

Good Governance Practice for Better Performance of Community Organizations - Myths and Realities!!

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Abstract

The effectiveness of community organizations depends on the existence of pillars of good governance like, participation, accountability, transparency, predictability and rule of law. Effective participation of members in their organizations ensures the vigilance, which is essential to create sense of responsibility among the board and the personnel. This paper therefore, aims at assessing the governance practice and the impact of such governance practice on the performance of the community organizations (cooperatives) in Halaba district, Ethiopia. To address the objectives, 125 sample members from eight primary cooperatives have been identified by proportionate random sampling technique to collect the primary data with semi structured questionnaire. The collected data was analyzed using SPSS (version 20) and simple statistics such as mean, percentages and chi-square test were used to arrive the results. In addition, binary logistic regression model was applied to trace out the factors responsible for governance practice and the performance of cooperatives. The findings indicate that inadequate business participation, poor responsiveness, lack of awareness about the management, lack of democracy, corruption, poor sense of ownership, double responsibility and lack of members' awareness were found to be the reasons for weak performance. The binary logistic regression model results show that, four predictor variables such as participation, accountability, transparency and rule of law are found to be significant on the impact of cooperative performance which needs due attention of the concerned stake holders to maintain good governance practice. It is suggested that the identified problems would be addressed through collaborative and deliberate action of both members and the government.

Key Words: Good Governance, Community Organizations, Better Performance

1. Background and Rationale

Governance is a key determinant for growth, development and poverty reduction. Governance has been variously defined as “the management of society by the people” (Albrow, 2001), and “the exercise of authority or control to manage a country’s affairs and resources” (Schneider, 1999). Governance is a complex system of interactions among structures, traditions, functions (responsibilities) and processes (practices) characterized by three key values of accountability, transparency and participation (USAID, 2002). Governance can also be seen as the instrument of the effectiveness of a society’s institutions. If the institutions are appropriate and effective, the outcome should be good governance (Duncan, 2003).

Community organizations (Cooperatives) are unique institutions that balance and negotiate relationships between their members, communities, traders, the state and international commercial traders: social capital facilitates these relationships. According to Folsom (2002), having a businesses owned and controlled on a cooperative basis helps farmers’ entire community. Evidence shows that cooperatives enable farmers to achieve economies of scale, bargaining power and capacity to invest in

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more advanced stages of the value chain including storage, processing, marketing and distribution. Besides, as community institutions, cooperatives devolve decision making to the community level, build social capital, community spirit and pride (Reynolds, 1998).

Today, we live in a world driven by terrifying corporate power and globalization that render individual persons helpless. The most readily available opportunity by which the masses can enjoy and exercise corporate power is through vibrant cooperatives that are well managed. It is therefore, of paramount importance that cooperatives have governance and management structures together with a certain level of business ability for them to satisfy their shareholders. Good governance principles like transparency, integrity, accountability and fairness that are normally associated with investor-owned firms (IOFs) are also applicable to cooperatives.

Being corporate bodies, cooperative organizations also have a separate legal existence from their owners (shareholders). In order to get cooperatives owned by many individual persons properly governed and managed, these shareholders elect board of directors to whom they delegate most of their authority. The principle for cohesion of a cooperative model is participation of members, monitoring the management and voicing their interest. Strengthening the importance of participation, feeling of belonging and property, representativeness, is crucial for good governance in cooperatives. Effective participation of member in their cooperative ensures the vigilance, which is essential to create sense of responsibility among the board and the personnel (Nakkiran, 2002). The effectiveness of cooperative depends on the existence of pillars of good governance like, participation, accountability, transparency and predictability in the deliberation of general assembly meeting looking for the proper application of the cooperative principles, values, by-laws, internal regulation and the cooperative society formation proclamation 147/1998 itself (Karthikeyan, 2008).

