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## ANALYSIS OF THE STATUS OF HOUSEHOLD ECONOMIC SUSTAINABILITY OF MEMBERS IN AGRICULTURAL COOPERATIVES IN WEST SHOA ZONE, OROMIA REGIONAL STATE, ETHIOPIA

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### *Abstract*

*This is an Analysis of the Status of Household Economic Sustainability of Members in Agricultural Cooperatives in West Shoa Zone, Oromia Regional State, Ethiopia. The study units and the sampled respondents were 1112 and 294 respectively. The study units were selected purposively through multi stage sampling techniques. To address the objective of this study, both qualitative and quantitative data were used. For the data analysis SPSS (version 20) was used and through this, it was suggested that creating awareness among the study units, providing the desired services that respondents need by the cooperative societies were found to be essential for their economic sustainability and the suggestion given to study units was that it had been important to fulfill the expectations of their members for their economic sustainability. Based on this, the outcome of the study showed that (62.6%) were economically unsustainable; while 37.4% were economically sustainable at 95% confidence level. Large family size, inefficient use of family labor, less saving habit, less members' education and training were found to be determinants of household economic sustainability.*

**Key Words:** *Agricultural Cooperatives, Economic Sustainability, House Hold.*

### **Introduction**

Cooperatives have been established mostly because of economic issues that have been existed and still remained unresolved. Cooperatives have been around the world for many years, have made and continued to make tremendous contributions to social and economic development of members and for the countries in which they operate. (Develtere, 2007).

Co-operative enterprises are unique forms of business. More important issue is that how to bring about sustainable development of

co-operatives and their ability to provide the necessary basic goods and services to members constantly in the life of the enterprises (Mazzarol, 2012).

Cooperative organizations have been seen as, by many people, form of social enterprises as well as grass root organizations with potential to help the poor. Various research-works on cooperatives' roles in community development around the world and their roles in poverty reduction and resilience to market crises confirm the importance of cooperatives (Birchall, 2004). Sustainability is

meant a capacity to maintain some entities' operations, services, outcomes, benefits or processes throughout the existence of the entities (Khan, 2000).

Tsu da & Takaoka (2006) suggested that one of the sustainability indices is Gross social feel-good (GSF) composing of six components: environment, economy, safety, health, comfort, and happiness.

The concept of sustainability was originally coined in forestry, where it means never harvesting more than what the forest yields in new growth (Wiersum, 2000).

Economic sustainability, being a dynamic concept with changing societies and their environments, technologies and cultures, values and aspirations, and changes in the economies, has three inseparable and crucial constituents: environmental, social, and economic sustainability (Ezekiel, 2014).

Statement of the problem

The important point worth noting about economic sustainability of agricultural cooperative members is that there should exist a balanced integration and interaction among economic, social, and environmental factors effectively and sufficiently (Osuntogun, 2005).

The most readily available opportunity by which the masses can escape the corporate power is through vibrant cooperative societies that are well managed and economically sustained (Dayanandan, 2013).

Financial status to cope with fast changing of economic conditions through the intensification of traditional crop production, diversification into new high value crops, and off-farm activities would result in economic sustainability of the entities in focus (i.e., agricultural cooperative members) (Drafor 2014).

#### Objective of the study

To analyze the status of household economic sustainability of members in the study area.

#### Significance of the study

The outcomes of this study have the capability to add some pieces of knowledge into the existing body of knowledge for members, stakeholders, and policy-makers to enhance the development of agricultural cooperatives and their members at different tiers.

#### Review of Related Literature

The concept of sustainability and

sustainable development has emerged as humanity has become more cognizant on the World. Furthermore, sustainability has been integrated into the mission of numerous organizations and institutions from local to international in scale which also include cooperatives (Kates & Leiserowitz, 2005)

Cooperative sustainability would be achieved, if cooperative institutions adopt and practice effective Management of Information System (MIS); attract large number of client with vision of growth; promoting saving services and diversify saving products; offering services that suit to the client's needs and diversify loan products; simplify procedures to reduce operational costs; attaining financial stability by charging sufficient and competitive interest rates and fees; encouraging participative decision-making on cooperative matters; promoting effective democratic and transparent governance; developing institutional linkages; targeting clients properly; mobilizing internal resources; offering patronage rebate to members in proportion to the services used; and integrating cooperative training and education in the regular services of the cooperatives.

#### Research Design

Mixed research design approaches were employed to carry out the study. The study captures both quantitative and qualitative research design for the fact that economic sustainability captures quantitative data of environmental, some managerial factors and social aspects while most aspects of sustainability need qualitative data to be analyzed.

