, 2013).

Saving and Credit Cooperatives are widely seen have potential to impact on development and poverty reduction. The UN has also acknowledged important direct and indirect impacts on socio-economic development in terms of promoting and supporting entrepreneurial development, creating productive employment, raising incomes and helping to reduce poverty while enhancing social attachment, social protection and community-building (UN, 2009).

Ethiopian Governments recognize saving and credit cooperatives and issue different proclamations since 1960s. Those proclamations set out general provisions for registration of cooperatives, legal form of registered cooperatives, rights and duties of members, governance and management of cooperatives, special privileges of primary cooperatives, assets and funds of primary cooperatives, audit and inspection, dissolution of cooperatives and other miscellaneous provisions Mengistu et.al, (2013). Proclamations conform to the universal cooperative principles and the ILO Promotion of cooperative Recommendation (No. 193/ 2002). In 2002, the Cooperatives' Commission Establishment Proclamation No. 274/2002 that created the institutional framework for promoting and supporting the cooperatives movement in Ethiopia. Proclamation No. 147/98 was further revised in 2004 with the issuance of the Cooperative Societies Proclamation (No. 402/2004). Therefore, cooperative societies are the concern of the Ethiopian government too. As per ILO recommendation a cooperative Societies is an autonomous association of people united voluntarily to meet their common economic, social, and cultural needs and aspirations through a

jointly-owned and democratically-controlled enterprise (ILO Recommendation on the Promotion of Cooperatives Recommendation, 2002 (No. 193)

The Government of Ethiopia is encouraging and supporting the establishment of cooperatives in various spheres of the country's economy. As a result, the cooperative movement is expanding, diversifying and growing at a rapid pace. But as in other developing countries, the cooperative sector of Ethiopia also faces the organizational & structural, resources, political and legal, monitoring and evaluation problems G.Veerakumaran (2007).

1.2 Statement of the Problem

Now a day cooperative societies are giving contribution in economic growth, changing social development, stabilize market situation, improve the livelihood of members in the global to every nation's GDP growth in Kenya Cooperative Societies contribute 45% GDP (FCA 2015).

In 2007 Newziland and Uruguay 3% of GDP contributed by cooperatives, in France in 2010 21,000 cooperatives provide 1million jobs representing 3.5% of the active working population Kifle (2014).

Saving is one of the important variables for economic development that has emerged as the central issue in developing countries at least for two reasons. First, foreign aid inflow to the developing economies has declined recently. Second, saving positively affects growth and development. The greater is the saving rate, the higher is the growth rate a country can attain. For economic development, growth is a must which cannot be achieved without investment or capital accumulation and saving through investment plays a vital role in this process Pollet, 2009 cited on Mengistu et.al, (2013).

Sources of finance are classified as formal, semi-formal and informal. Formal sources are providers of finance who are subject to banking laws of the country of operation and are engaged in loan extension to customers and diversified financial intermediaries. SACCOs are semi-formal financial institutions in the sense that they are registered entities and subject to all general rules, but are not subject to the same prudential standards applicable to formal financial institutions. Unlike the commercial banks and MFIs, savings and credit cooperatives are not subjected to the rigorous supervision and regulatory rule of the National Bank of Ethiopia Wolday (2002).

By the end of Fiscal Year 2013/14, the number of micro-finance institutions (MFIs) operating in the country reached 31. Their overall performance was encouraging as their total capital and total asset increased by 24.6 and 38.6 percent and reached Birr 5.6 billion and Birr 24.5 billion,

respectively. At the same time, their deposit mobilization and credit provision have expanded remarkably. Compared to Fiscal Year 2012/13, deposit mobilization of MFIs went up by 54.8 percent and reached Birr 11.8 billion while their outstanding credit rose by 31.9 percent indicating their expanded outreach. The four largest MFIs, namely Amhara, Dedebit, Oromiya and Omo Credit and Savings institutions accounted for 74.9 percent of the total capital, 84.0 percent of the savings, 80.6 percent of the credit and 81.6 percent of the total assets of MFIs at the end of 2013/14. (Source: Microfinance Institutions, cited on NBE annual report FY 2013/14).

SACCOs are promoted not only for money, but also for their contribution to the promotion of total human development. SACCOs develop people's minds by providing motivation, creating initiative, promoting self-development and self-reliance and help development of leadership capacity. They also develop material wellbeing by raising the living standards of members, making possible regular savings and wise use of money, providing loans at low interest rate and by making possible economic emancipation of members.

Statistics of cooperatives across regions could lead one to understand that the number of cooperatives, especially SACCOs established in rural areas, is smaller than they are in reality. Extra effort should be made to establish and strengthen rural cooperatives with priority given to cooperatives that can engage in value addition to livestock products and provision of services to the community. Cooperatives' financial and physical data management system should be improved. A cooperative database should also be established and regularly updated to include newly registered cooperatives and deletion of deregistered cooperatives Bezebih (2009).

Co-operative behavior is not only logical and rational; it may also reduce the risk of exploitation and manipulation by selfish individuals seeking to free-ride or cheat the system. However, such cheating and manipulation can result in a collapse of trust within the community, and if there is a perception that procedural justice is absent, the level of co-operation will decline. As a monitoring mechanism, regular financial audits promote trust and reciprocity, help address problems for the cooperative posed by free-riders or fraud, serve to buttress the reputation of the cooperative as a reliable commercial partner, and make sure that cooperatives comply with the expectations of their member-owners. Researchers found that agricultural cooperatives will be sustainable and successful if the members have a vested interest in their efficient operation and insist on good management under member-led governance (IFRI, 2013).

As Kaleb said that continuous assessment of the challenges and problems affecting the performance of cooperatives and device timely solutions to enhance their role in Ethiopian economy; develop short and long-term strategic plans for cooperatives and strengthen monitoring and evaluation practices of their performances; and Continuing to improve the auditing system, including building the capacity of the auditors. Strengthen public and private higher learning institutions in the development of trained manpower in the field of cooperatives in the country. Kaleb K. et al. (2014).

The researcher has been served as a committee member in one of Saving and Credit Cooperatives for five years and he want to be assessed the recommendation different scholars and researchers stated about cooperative societies under performance of financial performance against proposed ratio and percentage by World Council of Credit Union. financial performance (liquidity analysis of current ratio, leverage ratio –Total Debit to Account Receivable and Total Asset to Debit ration, and Capital to Asset ratio against the standard ratio and percentage of World Council of Credit Unions Under performance may be occurred due to mistreatment by staff, poor management of executive committee members or lack of professionalism, lack of proper monitoring and inspection. These factors are affected healthiness of financial performance of cooperative societies. However, studies on the financial performance of cooperatives at city administration level are not undertaken so far. In view of realizing these gaps, the researcher is motivated to undertake this research study to analyze the financial performance of Saving and Credit cooperative Societies in Bole Sub city.

The poor need sustainable access to financial services to be out of poverty. So before dealing further on the issue of ‘sustainability’, it would be prudent to investigate first the key issues that limit the expansion of the service. Why is there still low financial intermediation in Ethiopia, in both setting in urban and rural areas?

Based on the above research findings, the extent and the specification of internal and external challenges of SACCOs are identified. Cooperatives are built by the active participation of the members. The dearth of study encompassing the financial performance of SACCOs in Bole Sub city in the literature has initiated the researcher to examine the financial performance of the SACCOs in Sub city. Thus, this study analyzes the financial performance of Saving and Credit Cooperative Societies in Bole Sub City over the period 2007-2009 and 2010-2012 as per their audit report accessible from Sub city Cooperative Audit and Inspection office.

1.3 Research Questions

Though the performance trend of SACCOs in Ethiopia has shown increasing trends in terms of their numbers, membership sizes and amount of contribution and saving, many experts on the areas underscored that the performance in terms of penetration rate, average membership and saving ratio is still very low as compared with Sub-Saharan African countries (Mebratu, 2013).

China was a poor country with a very low saving status before 1970, questioning the so claimed saving “culture” of Chinese people. The growth pattern of China that higher growth rate leads to higher income and saving was earlier evidenced by high growth economies of Japan, South Korea and Taiwan and higher saving rates in Asia were happened only after economic growth took off. So culture as a dominant factor for higher saving rates in China has no room. Moderate inflation is an inevitable consequence of sustained economic growth.

During the Fiscal Years of 2002/03 to 2006/07, Ethiopia has recorded sustaining economic growth. Stated in simple words, Ethiopia at this juncture is faced with an overheating economy. With the global soaring price of oil, wheat, corn, and minerals, this condition cannot be regarded as unique to the Ethiopian situation. What makes this a special case is that Ethiopia is a low-income country. The increase in National Consumer Price Index (the main gauge of inflation) has become very detrimental to the low-income groups and retirees who live off a fixed income. The risk of inflationary pressure is reducing the purchasing power of the Ethiopian birr. For the last five years, Ethiopia has recorded sustaining economic growth. Moderate inflation is an inevitable consequence of sustained economic growth. It can enhance economic growth by mobilizing the resources of a country. However, inflation in Ethiopia is beyond the break-even point. Instead of stimulating economic growth, inflationary pressure in Ethiopia seems to be on the verge of distorting the allocation of resources and is likely to be a deterrent to undertaking productive investments (Asayehgn, 2010).

This study addresses the following questions:

- ✓ What is the financial health of the saving and credit cooperatives societies in performing the financial activities in line with the WOCCU proposed standards?
- ✓ What is the sign of growth trend of the SACCOs in relation to its financial performance in profit, members share capital, total assets, savings, and membership?

1.4 Objective of the Study

1.4.1 General Objective

The general objective of the study is to assess the financial performance of SACCOs to contribute their members in social, economic and political performance in Ethiopian context from the literatures.