The participation of cooperative unions in the economic activities is affected by their management capacity, experience and access to credit. This is due to lack of good governance practices (Bezabih, 2009). From this, it can be concluded that governance practice determine the performance of cooperatives in Ethiopia in general and the study area in particular. The success of cooperatives would depend on the way that cooperative organization structured and apply good governance practice, which is the base for members' participation. Good governance emerges through honest application of the prevailing laws and respecting the spirit behind this law (Imran, 2009). Hence, it is imperative to evaluate the existing governance practice and its impact on the performance of People's organizations (Cooperatives).

2. Objectives of the Paper

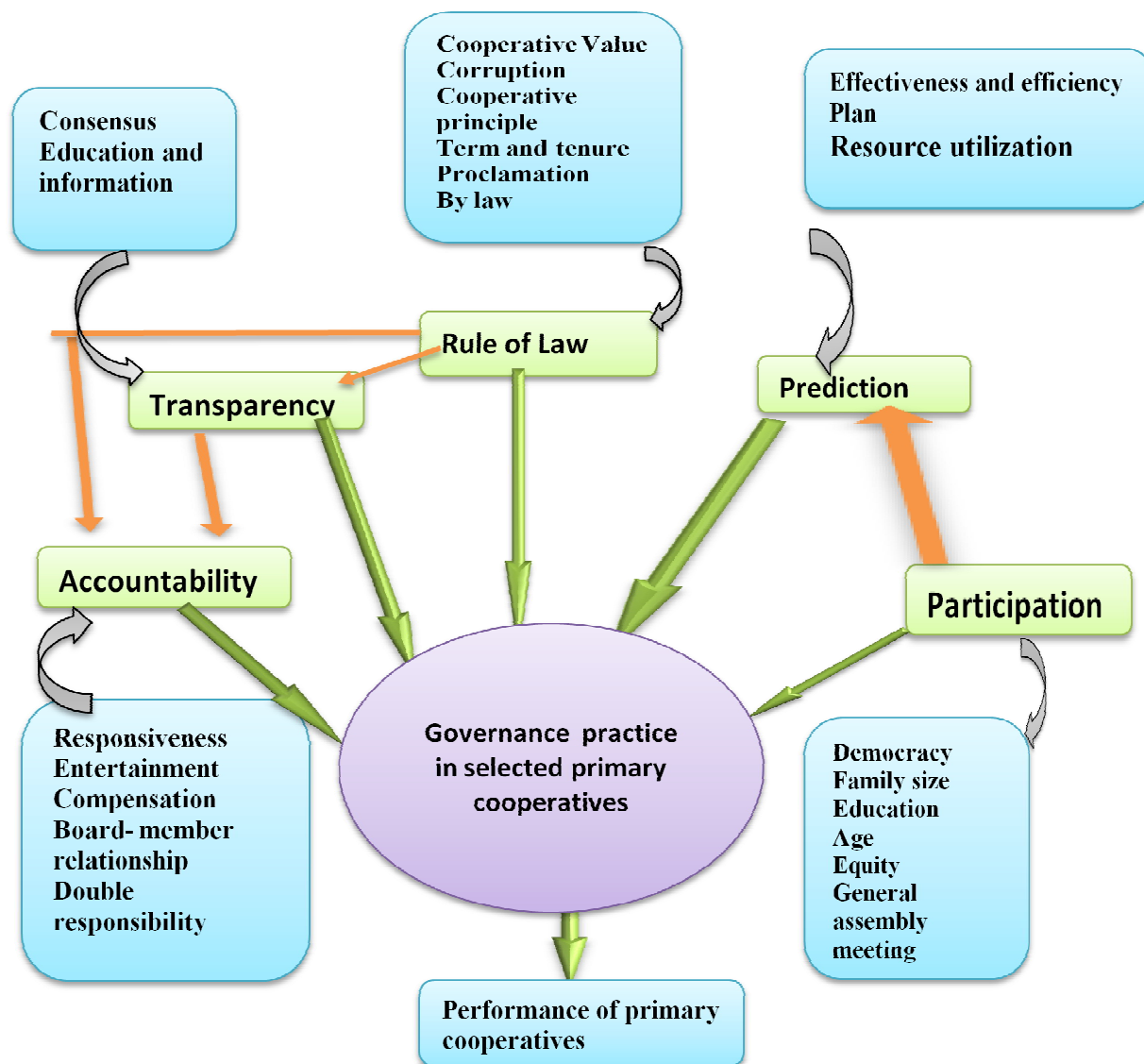
- a. To understand the governance practices of selected primary cooperatives in the study area.
- b. To assess the level of awareness among the cooperative members on good governance practice.
- c. To examine the impact of such governance practice on the performance of the cooperatives.
- d. To identify the factors that hinders good governance practice in the cooperatives.