#### Sampling Methods and Techniques

Multi-Stage Sampling were adopted for the selection of the study area, study units and the sampled responders, select the Zone purposively with strong justification, Woreda, Kebeles because in those kebeles each kebele has its own cooperatives, the sample frame – population frame-, benchmarks 3-5 years of membership in the cooperative, sample selection Yamane formula as published by Prof. Isael of Florida University, USA, taking precision level at, 95% was employed. PPS was employed in drawing respondents; systematic random sampling,  $N/n=k$  to draw total sample, Yamane formula (1967) was applied as follows:

$$n = \frac{N}{1+N(e)^2} = \frac{1112}{1+1112*0.005} \approx 294; \text{ Yamane}$$

### Data sources, types and the instrument used for the data collections

To attain the objectives of this research, both primary and secondary data were collected, the primary data were collected by adopting the questionnaire schedules, for further triangulation purpose FGD and KIIs were conducted, the secondary data were collected through the document review methods and these have been collected from the report, published and unpublished articles related to the economic sustainability of the members and it was collected from the websites and libraries to attain the objective of this study.

#### Methods of data analysis

The data required for the study were collected using questionnaire schedules that were distributed to statistically select cooperative member respondents semi-structured interview was conducted to collect relevant and missed information from management and audit committee members and focus group discussion (FGD). The collected data were analyzed with support of the Statistical Package for the Social Sciences (SPSS) version 20.

### The specification of analytical model adopted in this study was depicted as follows:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \dots + \beta_k X_k + \varepsilon$$

Where;

$Y_i$  = dependent variable (household economic sustainability of members)

$\beta_0$  = Baseline (constant term) of economic sustainability (i.e., initial capital of members without membership)

$\beta_1$  .....  $\beta_n$  were parameters and coefficients of attributes of independent variables and coefficient of estimation

$X_1$  = sex of household head

$X_2$  = Age of household head

$X_3$  = educational level of household head

$X_n$  = attributes of different independent variables

$\varepsilon$  = error terms at 0.05 confidence level

Demographic factor data were interpreted using descriptive statistics such as percentage, frequencies, mean and standard deviation.

### Findings,

From this study it can be summarized

that the majority of the sampled households 184(62.6%) lived below poverty line and thus they are economically un-sustainable; only 37.4% of the sampled households are economically sustainable. The mean per capita income differences between those who live below poverty and above poverty line are statistically significant at 0.000.

From the sampled households (N=294) 96% of them have big family size ranging from 4 to 6 that dictates the economic sustainability of households; 82% of households' income source is from on farm activities;

The majority of economically unsustainable households (99.5%) and economically sustainable households (99%) produce once in a year; 59% of sampled households have no access to market information; 93% of them have saving habit; 94% of them have efficiently utilized their family labor; 92% of them have effectively utilized their resources and 38% of them have the desire for investment.

In particular, those member respondents in the educational range between grades 9-12 which constituted 51 (17.3%) were expected to play greater roles in the improvement of their living conditions more than the rest, even though individuals, by nature, strive to live better life, by developing their societies in order to derive benefits by leading, managing, introducing appropriate technologies into their societies and controlling the affairs of their societies effectively.

The regression process has undergone 8 steps or iterations. From Iteration 1 up to 8 the number of variables added in to the model has significantly improving the adjusted R-Square from 15.6% to 38.8%. This has indicated that the final adjusted R-Square is found 38.8%. This shows 38.8% of the model is explained by the explanatory variables considered.

### Recommendations

In order to improve household economic status and to reduce the level of poverty household economic empowerment is critical. Enhancing the capacity of households through provision of entrepreneurial or business skill training is also essential for household economic empowerment.

Assisting households in developing sound business plan is of paramount importance. On top of these linking households with research institutions and extension may

enable the poor households to use improved technologies that will maximize their income and improve their economic levels.

Provision of credit may also be necessary to enable households to invest on a productive activity. Income generated from on farm activities is significant. But, there is a need to focus on diversification to minimize risk and ensure House-Holds economic sustainability. Diversification of economic activities is of paramount importance to reduce the number of people living below poverty line, to narrow down the poverty gap among households and to mitigate the intensity of poverty in the study area.

Enhancing household knowledge through education is crucial to help them make the right decision regarding alternative means of economic sustainability. Provision of training on nutrition, production of nutritious food and on hygiene is highly important to solve household's nutritional and hygienic problems.

As labour is the major input for enhancing production and productivity, provision of training on efficient utilization of labor and other resources is suggested.

### Conclusion

It is concluded that the study units to create the awareness among the members to use the services provided by the cooperatives for their economic sustainability and the suggestion given to study units was , it has to understand the expectations of the members for the services they provided to them for the economic sustainability of the members.

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