1.4.2 The Specific Objectives

The study addresses the following specific objectives:

- ✓ To assess healthy of financial performance of Saving and Credit Cooperatives Societies in Bole Sub city as per World Council of Credit Union models.
- ✓ To identify causes of underperforming financial performance SACCOs in Bole Sub City.

1.5 Scope of the Study

This study took place in saving and credit Cooperatives Societies of Bole Sub city of Addis Ababa City Administration. The researcher accessed the financial performance of SACCOs by using six SACCOs audited financial report as a case study to measure their financial performance as per World Council of Credit Union's standard ratios. The study focused on identifying the internal and external challenges of the performance of Bole Sub city SACCOs, assessing the challenges affecting members' participation in study area, identifying the challenges of SACCOs.

The research paper is try to provide sufficient solution and answer for the questions which has been stated in the statement of problem. The researcher has used 6 years data by splitting into two categories, three SACCO's data of year 2007-2009 and other three are from year 2010 to 2012 as per availability of their audited financial reports to measures financial performance indicators as per World Council of Credit Union standard tools.

1.6 Significance of the Study

Financial performance analysis through financial statement analysis is the process of examining relationships among financial statement elements and making comparisons with relevant information. So, such results are valuable tools which can be used by members, shareholders and creditors, financial analysts, and others in their decision-making processes related to the cooperative Societies under this study.

The main goal of this research is to analyze financial statements of the cooperatives Societies from the past performance and current financial position so as to make predictions about the future financial performance of the Societies. Moreover, the study will be serving as a reference material for both academia and practitioners.

1.7 Organization of the Study

This research paper is organized in to five chapters. Chapter one contains background of the study, statement of the problem, research objectives, significance of the study, scope of the study. Chapter two provides related literature review informing the reader of what is already known in the areas of the study. Chapter three briefed about the methodology employed in the study, including research design, data source and collection method, procedure of data collection and method of data analysis. Chapter four presents about data analysis and discussion of the results. Finally chapter five contains summary, conclusions and recommendations the research finding.

CHAPTER TWO:REVIEW OF RELATED LITERATURES

2.1 Definitions

2.1.1 Cooperative Societies

Theories of Co-operation The history of the co-operative enterprise is intertwined with the economic and social theories that have shaped the past 165 years of its existence. Compared with Marxism and its liberal free market alternative, co-operative enterprise has remained largely apolitical and pragmatic in nature. As such it is consistent with the underlying principles of free market economics based on the concept of self-advancement and reward seeking Tim M. (2009).

Cooperation among people has existed since history has been record. Traditional forms of cooperation involved community members voluntarily pooling financial resources through "iqub", which was an association of people having the common objectives of mobilizing resources, especially finance, and distributing it to members on rotating basis. There were also initiatives for labor resource mobilization that were to overcome seasonal labor peaks, known as "Jigie", "Wonfel", among others. There also was the idir, which was an association for provision of social and economic insurance for the members in the events of death, accident, damages to property, among others. These informal associations continue to operate in Ethiopia Bezebih (2009).

The first savings and credit Cooperative in Ethiopia was established in 1964 by employees of Ethiopian Airlines. During the same period, credit Cooperative s were established by employees of the Ethiopian Road Authority and the Telecommunication Agency. Currently, SACCOs in Ethiopia operate within the framework of the proclamation No. 147/98 and the proclamation No. 402/2004.

A cooperative is an autonomous association of people united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity (UN, 2011). Cooperatives appear to operate on a significant scale in developing countries: studies have shown that over seven per cent of the

African population are affiliated to primary cooperatives, and this number is increasing (Delvetere, 2008; cited on Pollet, 2009). Cooperatives are said to have wide-reaching, direct and indirect impacts on socio-economic development UN (2009).

According to EFDR Government proclamation no.147/1998, article 1 of Section 2 has the following definition and category:

Section 2. Definitions in this Proclamation unless the context otherwise requires:

1) "Societies" means a cooperative Societies established and registered in accordance with this Proclamation and it shall in particular include the following:

- (a) Agricultural Cooperative Societies;
- (b) Housing Cooperative Societies;
- (c) Industrial and Artisans Producers' Cooperative Societies;
- (d) Consumers Cooperative Societies;
- (e) Savings and credit Cooperative societies;
- (f) Fishery Cooperative Societies;
- (g) Mining Cooperative Societies;

2) "Cooperative Society" means a society established by individuals on voluntary basis to collectively solve their economic and social problems and to democratically manage same;

3) "Member" means any physical person, or society established under this proclamation which is registered after fulfilling his membership obligations.

4) "General Assembly" means a meeting of members of the Primary Cooperative society or representatives of societies above primary level;

5) "Special resolution" means a resolution passed by a two third majority of the members to be binding on all members;

6) "Management Committee" means a body elected and empowered by the general assembly with the responsibility to manage the activities of the society;

7) "Appropriate Authority" means an organ established at federal level, or a bureau or an organ established for the same purpose at Regional or City Administration level, to organize and register cooperative societies and to give training, conduct research and provide other technical assistance to cooperative societies;

8) "Person" means a natural or juridical person.

The definition used by the International Cooperative Alliance is “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. Co-operatives are based on the values of self-help, self-responsibility, democracy, equality and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

2.1.2 Voluntary Saving

This type of saving is contributed by a cooperative members deposited or save regularly beyond minimum requirement approved by cooperative general assembly. It depends by the consent of member and it can be withdraw at any time from the cooperative account by normal procedure after submission formal prerequisite formality fulfill. No interest can be paid to this balance but it may a charge of a small amount of percentage as commission to cooperative.

2.1. 3 Forced Saving

It is a minimum requirement to deposit or regularly save by member. This is saving amount cannot withdraw unless the member may request a load or withdraw from member ship of cooperative permanently.

2.1. 4 Capital Account

Capital accounts is the permanent account which is contributed by members in the form of share. It can be divided in two sections: members shares claim from the cooperative and cooperative owns from third party if investment has made with other business. In Ethiopia most of the cooperatives have invested a share on Addis International Bank S.C, Oromia Cooperatives Bank S.C, and other private banks.

2.1.5 Accounts Receivable

This is the asset of cooperative own from its members. This account in most of cooperatives societies represented by loan receivable.

2.2 Historical Background of Cooperative

Theories of Co-operation The history of the co-operative enterprise is intertwined with the economic and social theories that have shaped the past 165 years of its existence. Compared with Marxism and its liberal free market alternative, co-operative enterprise has remained largely apolitical and pragmatic in nature. However, it has also been weak in terms of the development of strong underlying theory, due in part to its focus on applied and practical outcomes. Theories of

co-operation and competition suggest that human behavior involving co-operative exchanges is motivated by desires for reward and self-advancement rather than altruism. As such it is consistent with the underlying principles of free market economics based on the concept of self-advancement and reward seeking (Tim M. 2009).

Agricultural cooperatives play an important role in food production and distribution, and in supporting long-term food security. Savings and Credit Cooperatives (SACCOs) are increasingly popular and may soon be the most common form of cooperative within the African cooperative movement (Pollet, 2009). They are seen to expand poor people's access to financial services (loans and savings), support enterprise start-up and expansion, and reduce vulnerability by allowing the poor to accrue savings, build assets and smooth out consumption. They are one of the largest providers of micro finance services to the poor, reaching 78 million people living below \$2 a day. Cooperatives are also sometimes seen as beneficial for conflict resolution, peacebuilding and social cohesion.

Financial cooperatives (credit unions, savings and credit cooperatives Societies or cooperative banks) enable easy access to savings and credit at low-cost. They work by pooling limited capital: members' mandatory purchase of ownership shares in the cooperative and their deposit/savings accounts serve as the funding base to enable the cooperative to extend credit to members. Financial cooperatives are the largest providers of microfinance services to the poor. It is estimated that globally, financial cooperatives reach 78 million clients living below a poverty line of \$2 per day. In South Asia, for example, 54.5 per cent of borrowers living below \$2 per day were served by cooperatives, compared to 19 per cent served by other microfinance providers. Financial cooperatives thus play a central role in the achievement of an inclusive financial sector that encompasses the poor'

(Linda, 2006) stated that on the Cooperative sector in Europe reveals a total of 235,000 cooperative enterprises with 5.4 million employees and 140 million members in 33 countries (www.coopseurope.coop accessed on May 13,2015). The sector is a very heterogeneous one with cooperatives varying hugely in terms of scale, history and lifecycle, economic sector, etc. They can range from the retail societies typical of the UK with membership running into millions, to small farmer Cooperative s in Spain or Italy, large insurance providers and banks, small and large credit unions. This heterogeneity of the sector is a common feature of Cooperative s throughout

the world with very different patterns of ownership and membership, variations in size, geographical base and democratic structures. Cuevas and Fischer, for example, emphasize the diversity within the financial Cooperative sector with institutional, legal, governance, scale and product portfolio subject to huge variation (Cuevas and Fischer 2006).

2.3 Why Cooperatives Exist?

Why is establishing cooperative Societies? The Societies to be established under the Proclamation No. 147/1998 shall have one or more of the following objectives:

- ✓ to solve problems collectively which members cannot individually achieve;
- ✓ to achieve a better result by coordinating their knowledge, wealth and labor;
- ✓ to promote self-reliance among members;
- ✓ to collectively protect, withstand and solve economic problems;
- ✓ to improve the living standards of members by reducing production and service costs by providing input or service at a minimum cost or by finding a better price to their products or services;
- ✓ to expand the mechanism by which technical knowledge could be put in to practice;
- ✓ to develop and promote savings and credit services;
- ✓ to minimize and reduce the individual impact of risks and uncertainties;
- ✓ to develop the social and economic culture of the members through education and training.