3. Methodology Adopted

This paper is based on a research conducted in Halaba special district, Southern Ethiopia and it was selected purposively because of the highest number of primary cooperatives established in this district compared to others (Tsegaye, 2011). In addition, available reports shows that currently the cooperatives in the district face governance problems like; mismanagement by officials, conflict of interest among cooperative officials, lack of accountability among leaders and members to the cooperatives (Rameto, 2011).

Multistage sampling procedure was followed to select the primary cooperatives and sample members. In the first stage, from eight types of primary cooperatives, two primary cooperatives from each type were selected purposively based on seniority of establishment. There are 1627 members registered in the selected 16 cooperatives. When using different standard formulae (Kothari, 2004 and Emame, 2000) to arrive sample size, it becomes more than 300 which are difficult to manage within the limited time and resource. Hence, Carvalho (1984) table was used to arrive the sample size. Thus medium size (m) 125 samples had been arrived from the total of 1627 members in the selected cooperatives. Finally proportionate random sampling technique was used to identify the sample members as respondents. The required primary data was collected using pre tested semi- structured questionnaires. The collected data was analysed by Statistical Package for Social Science (SPSS version 20) and descriptive statistics such as mean, percentages and chi square along with binary logistic regression model were used to arrive the conclusion.

Figure 1: Conceptual framework



4. Conceptual Framework

The study emphasizes important pillars of good governance such as accountability, participation, transparency, prediction and rule of law as to what extent the cooperative members and leaders realize these pillars. The conceptual framework was developed based on literature review to emphasize mainly on the relationship of the explanatory variables with the dependent variable (Figure 1).

5. Major Findings

5.1 Profile of the Respondents

Cooperatives are supposed to play a prominent role in serving properly their members to realize their objectives by practicing good governance. However, members have different backgrounds related with their demographic and socio-economic characteristics which may hinder or help them to practice good governance. Therefore, this section focused on background information about them.

The survey result reveals that the age of the sampled members ranges from 25 to 70 years. About 98.4% of the respondents are found in the most actively working age category (25 to 60 years). Gender difference may be one of the variables that hinder governance practices and it was assumed that male members have freedom of mobility and participation in cooperative extension programs and consequently have greater access to information than female. However, the result of this study proved that majority (79.2%) of the sample members was male. It is also expected that married members can handle and manage their overall cooperative duties for better performance. The survey result proved that all (100%) of the respondents fall under married category only. Education is one of the most important demographic variables, which increase members' decision making ability and maintain governance practice in the society. As it is observed from the results, majority (53.6%) of the respondents attained primary level of education.

5.2 Members participation in Governance

Pradhan (2005) reported that, participation of the members is directed by collective decision making process and distribution of responsibilities among the members, there is collective leadership and open discussion and interaction takes place that the members contribute their time in meetings, programs, money/material, membership fee etc. Gentle (2004), reported based on his experience that only physical presence of people in meeting is not actual participation. Hence an assessment has been made in this section in different aspects of participation and discussed below.