2.4 Basic Principles of Cooperative Societies

Under Section 5 of the same proclamation, there are seven basic *guiding principles of Cooperative Societies listed*

- 1) Cooperative societies are voluntary organizations open to all persons who are able to use their services and willing to accept the responsibilities of membership without gender, social, racial, political or religious discrimination.
- 2) Cooperative societies are democratic organizations controlled by their members who actively participate in setting their policies and making decisions. Every member has equal voting rights and accordingly one member shall have one vote.
- 3) Members shall receive dividends from profit according to their shares and contribution after deducting and setting aside an amount necessary for reserve and social services.
- 4) Cooperative societies are autonomous self-help organizations controlled by their members. If they enter into agreement with other organizations, including governments or raise capital from

external sources, they shall do so on terms that ensure democratic control by their members and maintain their autonomy.

5) Cooperative societies provide education and training for their members, elected representatives, managers and employees so as to enable them to contribute effectively to the development of their societies. They inform the general public, particularly the youth about the nature and benefit of societies.

6) Cooperative societies serve their members most effectively and strengthen the Societies' movement by working together through local, national, regional and international structures.

7) Cooperative societies work for the sustainable development of their communities through policies approved by their members (Proclamation 147/98).

In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. They adhere to a code of practice enshrined in the universal Cooperative principles of open and voluntary membership, democratic member control, member economic participation, autonomy and independence, education and training and information, co-operation among Cooperatives and concern for the community (Philippe, 2008 cited on Ainebyona, 2011).

Saving is one of the important variables for economic development that has emerged as the central issue in developing countries at least for two reasons. First, foreign aid inflow to the developing economies has declined during recent years. Second, saving positively affects the growth and development. The greater is the saving rate, the higher is the growth rate a country can attain. For economic development, growth is a must which cannot be achieved without investment or capital accumulation and saving through investment plays a vital role in this process Pollet, (2009).

The financial service sector in Ethiopia is composed of formal, semi-formal and informal sectors. The formal sector comprises diverse range of financial institutions such as commercial banks, insurance companies and microfinance institutions that are regulated and licensed by the National Bank of Ethiopia (NBE). However, the semi-formal and informal sector mainly comprise of financial institutions like saving and credit cooperatives, *wonfel*, *iqqub* and *iddir*, respectively. These institutions play a central role within the financial sector in providing liquidity for payment services and facilitating financial transactions of various entities. In addition, the emergence of member based financial institutions such as saving and credit cooperatives has also been recognized for the provision of banking services in Ethiopia. SACCOs, which were only 495 in

1992, reached 10,270 in the year 2012, and currently constitute the first most common type of cooperatives in the country in terms of both number and membership with an extensive networking (Mengistu et.al , 2013).

As per the proclamation No. 147/1998, SACCOs were expected to play active role in bringing about broad-based development and poverty alleviation as they were permitted to take deposit from and grant loan to members. However, this proclamation failed to recognize SACCOs as formal financial institutions even though they were allowed to accept deposits and grant loans. As a matter of this fact, SACCOs are not subjected to the regulation and supervision by NBE that other formal financial intermediaries are to subjected.

2.4 The Legislative and Policy Context in Ethiopia

2.4.1 Cooperative Legislation

In 2002, the Cooperatives' Commission Establishment Proclamation (No. 274/2002) created the institutional framework for promoting and supporting the cooperative movement in Ethiopia. This legislation was further developed in 2004 with the issuance of the Cooperative Societies Proclamation (No. 147/1998). This Proclamation conforms to the now universal ICA cooperative principles and the ILO Promotion of cooperative Recommendation (2002) (No. 193). It clearly sets out general provisions for registration of cooperatives, legal form of registered cooperatives, rights and duties of members, governance and management of cooperatives, special privileges of primary cooperatives, assets and funds of primary cooperatives, audit and inspection, dissolution of cooperatives and other miscellaneous provisions.

Regional states of the Federal Democratic Republic of Ethiopia have also enacted their own proclamations for the promotion of cooperatives. Three of the nine regions of Ethiopia, namely the Southern Nations and nationalities People's Region (SNNPR), Tigray and Amhara have enacted their own cooperative proclamations. The Oromia Cooperatives Promotion Commission was established with Proclamation (No. 15/1997) to promote and support cooperative movement in Oromia National Regional State.

2.4.2 Cooperative Development Policy

The recognition that cooperatives have received has depended on the policy of the governing regime in Ethiopia. During Emperor Haile Selassie's regime before 1974, cooperatives were few in number and were less recognized. They were mainly engaged in production of industrial crops,

such as tea and spices. Members of cooperatives during this period included just a few producers of these crops and land owners.

The Derg (1974-1991) and the current governments of Ethiopia have given special recognition to the cooperatives in Ethiopia. The Derg regime considered cooperatives as a mass movement that could ensure equitable mobilization and distribution of resources. They were thus viewed as instruments for planning and implementation of socialist policies. Cooperatives were, therefore, established to achieve these objectives. It was in the same vein that cooperatives would also be used as a means to mobilize community support for the ruling party. During the Derg regime, this was more conspicuous as cooperatives were forced to operate in line with socialist principle, where production and marketing of produce were done collectively and members pooled their land resources under communal tenure. With the downfall of the Derg regime, most rural based cooperatives were abolished by members and their resources were raided and misused.

The current regime gave no attention to cooperatives during the transition period, meaning that cooperatives were relatively stagnant between 1991 and 1993. Since then the government has acted as a facilitator for cooperative development. This involves enacting legislation, developing cooperative policy and maintaining law and order. Generally the role of government should be more oriented towards support than control. However, in practice this is hardly possible in Ethiopia. The frequent restructuring of government institutions involved in cooperative promotion has quite often hindered the growth and development of cooperatives. In cognizance of the importance of cooperatives for economic development in Ethiopia, the Government of Ethiopia has increased its involvement in cooperative development through policy formulation, including a five year cooperative development plan and many proclamations on cooperatives. It enacted cooperative proclamations and established federal and regional government institutions that promote and support the cooperative movement.

2.5 The Cooperative Movement in Ethiopia

The introduction of a free market economy posed many challenges, particularly for smallholder farmers and youth entrepreneurs that have limited bargaining power, skills and capacity. Thus, collective efforts through cooperative organization have been chosen by many disadvantaged groups as a means for accessing the benefits associated with a liberalized market system. As a result, different types of cooperatives have been formed to meet different objectives over the years.

Though there is a dearth of consistent time series data on cooperative development in Ethiopia, available data indicates the number of registered cooperatives in Ethiopia has generally increased overtime. There are also several non-registered groups or associations that provide functions similar to the cooperative model. For instance, microenterprise groups and associations are steadily increasing, especially in urban areas. Chalchissa (2000) found out that in 1974 there were approximately 149 cooperatives, including:

- ✓ 94 multipurpose cooperatives;
- ✓ 19 SACCOs;
- ✓ 19 consumers' cooperatives;
- ✓ 17 handicraft cooperatives.

The number of cooperatives significantly increased during the Derg regime (1974-1991), with approximately 10,524 primary cooperatives having 4,529,259 members recorded. Cooperative organization was highly political during this time and many of them were dismantled following the downfall of the regime in 1991.

According to the FCA and estimates made by Lemma (2009), the number of cooperatives in Ethiopia declined from 10,524 to 7,366 cooperatives in 1991. Policy support for cooperatives provided by the current government has seen the number of cooperatives start to increase again. Data obtained from FCA indicates that up to 2004 there were 8,009 primary cooperatives with 4.06 million members and a turnover of ETB 327.12 million (USD 32.81 million). In 2005, an additional 6,072 new cooperatives were established, raising the total number of cooperatives to 14,081, with a membership of 4.23 million. The interest of the people to join cooperatives continued to increase steadily, with 5,066 new cooperatives established in 2006. This made the total number of primary cooperatives rise to 19,147 and the capital base of cooperatives expand to ETB 1.475 billion (USD 147.94 million) (FCA 2007a). The number of primary cooperatives further increased from 19,147 in 2006 to 24,167 in 2007. Approximately 18 per cent of members are female.

Most of saving and credit cooperatives Societies were mainly concentrated in urban areas, up to 1998 accounted only 495 primary cooperatives with 119,799 members and have a registered capital Birr 78,772,710. The number has been increased in all areas: 14,453 primary saving and credit cooperatives and 88 saving and credit

unions with an total asset of Birr 5,126,912,681(FCA, 2015). Overall the cooperatives Societies has been increased from 10 thousand in to 60 thousand from 1998 to 2014. These are depicted detail below chart 2.1