5.2.1 General Assembly Attendance: The general assembly of members is the supreme body of cooperatives, within statutory and legal limits, with powers to decide on business related to the goal of cooperatives and care for its development. General Assembly is the authorized body of user group that provides opportunities for users to incorporate their voice in decision-making process. It has also authority to select executive committee members. Therefore, assuming that Assembly of members is the highest instance of governance, every effort shall be developed towards effective participation and responsiveness.

The dimension of participation can be in the constitution of cooperatives (membership, area of operation, liability) management and administration (participation in the general assembly meetings, in board meetings as member of the management committee, decision making, voting and business. It means that it is mandatory to involve members in the whole affairs of the cooperative society. The scope of members' involvement in the general assembly meeting is the decisive factor for the sustainability, effectiveness and efficiency of the cooperatives.

The general assembly is the highest decision making organ in the cooperative society that needs above 50% attendance from the total members to pass resolutions, but as it is observed from the survey data (Table 1), 44% of the respondents attend the general assembly meeting irregularly for the last two years and 16% have not attended the general assembly meeting at all. Regarding participation of members in business activities, the survey result reveals that 43.2% of respondents participate in business activities irregularly and 20% has not participated in any business activities. Therefore, this thin participation reflects a well known governance problem, namely “hitch-hike effect”, which emerges whenever individual contribution represents very little to the whole or fails to enable him to capture individual benefits.

Table 1: Attendance of Respondents in the Assembly Meetings

Particulars	Responses			
	Regular	Irregular	Not at all	Total
Attendance of General assembly meetings	50 (40.0)	55 (44.0)	20 (16)	125 (100)
Participation of members in the business activities	46 (36.80)	54 (43.20)	25 (20.0)	125 (100)

Note: Figures within parenthesis indicate percentages

5.2.2 Democratic Governance in cooperatives: The fundamental concept of democratic governance in a cooperative is that those who need and use the services provided by the cooperative. Members’ contact, members’ information and members’ education are extremely important for democratic governance in cooperatives. A cooperative which is a jointly-owned and democratically controlled enterprise within the cooperative control is distributed among members on democratic basis. The dual characteristics of ownership and democratic members control are particularly important in differentiating cooperatives from other kinds of organizations. According to majority (60.8%) of respondents, there is no democracy in the management of the sample cooperatives. As a result, the cooperatives lack the major identity and this is a clear indication of poor governance.

5.3 Members’ prediction, effectiveness and efficiency

5.3.1 Members predictability in the governance of the cooperatives: Predictability results primarily from law and regulations that are clear, known in advance and effectively enforced. Predictability of the government economic actions is also needed as an indicator on which the cooperative sector and other sectors can rely to make its own production, marketing and investment decisions (Karthikeyan, 2008). Cooperative members should predict the future and perform to exploit the business opportunities to achieve the future endeavors. Predictability is very important to survive and sustain in the present and future competitive market situation. This begins from planning of the business with the knowledge and full participation of members. The survey result indicated that, the majority (40.8%) of respondents’ opinion fall under the category of no business plan for the business activities by cooperatives and 34.4% reported that they don’t have knowledge about business plan. This shows that members have no involvement in forecasting the future course of action for their own cooperatives. However, prediction is one of the pillars of good governance that must be known and exercised by the whole members (Table 2).

Table 2: Members’ response on Business Plan

Cooperatives have its own business plan.	Number of respondents			
	Yes	No	Not known	Total
	31 (24.80)	51 (40.80)	43 (34.40)	125 (100)

Note: Figures within parenthesis indicate percentages.

5.3.2. Effectiveness and efficiency of cooperatives in resource utilization: Effectiveness and efficiency is the process and procedures in institutions that results the best use of resources and fulfillment of members interest. This can be seen in relation to the cost effectiveness in sustainable service delivery with no compromise on equity/impartiality, over all care for cooperative assets and mobilization of internal and external resource for members' benefit. This could be achieved with the existence of effective and efficient board members, control committee and management of the cooperatives. According to majority (62.4%) of the respondents, there is no effective and efficient utilization of cooperative resources. This ensures that the resource of the society is used unproductively; this spoiled the image of the cooperatives, so that, the reliability and the confidence of non members to be a member is devastating. This is also an indication or the result of poor governance.