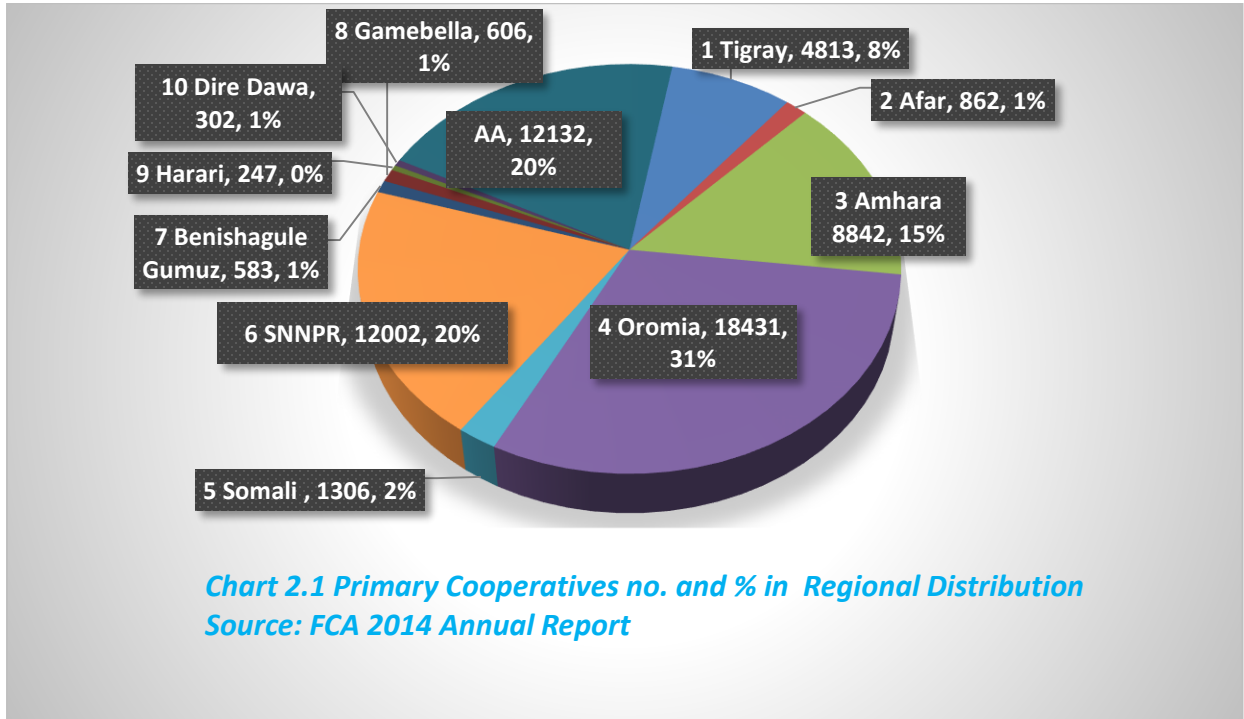
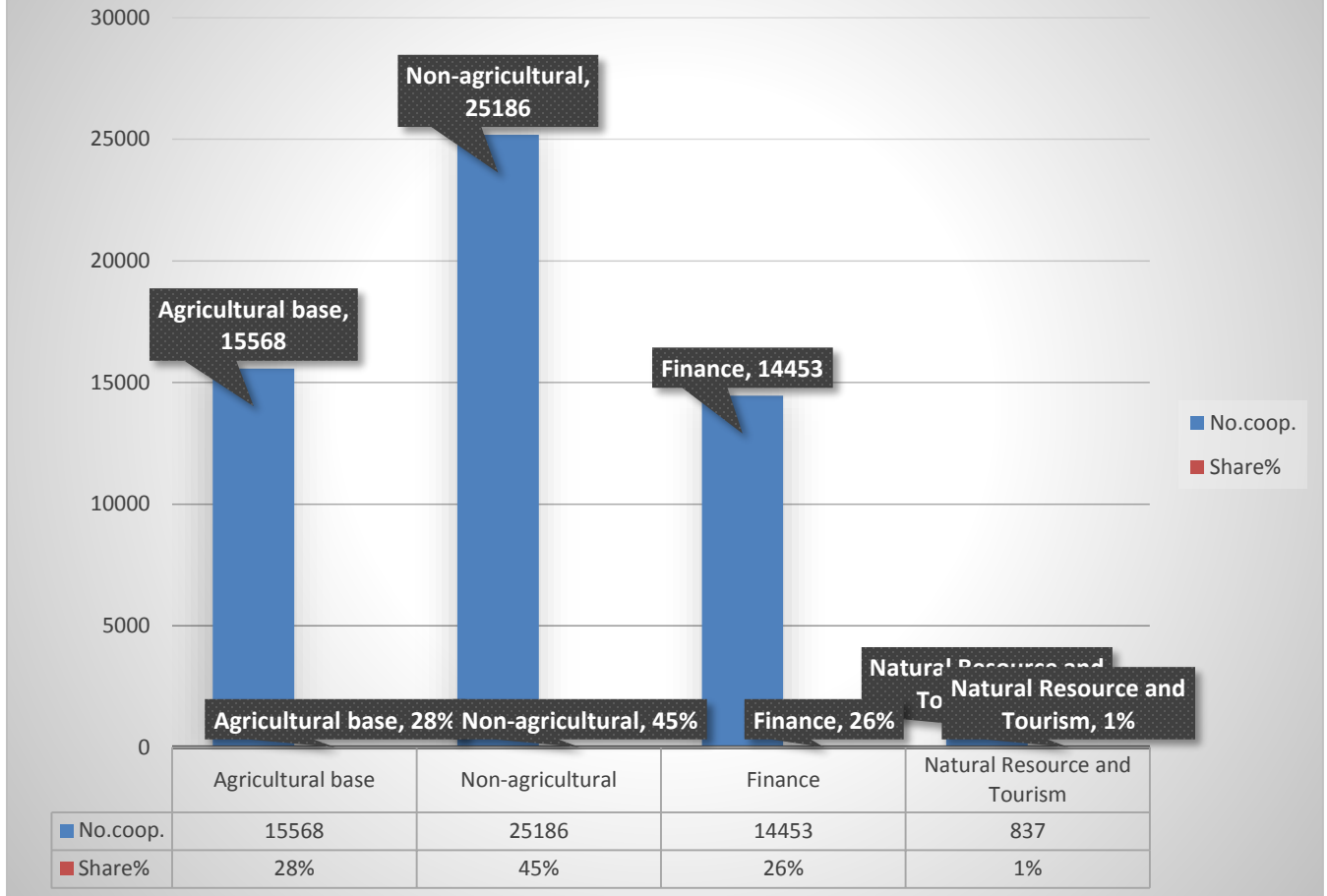


Chart 2.2 Coopertives by category



Source: FCA 2014 Annual Report

As per above chart Agricultural base (15,568), Non- Agricultural (25,186), Finance (14,453) and Natural Resource & Tourism(837) cooperatives were categorized in four major categories.

2.6 Institutional Arrangement of Cooperatives in Ethiopia

2.6.1 Cooperative Support Institutions

The Government established federal and regional cooperative institutions that facilitate the organization of cooperatives. The Federal Cooperative Agency is organized at the federal level to provide support and capacity building services to regional cooperative institutions. The FCA is the highest government structure for cooperative promotion in Ethiopia. FCA has a mandate that includes:

- overseeing the appropriate implementation of legislation for cooperatives;
- designing cooperative policies and legal procedures consistent with the international conventions on cooperatives;
- ensuring policy coherence between cooperative policy and the broader policy environment.

As of 2007, FCA had a total of 26 staff; ten of whom were agricultural economists, 11 were cooperative specialists, 3 of them were sociologists, 1 agronomist and 1 lawyer. However, it has been noted that the staff turnover is high due to low incentive when compared to other sectors. As per the information gathered by researcher from Agency in year 2014/2015 30% of approved positions were still open. Cooperative auditors 4 out of 8 or 50% and 3 out of 4 or 75% legal advisors or 3 out of 4 vacant were still open.

At the regional level, cooperative promotion structures are found at the zone and district levels. The regional cooperative promotion institutions are organized as bureaus/agencies/commissions, depending on the region. Each regional cooperative government institution is autonomous in its operations. In bigger regions, such as Oromia, there are cooperative promotion offices in each zone. The districts (*woredas*) are organized under zones, and in some regions they fall directly under regional cooperative promotion agency or office. The district offices organize, register and support primary cooperatives by locality. These zonal offices and regional bureaus/agencies/commissions monitor, regulate, conduct capacity building, register unions and federations, and provide technical backstopping, among others, to cooperatives.

In Addis Ababa, parallel to the districts in the regions, each sub-city has a cooperative promotion team to organize and register primary cooperatives. Although the exact number of cooperative

staff by regions could not be obtained, it was indicated that the cooperative promotion offices are not fully staffed and that the turnover rate is high. For example, in Addis Ababa City Administration the cooperative promotion department is organized under Bureau of Trade and Industry and 12 to 16 positions in the staff establishment are filled. However comparing with the demand need for more than 800 cooperatives in sub city those personnel were not enough.

Cooperative promotion activities have unfortunately been undertaken by nonprofessionals. It is interesting to note that most of the staff working and managing cooperatives have not been formally trained in cooperatives. For instance, in Addis Ababa only one staff member has been formally educated in cooperatives at university level, while each of the sub-cities has just one graduate of cooperative studies. The others were assigned from related fields, such as economics, agriculture, and management among others.

The most notable instability in the Ethiopian public institutions is wide spread and frequent organizational restructuring. For instance, in Tigray region the Cooperative Promotion Office was restructured and merged with the Rural Development and Agriculture Bureau. For the last four years, urban cooperatives were promoted by Trade and Industry Bureau, which did not receive adequate technical support due to the absence of trained experts in cooperatives in the Bureau. There are already indications that the cooperative promotion office is about to become an independent office with the mandate of promoting both rural and urban cooperatives under one umbrella. The restructuring has had negative consequences on the development and strength of the cooperative movement.

2.6.2 Cooperative Structure

Cooperative policies and strategies are designed by the FCA and approved or enacted by the appropriate legislative body. The policies define how the cooperatives are organized and supported by cooperative promotion institutions. Though functionally they stand as independent institutions, cooperative organizations are closely linked with the supporting government cooperative institutions. The level of organizational hierarchy varies across regions. The figure below shows the common organizational hierarchy of cooperative organizations and the supporting government structures at different levels.

There are generally four organizational hierarchies/tiers of cooperatives in Ethiopia, namely, primary cooperative, cooperative unions, cooperative federation and cooperative confederation. In Ethiopia, the apex in many regional states is the cooperative union. However, there are motivations for the regional governments to establish Regional Cooperatives Federations. The Southern Nations, Nationalities and Peoples Region of Ethiopia recently established the first Regional Farmers' Cooperatives Federation in Ethiopia, which became functional in early 2009. Oromia Region also just recently formed the Regional Federation of Farmers' Grain Marketing Cooperatives.

However, only three of these hierarchies are currently functional. The confederation has yet to be established. The cooperative federations are established at regional levels and form the basis for establishment of the confederation. Once the confederation is established it will further develop partnerships among cooperative unions and primary cooperatives, in order to enhance the coordination of import/ export activities. It will be an advocator for cooperatives, participate in policy dialogue and represent cooperatives in national and international forums. It will not be involved in usual cooperative business activities.

2.6.3 Cooperative Networking

Cooperatives like private and other organizations should develop viable horizontal networks and vertical linkages with partners, in order to deliver quality services to their members and increase their sustainability within a free and competitive market. They have to have up-to-date information exchange mechanisms on the price of products, the volume of production, the type of activities and government policies, so as to adjust their activities and services in line with supply and demand. However, the cooperatives in Ethiopia are poorly networked both locally and internationally. Knowledge sharing between representative bodies rarely exists, and the same pattern is observed amongst primary cooperatives. Even the existing cooperative unions rarely come together to voice the needs of their constituency. Some cooperative unions, such as the Sidama and Oromia Coffee Farmers' cooperative unions, have an informal network to promote their products and mutual values in USA and Europe markets Lemma (2009).

In recent years, press coverage and media presence relating to cooperative development has increased in Ethiopia. The FCA has regular airtime in the Ethiopian radio programme called, 'the Voice of Cooperatives', which is transmitted in Amharic weekly for 15 minutes. This programme

discusses the purposes of cooperation, different types of cooperatives, principles of cooperatives, the existing laws and legislations for cooperative formation and the history of cooperatives, among others.

However, the majority of Ethiopians do not understand the language and the message is subsequently only communicated to a small portion of the population. Another means of promoting cooperatives is also through exhibitions and panel discussions. Government agencies and ministries, such the Ministry of Agriculture and Rural Development and the Ministry of Information, also issue press releases on the contribution of cooperatives to economic development of Ethiopia and those activities that the government will continue to support cooperative development. An annual magazine published by the public relations section of the FCA is also further evidence that reveals some improvement in media presence regarding coverage of the importance and development of cooperatives in Ethiopia. The press coverage and media presence should continue and be expanded to cater for a larger range of cooperative issues.

Networking among universities in Ethiopia in general, and cooperative departments in particular, is moderate. All universities/colleges are required by the Ministry of Education to adopt similar curricula. Although collaboration between universities exists, there is no well-established networking between the cooperative departments. They have no practical or scheduled research programs that look into cooperatives and have not developed technical linkage between universities and cooperatives. Most cooperative department teachers in universities do not have a cooperative educational background. They often come from fields of natural resource management, business and economics. For example in Mekelle University, there are 17 lecturers in the cooperative department, three of which have masters qualifications and three of which have a bachelor degree in cooperative studies the remaining 11 are others.

2.7 Cooperatives and Socio-Economic Development in Ethiopia

2.7.1 Economic Significance

A large number of cooperatives in Ethiopia participate in marketing of agricultural inputs and produce. As a result, a significant proportion of cooperative unions are engaged in marketing of agricultural product. Cooperatives provide marketing options for the members and non-members, though the members receive higher prices for their produce. Cooperative unions are involved in export and domestic marketing activities, financial transactions and social capital development.

The economic role of cooperatives is significant in terms of foreign currency earning for Ethiopia. For instance, four unions (Oromia, Yirga-Chefe, Sidama and Yeka-Chaka coffee farmers' unions) have generated a total USD 104,154,838 by exporting 36,593.36 tonnes of coffee between 2000-2007/08. In the year 20014/15 through 6 and 5 unions from Oromia & SNNPR respectively supply 96.08 tons of coffee to the market, (FCA , 2015).

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).

Unions provide multiple services to their members. The major services delivered by cooperative unions to primary cooperatives include the following.

- ✓ Cooperative unions import agricultural inputs, such as fertilizer, seeds and chemicals, and distribute these inputs to members at reasonable prices.
- ✓ Some cooperative unions provide machinery renting services to cooperative members in order to introduce modern farming techniques at lower rental prices. For example, the Lume Adama Grain Farmers Cooperative Union in Oromia provides a tractor rental service, as well as seed and grain cleaners, harvesting machinery and transportation trucks to their members.

Cooperative unions purchase agricultural produce from members at a competitive price and offer dividend on share capital to their members. The primary cooperatives get loans through unions and sell agricultural commodities to unions, which then sell the commodities in local and export

markets. For example, coffee cooperatives purchase coffee in competitive markets, where the market price is determined by the competition between the traders and the cooperatives. Cooperatives sell the coffee to unions, which distribute 70 per cent of the profit as dividend and hold 30 per cent of the net profit including dividend from the unions Kodama 2007). These activities have increased the farmers' share of the commodity price margin. The existence of cooperatives in the coffee market has improved the purchasing price offered by private traders. But the activities and actual volume of coffee purchased by cooperatives is limited due to financial constraints.

- ✓ Other services cooperative unions provide to members include transportation of produce, storage of produce, credit, and facilitation of training to primary cooperatives.

According to the information obtained FCA's annual survey, cooperatives accounted for 67 per cent of the total agricultural inputs that were imported by Ethiopia between 2000-2007/08. To further illustrate, 14 cooperative unions have imported a total of 906.2 metric ton of chemical fertilizers in the same period. It should be noted however that these achievements were possible due to the collateral provided by the Government, without which bank loans for importing fertilizer would not have been possible to obtain.

The involvement of cooperative unions in economic activities is prominent in the following areas:

- ✓ Importation and distribution of agricultural inputs, such as fertilizers and chemicals;
- ✓ Export of agricultural commodities, such as coffee, oilseeds, and pulse crops such as haricot bean, among others;
- ✓ Marketing of agricultural produce for their members to the Government and private institutions

2.7.2 Employment Creation, Income Generation and Poverty Reduction

In 2009 there were over 49,330 credit unions across 98 countries with more than 184 million members and approximately \$1,354 billion in assets. There is a great diversity within the credit union movement across these countries. This reflects the various economic, historic and cultural contexts within which credit unions operate. In the developing world, a small membership base is concentrated on the financially excluded. These credit unions provide basic savings and loans products, and are run and organized exclusively by volunteers. At the other end of the spectrum are credit unions in North America and Australia which comprise members spanning the entire income distribution. These credit unions are full service financial providers staffed by paid employees with balance sheets accounting for billions of dollars in assets Donal M.(2010).

In Ethiopian context as data obtained from FCA indicates as of 2007, there were 23,000 employees of primary cooperatives in Ethiopia. In the same year the employees of cooperative unions were estimated at 838, making the total number of employees working in cooperatives to be 23,858 in 2007. According to (FCA 2008a cited on Bezebih, 2009), cooperatives also support the self-employment of 115,079 members. Hence, the estimate given above may understate the role of cooperatives in employment creation. The following evidences were used to produce revised estimates of the total employment created by the cooperative movement and the income accruing from this employment.

Moreover, primary cooperatives employ different numbers of permanent and casual workers. For instance, grain farmers' primary cooperatives employ between five and ten permanent staff and pay an average salary of ETB 500 (USD 54) per month per person. They also employ casual wage workers occasionally. Dairy cooperatives employ comparatively more staff on a permanent basis. For instance, Adi'a Liban Farmers' Cooperative Societies employed 70 permanent staff in 2007 and paid a total of ETB 225,600 (USD 24,442) in salaries, which is USD 349 per person. It also employed seven casual workers, with total wages amounting ETB 6,450 (USD 699) during the year.

As per the report by FAC in 2008 Unions, Primary Cooperatives and Cooperative banks were paid Birr 542,209,000 in the form of employment income. Cooperatives also make a surplus and distribute dividends to the cooperative members. For instance, during the year 2007 a total of ETB 15 million (USD 1.63 million) was distributed to cooperative members as dividends. These figures are indicative of the contribution of cooperatives to the economy. The payment of the dividend to

the members by cooperatives has played a great role in changing the negative image of cooperatives during the Derg regime Bezebih (2009).

2.7.3 Cooperative Performance Measure

Proposed standards the union may fail to satisfy the deposit withdrawal request due to the fact that the union has no liquid reserve funds to come across the request; deteriorating liquidity position provides members with unsafe place to deposit their money. Solvency or protection of Gohe cooperatives saving and credit union for delinquent loan is greater than 12 months and 1-12 months. There is 100% protection of delinquent loans outstanding that enables the union is survive in a safe status on protection in the study period and the solvency position also comply with the WOCCU model. However, Gohe cooperatives saving and credit union has not followed the specified policy for loan loss provision, bad debt written of, and no delinquency report due to the fact that the credit policy followed in the union is stringent and they make loan recovery for any loan delinquent from the balance of defaulters or from the accounts of guarantors which enables to have hundred percent solvency or protection to cover the possible loan losses from doubtful loans Yuvaragi and Biruk (2013).

According to Nadezhda (2009), the financial performance of marketing cooperative enterprises operating in the agro-food market was examined empirically concluded that there are many other factors which affect the financial performance of the food cooperatives. Some of them are weak management, which causes problems of ineffective resource allocation in their use; high loan burdening and low liquidity levels; under developed marketing management, including the absence of certain market niches and non-recognizable brand names; and lack of knowledge concerning the rural society. Furthermore, the absence of competitive market strategies such as product differentiation, market segmentation, specialization, and diversification, prevents increases in profit margins and expansions in demand. To overcome the problems which were mentioned above, not only changes within the enterprises, but also government and cooperative organizational supports are required.