5.3.3. Effectiveness and efficiency of cooperatives in fulfilling members' interest: The guiding principles of cooperatives emphasize that cooperatives are self help organizations. This is realized only if the owners are much interested in their own cooperatives. The survey result (Table 3) shows that the majority (47.2%) of the respondents' responded that the effectiveness and efficiency of cooperatives in fulfilling their interest is low and very low and 30.4% responded as medium, this shows that members are not much interested about their cooperatives due to ineffective and inefficient governance of primary cooperatives regarding to fulfilling members' interest and which hinders good governance practice as well.

Table 3: Effectiveness and efficiency of cooperatives in fulfilling members' interest

Governance of primary cooperative is effective and efficient in fulfilling members' interest.	Very High	High	Medium	Low	Very Low
	11 (8.80)	17 (13.60)	38 (30.40)	37 (29.60)	22 (17.60)

Note: Figures within parenthesis indicate percentages.

5.4. Awareness on cooperative governance practices

5.4.1 Respondents' opinion on cooperative by-laws: Cooperative by-laws are laws which govern over the whole activities including major objectives and activities of the cooperatives, right and responsibilities of board of directors, sub-committee and employees. The by-laws have to be thoroughly discussed and approved by all members before implementation. The by-laws have to be coherent with the international cooperative principles, cooperative society's proclamation and general laws and regulations of the country. The by-law is the document on which the power and binding rules of the society are articulated on and used to maintain good governance practices.

The cooperative by-laws recognized the need for independence of the cooperatives and provide freedom to the members to take their own decisions. This development raised high hopes in terms of leading the new era for healthy and viable cooperatives. So, the cooperative members could actively participate in setting policies, controlling and making decisions and their affairs are managed by the officials elected or appointed by and from among the members. Cooperative members could exercise the power truly if and only if they have knowledge or exposure on their own by-laws. According to survey results, majority (51.2%) of respondents opined that the document needs amendment and 20.8% agreed that they do not know about the cooperative by-laws. This indicates that there is a problem of practicing good governance in the sample cooperatives (table 4).

Table 4: Respondents' opinion on cooperative by-laws

Opinion on cooperative by-laws.	Respondents' response			
	<i>Clear and applicable</i>	<i>Needs amendment</i>	<i>It is ambiguous</i>	<i>Not known</i>
	22 (17.60)	64 (51.20)	13 (10.40)	26 (20.80)

Note: Figures within parenthesis indicate percentages.

5.4.2 Level of awareness on cooperative governance practices: Cooperative governance is a pure democratic self-governance system of managing cooperatives entity based on and in complying with the principles, values and philosophy of cooperatives. The cooperative governance concept relates to the quality of the relationship between the cooperatives and the members, promote and protect. In the other word, governance means the way those with power use or exercise that power. The question here is to what level of the awareness on good governance practices in the cooperative society?. Members have got a great role in practicing good governance and restoring rule of law as they are the most powerful organ. The survey results indicated, the majority (57.6%) of respondents' awareness on good governance practices in the cooperatives is low and very low (table 5).

Table 5: Level of awareness on cooperative governance practices

Level of awareness on good governance practices in the cooperatives.	Very High	High	Medium	Low	Very Low
	20 (16.0)	08 (6.4)	25 (20.0)	45 (36.0)	27 (21.6)

Note: Figures within parenthesis indicate percentages.

5.4.3 Members awareness on their cooperative powerful organ: The management of the cooperatives is composed of three separate and distinct groups: members, directors and managerial staff. The success of cooperatives is based on active involvement of all the three bodies to make a coordinated goal. It is not unusual for cooperative members to consider themselves quite outside the sphere of cooperative management. The analysis results show that, the majority (51.2%) of respondents consider themselves out side of the management of their cooperatives and 17.6% revealed that they do not have knowledge about their own supreme or the powerful organ given to the members by the law. Hence it is difficult to govern and maintain accountability and rule of law in the cooperatives (table 6).

Table 6: Respondents' awareness about their powerful organ

Awareness of cooperative members about who is their supreme or powerful organ.	Number of respondents			
	<i>Board</i>	<i>General assembly</i>	<i>Chairman</i>	<i>Not known</i>
	57 (45.60)	39 (31.2)	07 (5.6)	22 (17.6)

Note: Figures within parenthesis indicate percentage.

5.4.4 Respondents awareness of cooperative values and principles: Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believed in the ethical value of honesty, openness, social responsibility and caring for others and the guiding principles by which cooperatives put their value into action. So, the cooperative members must have awareness on those cooperative values and principles for sustainable, effective and members controlled association.

Concerning this, the survey result proved that majority (57.6%) of respondents has no awareness about cooperative values and principles. This indicates that members have no guidelines for overall movement of cooperatives.

5.4.5 Awareness of Members and Board on their duties and responsibilities: As it is known, the general assembly of the cooperatives is the supreme authority, and this must clearly known and exercised, directed in the right line by the members properly. Board is responsible to the general body for all the activities of the society such as policy framing and its implementation.

Good awareness of their duties and responsibilities in both sides of the cooperatives is paving a line for well practicing good governance in the cooperatives. For this reason cooperative members' and board members' awareness of their duties and responsibilities given by the law are decisive factors. The survey results (table 7) indicate that majority (40.8%) of the respondents reflected that the board has no awareness about their duties and according to 32%, they have no idea about duties and responsibilities of the board and according to 41.6% of the respondents, members have no awareness about their duties and responsibilities given by the law. Therefore, this is a great problem for practicing good governance, management and survival of the primary cooperatives.

Table 7: Awareness of Members and Board on their duties and responsibilities

No	Particulars	Number of Respondents			
		Yes	No	No idea	Total
1	Board members awareness on their duties and responsibilities.	34 (27.2)	51 (40.8)	40 (32.0)	125 (100)
2	Members' awareness on rights and duties in their cooperative.	37 (29.6)	52 (41.6)	36 (28.8)	125 (100)

Note: Figures within parenthesis indicate percentages.

5.4.5 Corruption Practices: Corruption has been described "as the abuse of cooperative resources for private gain". Also refers to gain of any kind as financial, in status and it could be gain by an individual or a group, or those linked with such an individual or group. Apart from bribery, it can include "patronage, nepotism, embezzlement, use of one's position for self-enrichment, bestowing of favors on relatives and friends, moonlighting, partiality and abuse of cooperative property". Corruption impedes a cooperatives' ability to use its available resources to progressively achieve the full realization of membership rights because development is mismanaged, misused or misappropriated.

Table 8: Members response on corruption prevalence in their cooperative society

	Number of Respondents			
	Yes	No	Not known	Total
Corruption in cooperative societies.	81 (64.80)	21 (16.80)	23 (18.40)	125 (100)

Note: Figures within parenthesis indicate percentages.

Positive and achievement oriented way of governance in cooperatives are sometimes distorted by leaders due to corruption. Majority (64.8%) of the respondents complained that there is a prevalence of corruption in the cooperatives and 18.4% do not know whether corruption exists or not. Thus corruption prevents the cooperatives from fulfilling its obligations, erodes the legitimacy of cooperative governance and subverts the rule of law. It has also negative effect on new membership by destroying members' confidence. This is an indication for the absence of good governance practices in the sample cooperatives.