As described by Tsegay, (2008) the system of cooperatives is suffering by many problems like poor management and corruption. Furthermore, despite of its inherent characteristics of cooperative, it is true that different social, cultural, economic and political scenarios determine their success and failure. Mostly the potential of cooperatives and the extent of their development have in many cases failed due to low standard of performance and bad management. According to

Alema (2008), the liquidity ratios of the cooperatives were fluctuating during the consecutive years. This is because of the difference in the amount of the loan from year to year with the results for fluctuating in interest payable. Here, the impact of borrowing has shown in decreasing the liquidity ratio. Therefore, cooperatives should increase their capital to minimize the loan.

2.8 Summary of the Review of Related Literatures

Based on the results of the above studies, a cooperative enterprise is a unique form of business entity. It is different from the traditional shareholder owned enterprise or investor owned firm, and also the conventional not for profit or non-profit entity. Saving and credit cooperatives are user owned financial intermediaries. The two fundamental function of a SACCO Societies are financial intermediation and investment. The most basic function of SACCO Societies is financial intermediation. That is bringing savers and borrowers together in a system that enables them to pool their money as savings and shares.

The seven internationally recognized cooperative principles are: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; provision of education, training and information; cooperation among cooperatives; and concern for the community. Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. Cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

The theoretical problems of SACCOs are: no professional manager specially for rural based cooperatives while few urban based SACCOs elected committee members have no commitment and passionately deliver the services, lack of long term credit, shortage of capital, infrastructure problem, lack proper accounting software and lack of timely, accurate and reliable information adds to the problem. Both financial institutions and poor clients face high transaction costs due to asymmetric information problems which naturally appear in the financial transactions.

The idea of cooperation is not new for Ethiopian women and men. But the problems are tremendous. Almost the empirical challenges of SACCOs focused on the internal problems (like inadequate capital, weak management committees, passive members' participation, non-diversified services, and the negative perception of members up on their SACCOs) and the external problems (like lack of comprehensive cooperative policy and strategy, weak support of cooperative

promoters, and the influence of other financial institutions). Additionally, members' of SACCOs have not used the prospects of their business organization since they do not have awareness about these prospects.

2.8.1 SWOT Analysis about the Cooperative Societies

As go through different literatures and discussion with the cooperative official the researcher draw out the following points. The strengths, weaknesses Opportunities and Threats (SWOT) of cooperatives sectors in Ethiopia are outlined below.

2.8.1.1 Strength

- ✓ Agricultural cooperatives means of delivering the vast majority of the seed and fertilizer and agricultural input supplies that farmers have purchased every year.
- ✓ Several individual primary cooperatives and unions provide high value services for members. In 2011 Oromia Coffee Farmers Cooperative Union's total sales exceeds 41 million USD, Tigray Marketing Cooperative Federation exported over 13,000 tons of sesame.
- ✓ Cooperatives serve their members who cannot access banking service in remote areas.
- ✓ Cooperatives establish by contribution or investing capital like Oromia Cooperative and Addis International Banks in a form of Share company.

2.8.1.2 Weakness

- ✓ Cooperatives' provision of services is often financially unsustainable. No complete data exists
- ✓ Most cooperatives do not attract substantial membership country wide only 17% of Ethiopian farmers are members of cooperatives.
- ✓ Many cooperative leaders have low capacity to manage and govern a well-functioning enterprise.
- ✓ Lack of awareness in most of the cooperative members or misconception about their societies.

2.8.1.3 Opportunities

- ✓ Strong Ethiopian Government commitment to support and promote cooperatives

- ✓ Existence of government oversight/regulation structures from federal down to woreda level.
- ✓ Several Ethiopian universities offer curricula for students training to be cooperative auditors, managers.. with Ambo , Mekele, Hawassa, Haramaya, Wollega & Wollo Universities

2.8.1.4 Threats

- ✓ Absence of comprehensive cooperative development policy constrain the sectors' strategic development and well – regulated and understood roles and relationship among stakeholders.
- ✓ Cooperatives have limited access to high quality services to help them become and remain well functioning.
- ✓ Many cooperatives are unable to access key financing services.
- ✓ Audit & legal services are available to fewer than half of cooperatives in any given years.
- ✓ Collateral requirement at financial institutions which is beyond the current capacity of agricultural cooperatives in the country FCA Agricultural Cooperative Strategic Documents (2012).

As theoretical and empirical literatures support that cooperatives growing in both numbers and members. Their contribution for development and changing the livelihood of their members are encouraged. But to strengthen them for better achievement and sustainable development gaps were still to fill. Working on the capacity building of cooperatives and create awareness is taken the lions share on behalf of government agency and cooperative offices.

CHAPTER THREE:RESEARCH METHODOLOGY

In this chapter the research methodology used to conduct the study is described. The study design and the population are described. Sampling design taken as per availability of consecutive years audited financial report of Cooperative Societies. The instrument tools used to collect the data, and data analysis are also described.

3.1 Methodology of the Study

Quantitative research is the numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect. It is used in a wide variety of natural and social sciences, including physics, biology, psychology, sociology and geology(Wikipedia Encyclopedia , browsed on July 1,2015).

In addition, according to Cohen (1980), quantitative research is defined as social research that employs empirical methods and empirical statements.. He states that an empirical statement is defined as a descriptive statement about what “is” the case in the “real world” rather than what “ought” to be the case. Typically, empirical statements are expressed in numerical terms, Another factor in quantitative research is that empirical evaluations are applied. Empirical evaluations are defined as a form that seeks to determine the degree to which a specific program or policy empirically fulfills or does not fulfill a particular standard or norm.

Moreover, Creswell (1994) has given a very concise definition of quantitative research as a type of research that is `explaining phenomena by collecting numerical data that are analyzed using mathematically based methods (in particular statistics).

This study was conducted in six selected saving and credit cooperatives found in Bole Sub City. Data for the study were collected from secondary sources. The secondary data were collected from audited financial statements of six years and portfolio reports which were analyzed by using WOCC model with references to PEARLS and to measure the financial health of the union by ratio analysis. The WOCCUs proposed standards of excellence were used as measure of excellence and the software PEARLS monitoring system were used for analyzing based on the data appropriateness.

3.2 Data Source

Research data collected from the audited financial reports of the cooperatives Societies such as income statement and balance sheet from selected SACCOs, data from books, journals, articles, newspapers, magazines, annual and special reports of various governmental and non-governmental organizations , World of Credit Council Union and Federal Cooperative Agency and different web sites are used as source. The researcher used Microsoft excel, tables, charts and graphs used to analyze the data gathered.

3.3 Research Design

For the purpose of the study , the researcher employed as a research strategy design the sample study mainly it is cross sectional: collecting relevant data at one point in time from a sample selected to describe same large population at a time. For this research, quantitative data were employed and with regarding to the source of data, this study used only secondary sources of data. Secondary sources data were collected particularly from six Saving and Credit Cooperative Societies of year 2007 to 2012 G.C in to two categories as per available of audited financial reports of the Societies from Bole Sub City Cooperative Development and Organizing Office and Inspection and Auditing, Federal Cooperatives Agency.

3.4 Sample Size

The population of the study was cooperatives and SACCOs in Bole Sub City. As per information gathered from Bole Sub City Cooperative Organization and development office at the end of year 2013 there are 866 cooperative societies were registered. Out of 866 cooperatives 10.16% or 88 of them are categorized as Saving and Credit Cooperative Societies. The researcher considered availability of at list three years audited financial reports of the Cooperative Societies. Therefore, the study deals with 6.82% or 6 Saving and Credit Cooperatives Societies are represented as a sample size for this study as they have at least in the consecutive three years audited financial reports between 2007 to 2012 G.C.

3.5 Measurement and Analysis

The collected data were analyzed using the techniques of ratio analysis and trend analysis to find out the true picture of the financial performance of the cooperative Societies over the recent three

years from available audited reports. This study tried to analyze the data using profitability analysis, liquidity analysis, and leverage ratio analysis.

In Bole Sub City out of 88 Saving and Credit Cooperatives which are in full of three years audited reports, 6 were purposively selected based on three years audited report. Data gathered and analyzed to develop ratio and percentage then explain each by each about the meaning and position against the proposed standard with World Council of Credit Union. Simple statistical methods ratios and percentages were used for determination of PEARLs for financial ratio to evaluate financial performance of cooperative Societies.

The dependent variable was the financial performance of the SACCOs which was measured using Return on Equity (ROE) whereas the independent variables were the CAMEL components of Capital adequacy, Asset quality, Management efficiency, Earnings and Liquidity. Specifically, the variables were operationalized as illustrated in Table 3.1.

Table 3.1: shows Variable, Measurement, formula and purpose

No table of figures entries found.	Measurement	Formula (proposed %)	Purpose
Financial Performance	Return on Equity	Net Income/Share Capital($\geq 10\%$)	Indicates the amount of net income returned as a percentage of shareholders equity.
Capital Adequacy	Capital to Assets Ratio	Capital/Total performing assets ($\geq 10\%$)	Shows overall capital sufficiency.
Liquidity	Current Ratio	Current Assets/Current Liabilities(2:1)	Shows ability of institution to meet projected near term obligations.

Source: Workout Model Law, Developed and recommended, by World Council of Credit Unions ,May 2011

CHAPTER FOUR: RESULTS AND DISCUSSION

Chapter four deals with analysis and results of the study. Tables with percentages were used to analyze sample of saving and credit cooperatives Societies linear ratios that are related to liquidity ratio, leverage ratio, capital adequacy ratio and profitability ratio. Balance sheet statement and income statement and trend of the financial performance of six saving and credit cooperative Societies.