5.5 Existence of Governance Practices in the Cooperatives

5.5.1 Accountability: Accountability is the capacity to call officials and members of cooperatives to account for their actions. Effective accountability has two elements, liability and consequences without which accountability is meaningless. Power and decision making in cooperatives are often concentrated at the top in few hands where there is no ethics of good governance. In such cases cooperative members' performance and involvement are characterized by lack of participation and poor sense of ownership.

With respect to intensity of application of governance ethics in sample cooperatives, the majority (60%) responses of survey result revealed that extent of application of good governance ethics is low and very low. This indicates that there is lack of governance ethics in the management of the cooperatives which is the cause for poor sense of ownership of members and results lack of participation in the affairs of the cooperative (table 9).

Table 9: Extent of applications of good governance ethics in sample cooperatives

Application of good governance ethics in cooperative societies.	Number of respondents				
	<i>Very High</i>	<i>High</i>	<i>Medium</i>	<i>Low</i>	<i>Very Low</i>
	11 (8.80)	18 (14.40)	21 (16.80)	35 (28.0)	40 (32.0)

Note: Figures within parenthesis indicate percentages.

5.5.2 Responsiveness: Members formulate the broad and general polices of the association and elect directors to manage and supervise the execution of those polices. This indicates that members participate in the management, and delegate their power to the board of directors for the day to day management of business. Good governance regulates the relationship between members of cooperatives, the board of representatives (that advise management on behalf of members) and management (that has the care and control over cooperatives). The good governance ensures proper and prompt response from both sides that is management to members and members to cooperatives or board. These guarantees effective and efficient utilization of available resources and reduces or avoid conflict. However, the survey result revealed, the majority (50.4%) of respondents responded that there is slow and very slow speed in board response to members and (60%) of respondents answered that there is very slow and slow response from members to the board. Therefore, the result clearly indicates the existence of poor governance in the primary cooperatives (table 10).

Table 10: Extent of Board response to Members and Members to the Board

Particulars	Number of respondents				
	<i>Very quick</i>	<i>Quick</i>	<i>Very slow</i>	<i>Slow</i>	<i>No response</i>
The speed of response from board members to the members.	09 (7.20)	33 (26.40)	23 (18.40)	40 (32.0)	20 (16.0)
The speed of response from the members to the Board.	12 (9.60)	36 (28.80)	53 (42.40)	22 (17.60)	02 (1.60)

Note: Figures within parenthesis indicate percentages.

5.5.3 Consideration of members by Board/management: Good cooperative governance emphasis as owner's involvement in decision making and control. This could be realized by the cooperative values, principles and the universally accepted pillars of good governance which gives the overall governance framework for the whole activities of cooperatives.

However, majority (76%) of respondents' response indicates that members were not considered as owners of the cooperative and this is great problem for practicing governance in cooperatives (table 11).

Table 11: Respondents' opinion on board/managers consideration

Consideration by the management/ board.	Number of Respondents			
	<i>As owner</i>	<i>As customer</i>	<i>No consideration</i>	<i>Total</i>
	30 (24.0)	55 (44.0)	40 (32.0)	125 (100)

Note: Figures within parenthesis indicate percentages.

5.5.4 Members' honesty to their cooperatives: Honesty is the most important ethical value for the survival of cooperatives. As understand from the history of cooperatives, the Rochdale pioneers had a special commitment to honesty, to be sure their identity in the market was distinguished partly because they insisted upon honest- business, honest-measurement, high quality and fair price. One of the cooperative principle is honest dealing with members and non members. The scope of honest is much wider in cooperatives than what generally it is understood. Without honesty cooperatives have no chance to exist, and in the future to sustain themselves. Individual cooperators' honesty, business honesty and managerial honesty brighten the cooperative image and their identity. Majority (54.4%) of the respondents' opinion indicates that members are not honest to their cooperatives and 29.6% of them do not have knowledge about honesty. This indicates that primary cooperatives are in risk and danger without honest members (table 12).