Regular health check-up has a supreme to maintain the confidence of members in financial system and activities of their union; to protect the interest of members, depositors, lenders, and any other stakeholders in the union; and to detect the adverse effect of various financial risks on the financial performance of the union. Due to the fact that, Health of an individual Financial institution is a function of multiple factors such as liquidity position, earnings and cost, solvency, capital adequacy, asset quality, financial structure and growth trends of the union results on these key indicators are presented in tabular form to check up the financial healthiness of Gohe cooperatives saving and credit union in the following sections one by one and WOCCUs model was used to interpret and assess the financial performance of the union in a meaningful manner Biruk and Sambasivam (2013).

4.1 Liquidity Ratio Analysis

Liquidity Analysis of the cooperative : To measure the liquidity of the unions the study used current ratios and net working capital as indicated in Table 4.1 and 4.2

Table 4.1: Liquidity Analysis of the Cooperative Societies (2007 - 2009 G.C)

Name of Unions	Year	Current ratio CA/CL Standard (2:1)	Net working capital CA-CL Standard (>CL)
Ethiopian Civil aviation Authority and Ethiopian Airport Enterprise Workers Saving and Credit Cooperative Societies Ltd.	2007	1.10	503,381
	2008	1.08	514,902
	2009	1.05	356,573
Ethiopian Airlines Employees Thrift & Credit Cooperative Societies Ltd	2007	2.87	18,282,242
	2008	2.94	21,764,364
	2009	3.04	25,131,064
S.O.S Children's Village Ethiopia Saving & Credit Cooperatives Societies Ltd.	2007	1.03	38,969

	2008	1.03	44,324
	2009	1.02	53,537

Source: Work out from Cooperative Societies audited financial reports

The above table is presented current ratios of cooperatives. Table 4.1 indicates the current ratios of Ethiopian Civil aviation Authority and Ethiopian Airport Enterprise 1.1:1,1.08:1 and 1.05:1 for the year 2007, 2008 and 2009 respectively, Ethiopian Airlines Employees 2.87 :1,2.94:1 and 3.04:1 for the same years where SOS Children’s Village Ethiopia are 1.03:1,for the both year 2007 and 2008, while 1.02:1 for the year 2008 G.C. These indicate that the current ratio for Ethiopian Civil Aviation and Ethiopian Airport Enterprise with SOS Children’s Village Ethiopian below the industry standard of 2:1 in all the study conducted years. It means that the cooperative societies are not capable of paying their short term obligations. Therefore, it indicates that some unions should keep their current ratios up to the industry standard to keep their financial solvency. Besides, both cooperatives’ financial position were not satisfactory to fulfill their short term obligation of the respective years. On the other hand Ethiopian Airlines Employees cooperative current ratio is above the industry standard. The value of current assets were decreased the ability of the Cooperative to meet their immediate obligation of all cooperative in the described years. The working capital of the cooperative was greater than current asset of the Unions. This indicated that the net working capital ratio of the Cooperatives were in good sound. As a result the financial positions of the union have enough liquid assets to pay off their short term obligations. Therefore, the cooperatives has a better liquid asset to meet their current obligation in the study period. As above table depicted current ratio is calculated total current assets divided by total current liability which is computed below:

$$\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$$

This ratio is tell us a rough indication of a firm’s ability to settle its current obligations. Generally, the higher the current ratio, the greater the “cushion” between current obligations and a firm’s ability to pay them. While a stronger ratio shows that the numbers for current assets exceed those for current liabilities, the composition and quality of current assets are critical factors in the analysis of an individual firm’s liquidity. (RMA: Financial Ratio Benchmarks, 2011-2012).

Table 4.2: Liquidity Analysis of the Cooperatives Societies (2010 – 2012 G.C)

Name of Unions	Year	Current ratio CA/CL Standard (2:1)	Net working capital CA-CL Standard (>CL)
Christian Children’s Aid National Office Employees Saving and Credit Cooperative Societies Ltd.	2010	1.05	50,818
	2011	1.07	74,282
	2012	1.05	80,285
Basic Metals Engineering Industrial Agency Employees Saving & Credit Cooperative Societies Ltd.	2010	1.07	27,353
	2011	1.05	30,747
	2012	1.05	32,696
Bole International Airport Travelers’ Service Saving & Credit Cooperative Societies Ltd.	2010	3.04	343,478
	2011	2.23	434,995
	2012	0.59	(144,505)

Source: Work out from Cooperative Societies audited financial reports

N.B CA=Current Assets, CL=Current Liabilities

The above table is presented current ratios of cooperatives. Table 4.2 indicates the current ratios two cooperatives Christian Children’s Aid National Office Employees and Basic Metals Engineering Industrial Agency Employees perform 1.05:1 2010 and 2012 years & 1.07:1 for the year 2011 G.C respectively which is below the industry standard and the working is not sufficient to meet the current obligations. Whereas Bole International Airport Travelers’ Service Saving & Credit Cooperative Societies Ltd has recorded 2.03:1 and 2.23:1 current ratio which is above the

industry standard in the years of 2010 and 2011 G.C this indicates that during those years the cooperative performance sufficient to meet the obligation but failed to cover the obligation to into the following year of 2012 G.C which is 0.59:1 below the industry standard 2:1 but also record of negative balance of working capital. When analyzing this ratio, you need to focus on working capital, not on the sales figure. Although sales cannot be negative, working capital can be. If you have a large, positive working capital number, the ratio will be small and positive—which is good. Because negative working capital is bad, if you have a large, negative working capital number, the sales/working capital ratio will be small and negative which is not good. Therefore, the lowest positive ratio is the best and the lowest negative ratio is the worst. If working capital is small and negative number, the ratio will be large, which is the best of the negatives. Coverage ratios measure a firm's ability to service its debt. In other words, how well does the flow of a company's funds cover its short-term financial obligations? In contrast to liquidity ratios that focus on the possibility of liquidation, coverage ratios seek to provide lenders a comfort level based on the belief the firm will remain a viable enterprise.

4.3 Leverage Analysis Ratio

Table 4.3: Analysis of Leverage ratio of the Cooperatives Societies (2007 – 2009 G.C)

Name of Cooperative Societies	Year	TD to AR Standard <0.5:1	TA to DR Standard >1:1
Ethiopian Civil aviation Authority and Ethiopian Airport Enterprise Workers Saving and Credit Cooperative Societies Ltd.	2007	0.97	1.10
	2008	0.96	1.08
	2009	1.02	1.05
S.O.S Children's Village Ethiopia Saving & Credit Cooperatives Societies Ltd.	2007	3.23	1.03
	2008	3.50	1.03
	2009	2.73	1.02
Ethiopian Airlines Employees Thrift & Credit Cooperative Societies Ltd	2007	0.45	2.95
	2008	0.45	3.06
	2009	0.42	3.24

Source: Work out from Cooperative Societies audited financial reports

N.B: TD=Total Debit, AR=Account Receivable, TA=Total Asset & DR=Debit Ratio

As depicted in Table 4.4, the debt-to-asset ratio of the cooperative of Ethiopian Civil aviation Authority and Ethiopian Airport Enterprise were 0.97,0.96 and 1.02 in the year 2007,2008 and 2009 G.C respectively whereas SOS Children’s Village Ethiopia were 3.23,3.5 and 2.73 in the year 2007,2008 and 2009 G.C respectively. In both cooperatives the debt to asset ratios are greater than the average of industry standard of < 0.5:1. This implies that the debt-to-asset ratios of the unions are above the average. This means that the unions have higher debt-to-asset ratio in all the respected years in the study areas. But Ethiopian Airlines Employees debt –to-asset ratio were 0.45 for the year 2007 and 2008, 0.42 in the year 2009 G.C. The debt-to-asset ratio of Ethiopian Airlines Employee is below the average industry ratio then this cooperative was in line with the industry standard under the study period.

Table 4.4: Analysis of leverage ratio of the Cooperatives (2010-2012 G.C)

Name of Cooperative Societies	Year	TD to AR Standard <0.5:1	TA to DR Standard >1:1
Christian Children's' Aid National Office Employees Saving and Credit Cooperative Societies Ltd.	2010	1.91	1.05
	2011	1.26	1.07
	2012	1.54	1.05
Basic Metals Engineering Industrial Agency Employees Saving & Credit Cooperative Societies Ltd.	2010	2.27	1.07
	2011	2.49	1.05
	2012	2.71	1.05
Bole International Airport Travelers' Service Saving & Credit Cooperative Societies Ltd.	2010	52.78	3.09
	2011	110.98	2.25
	2012	110.98	0.61

Source: Work out from Cooperative Societies audited financial reports

N.B:TD=Total Debit, AR=Account Receivable, TA=Total Asset & DR=Debit Ratio

As depicted in Table 4.4, the debt-to-asset ratio of the cooperative of Christian Children's' Aid National Office Employees were 1.91,1.26 and 1.54 and for the year of 2010,2011, and 2012 G.C respectively, Basic Metals Engineering Industrial Agency Employees were 2.27,2.49 and 2.71 in the year 2010,2011 and 2012 G.C respectively whereas Bole International Airport Travelers' Service were 52.78, in year 2010, & 110.98, in the years 2011 and 2012 these highest ratios are far from the industry average of <0.5:1 ration. It implies in those years the cooperative was not delivered a loan to its members . This against the basic principles of cooperative Societies. But the ratio of 2010 and 2012 G.C were 52.78 and 61.56 respectively. These ratios were again far from the standard. For furthermore all tested list of cooperatives in table 2.2 were recorded highest rate of debt-to-asset ratio above average of the industry standard in the year 2010 to 2012 study has been conducted. In all mentioned cooperatives debt to asset ratios are greater than the average of industry standard of < 0.5:1. This implies that the debt-to-asset ratios of the unions are above the average. This means that the cooperatives have higher debt-to-asset ratio in all the

respected years in the study areas. When compares total asset –to- debt ratio Bole International Airport Travelers’ Service in the year 2012 record 0.65 below average standard of 1:1 due to increasing investment account.

4.4 Capital to Asset Ratio Analysis

Table 4.5: Analysis of Capital to Assets Ratio (2007-2009 G.C)

Name of Cooperative Societies	Year	Capital to Asset Ratio Standard > or = 10%
Ethiopian Civil aviation Authority and Ethiopian Airport Enterprise Workers Saving and Credit Cooperative Societies Ltd.	2007	10%
	2008	9%
	2009	8%
S.O.S Children's Village Ethiopia Saving & Credit Cooperatives Societies Ltd.	2007	3%
	2008	3%
	2009	2%
Ethiopian Airlines Employees Thrift & Credit Cooperative Societies Ltd	2007	13%
	2008	13%
	2009	12%

Source: Work out from Cooperative Societies audited financial reports

As per Table 4.5 capital to asset ratio from three cooperatives tested data Ethiopian Airline Employees perform above the industry standard 10% in the study conduct years 2007 to 2009 and Ethiopian Civil aviation Authority & Ethiopian Airport Enterprise Workers Societies recorded 10% in 2007 while the other two years 2008 and 2009 have been failed to below the standard. SOS Children’s Village Ethiopia has a record of poor performance of 3% in the year 2007 and 2008, 2% in the year 2009. This Shows that overall capital sufficiency of Ethiopian Airlines Employees in a good position during the study period while Ethiopian Civil aviation and Ethiopian Airport Enterprise recorded only 10% in the year 2007 as per the industry standard but it has been recorded below the industry standard in the years 2008 and 2009 study conducted, this mean the capital adequacy was not sufficient. S.O.S Children's Village Ethiopia has recorded 3% in the years of 2007 & 2008 , 2% in the year 2009. This cooperative recorded poor performance of capital adequacy during the study period.

Table 4.6: Analysis of Capital to Assets Ratio (2010-2012 G.C)

Name of Cooperative Societies	Year	Capital to Asset Ratio Standard > or = 10%
Christian Children's Aid National Office Employees Saving and Credit Cooperative Societies Ltd.	2010	5%
	2011	6%
	2012	5%
Basic Metals Engineering Industrial Agency Employees Saving & Credit Cooperative Societies Ltd.	2010	7%
	2011	5%
	2012	5%
Bole International Airport Travelers Service Saving & Credit Cooperative Societies Ltd.	2010	69%
	2011	56%
	2012	243%

Source: Work out from Cooperative Societies audited financial reports

As information depicted above table 4.6 Christian Children's Aid National Office Employees, Basic Metals Engineering Industrial Agency Employees were recorded capital to assets ratio of 5% ,6% and & 7% during the year of 2010 to 2012 G.C study conducted which is below of the industry standard which is the indicator of inadequate capital performance. Bole International Airport Travelers Service has recorded above industry standard ratio of capital adequacy of 69%,56% and 243% in the years of 2010 to 2012 G.C.

As go through the tested ration analysis of sample SACCOs in Bole sub city showed that most of them were performed below the standard of the industry minimum rates. Out six SACCOs only one is allocated default or allowance for uncollectible loan receivable as per WOCCU proposed 10% of total annual loan receivable. These indicators tell us attention need for improving the progress to keeping the sustainability and maintain SACCOs contribution for national economic development and changing their members life standards.

CHAPTER FIVE:SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Major Findings

As theoretical and empirical literatures evidenced the importance of cooperatives for social and economic development in Ethiopia has been recognized by the government of Ethiopia. As a result, the Government has been committed to the promotion of cooperative development through its cooperative support institutions. These efforts have seen a steady increase in the number of cooperatives in Ethiopia in the recent years. However, the level of support has been inadequate as demonstrated by the effort to increase the number of primary cooperatives and unions without giving due attention to improving their functionality and technical viability. The researcher observed that as direction in Addis Ababa City the administration has given a focus and priority for consumer cooperatives for the past three years getting a discussion with the cooperative officers during the study conducted .

The international agencies that have been supporting cooperatives in Ethiopia include the ILO, IFAD, UNDP, FAO, World Bank and African Development Bank. More importantly, the ILO has been giving support for the cooperative reform in Ethiopia since 1990. USAID and GTZ are among the bilateral agencies that are involved in supporting cooperatives in Ethiopia. Key NGOs involved in supporting cooperatives in Ethiopia include Action AID Ethiopia, ACDI/VOCA, Self Help Development International, Oxfam America and GB, Hunde, SOS/Sahel International UK and World Vision, among others. NGOs implementing integrated rural development activities have components of income generation through micro or small scale business activities, which require farmers' cooperation to mobilize resources through SACCOs Bezebih (2009).

The year 2012 was declared by the United Nations as the International Year of Cooperatives (IYC) in order to raise public awareness around the important contribution of cooperative enterprises to poverty reduction, employment generation, and social integration. IYC also aims to highlight the strengths of the cooperative business model as an alternative means of doing business Hayden Aaronson (2013).

As Yavaragi S and Biruk (2013) find that in Gohe cooperative Union, most of the cooperatives conducted under study were noted that financial health on the liquidity position ,capital adequacy,

,working capital threshold maintains and sustainable of profitability trend on the cooperative Societies observed that unhealthy condition according to minimum standard of WOCCU models. The financial health on the liquidity position of the union indicated that unhealthy condition according to WOCCU proposed standards. Gode cooperatives saving and credit union may fail to satisfy the deposit withdrawal request due to the fact that the union has no any liquid reserve funds to come across such request; deteriorating liquidity position provide members with unsafe place to deposit their money.

5.2 Conclusions

The cooperative movement has been facing critical shortage of skilled human resources. The institutions supporting cooperatives in Ethiopia suffer from frequent structural changes. This affects the performance of cooperatives and the data management system. Overcoming these problems will enhance the role of cooperatives in economic and social development Bezebih (2009).

The number of primary and secondary cooperatives of different types with significant increase in number of member beneficiaries could be achieved. Trained manpower in the sector is increasing through universities and colleges, training, exposures visits and education of members by coordinated effort of the government. However, the tested data of cooperatives have been observed that most of the measuring ratios were under the industry standard. Most of their financial audit reports were not performed regularly as per cooperatives proclamation # 147/1998 Section 36. Of # .1 **“Section 36. Audit.** 1) The appropriate authority shall audit or causes to be audited by a person assigned by it, the accounts of any Societies at least once in a year.”

The major reason is as most of the cooperatives don't have enough personnel to accommodate performing the regular auditing of cooperatives in the sub city. In steady priority and focus have been given to consumers cooperatives. This is the impact to members couldn't getting their dividend or annual return on equity from the investment on timely basis. Annual General Assembly meetings were not conducted and selection executives committee members.

In order to realize the plans of the government and guide volunteers to be productive in their cooperatives, trained manpower with adequate knowledge, skill and attitude is required. Hence, a

new Degree program in cooperatives was launched in Mekelle University, Alemaya University, Jimma University and Debu University in the year 1996 EC. The program is typically characterized by its practical-oriented training process that attempts to equip students with the required skills and capacity of promoting cooperative behavior through practical attachment programs with cooperative societies and banks G.Veerakumaran (2007). Even though seven years elapse after Dr. Veerakumaran explorative research conducted and those institutions have given cooperative and related field not only in undergraduate but also in graduate studies level the gap is not yet filled.

Therefore, the researcher listed as a major finding from the reviewed literatures and collected data:

- ✓ From selected six Saving and Credit Cooperative Societies 5 (83%) of them are under performed. Their
- ✓ Among selected SACCOs under the study 5 out of 6 have not allocated 10% of allowance for uncollectible loan receivables as per WOCCU standards.
- ✓ Financial audit service not conducted annually as per cooperative proclamation #147/1998.
- ✓ Federal Cooperative Agency and Bole Sub city Cooperative Offices are faced a challenge of manpower shortage.
- ✓ Saving and Credit Cooperatives have not get the governments attention while Addis Ababa City Government focus on Consumer Cooperatives.
- ✓ Government structures focus on development and promotion sides of cooperatives rather than monitoring and supervision.

5.3 Recommendations

Finally the researcher would like to suggest on the following points:

- ✓ Committee members of the Societies and employees should work on the optimum portfolio to maintain the minimum bench mark ratio of the industry standard.
- ✓ Cooperatives Societies financial audit should be conducted regularly according to proclamation no.147/1998 section 36.
- ✓ Ethiopian Government should work on supervision and audit, legal and consulting services of capacity building areas for improving cooperatives' efficiency and effectiveness.

✓ The higher education institution should continue in their curriculum by involved in teaching cooperative issues and cooperatives should be established and strengthened to overcome the human resources limitations. Universities and colleges should also be involved in applied cooperative development research, in order to find innovative ways of enhancing cooperative functioning.

✓ Government commitment shouldn't enough by itself to support and promote the cooperative societies unless strengthen the effort of governance and supervision regularly address the service demand by cooperatives.

✓ Federal, regional and woreda level cooperatives agency and office should aggressively working on development and organizing on cooperatives societies as 1 is out of 10 members of cooperative population less compare to other countries in Canada 1 is out 4, in Kenya 1 is out 5 person a member of cooperatives societies.

Finally, while cooperative like Saving and Credit Cooperatives Societies play an important role in economic development and changing the livelihood of their members and their communities in both developed and developing countries like Ethiopia, other researchers may conduct further researches on the cooperatives financial performance in other regions, sub cities & woredas financial planning and control of cooperatives and the application of accounting and auditing in cooperatives to find solutions to problems found in cooperatives operations. Therefore, this study could be an input for the future researchers in both areas academicians and practicums.

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Samuel Kifle (PhD). 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.

Abayneh Kebede



June 30, 2015