Table 12: Respondents opinion about members' honesty to their cooperatives

Cooperative members' honesty to their cooperatives.	Number of respondents			
	Yes	No	Not known	Total
	20 (16.0)	68 (54.4)	37 (29.6)	125 (100)

Note: Figures within parenthesis indicate percentages.

5.5.5 Transparency: Transparency is another fundamental pillar of Good Governance. Panday (2005) stated that transparency means every work; things and information are totally transparent for anyone who is related with that. In cooperatives transparent means every work, activities, decisions and other related information of cooperatives are to be disseminated to every user. Transparency also helps for participatory work to understand all information easily and clearly. Pradhan (2005) has expressed his justified view that transparency means all members should aware of the decision made, the minutes, files, reports, constitution and policies and budgets are accessible to all the members.

Transparency leads to the low cost access to reliable information. Consistent and timely economic and financial information is a must for the cooperative members. So, both the public and members and other external authorities should know the economic and financial information of the cooperatives. For this reason members and directors are obligated to ensure the principle of transparency as a code of best practice in their cooperatives.

However, according to majority (61.6%) of respondents the boards are not transparent to members and the general public and 66.4% opined that members are not transparent to the cooperatives (table 13). Though, transparency is one of the pillars of good governance and best instrument to build a favorable image of the cooperatives, it is not practiced in the sample cooperatives which hinder their performance.

Table 13: Respondents' opinion on Members' and Boards' transparency to each other

No	Statements	Number of Respondents			
		Yes	No	Not known	Total
1	Board members are transparent to members and the public.	48 (38.4)	56 (44.8)	21 (16.8)	125 (100)
2	Members are transparent to their own cooperatives.	42 (33.6)	45 (36.0)	38 (30.4)	125 (100)

Note: Figures within parenthesis indicate percentage.

5.5.6 Extent of members, sub committee and board relationship: Subcommittee and the board of directors must be committed to build good relationship between members and management, the board and other employed staffs. Both cooperative members and leaders are benefited from the sound and cordial relationship between members and board of directors, members and subcommittee, subcommittee and board and other employed staff members. From the survey results, the majority (63.2%) of the respondents' opinion shows that there is weak relationship between members, subcommittee and the board (table 14). So, this is an indication for poor relationship between the three organs of sample cooperatives and existence of poor governance.

Table 14: Extent of relationship between Board, Subcommittees and Members

Extent of members, board and subcommittee relationship.	Number of respondents				
	Very strong	Strong	Weak	Very weak	Not known
	05 (4.0)	21 (16.8)	21 (16.8)	58 (46.4)	20 (16.0)

Note: Figures within parenthesis indicate percentages.

5.5.7 Pillars of Cooperative Governance: Cooperative governance has five important pillars. They are participation, transparency, predictability, accountability and cooperative by-laws. The instrumental nature of good governance implies that the five pillars of governance are universally acceptable and applicable regardless of economic orientation, strategic priorities or policy choice of the government in question.

The cooperative governance framework encompasses the five pillars as key components of governance. Existence of those pillars in the governance of the cooperative society is an indication or witness for good governance. From the survey it is observed from the responses (table 15), majority (78.4%) of the responses indicates that either one of the pillars of good governance is not practiced in the management of their cooperatives in proper manner.

Table 15: Respondents' opinion on practice of pillars of good governance

Pillars of Good Governance	Frequency	Percentage
Not practiced any one of them	98	78.4
Rule of law	06	4.8
Accountability	05	4.0
Participation	05	4.0
Transparency	06	4.8
Predictability	05	4.0
Total	125	100

5.6 Impact of governance practice on performance of cooperatives

One of the objectives of this paper is to see the impact of governance practice on the performance of cooperatives. Since good governance is the pillar of cooperative performance such assessment has been made by statistical tools and the discussions are as follows. This section tries to examine the relationship between selected governance practice measurement variables and performance of selected cooperatives in Halaba district.

5.6.1 Bivariate Analysis on Governance practices vs Cooperative performance: Bivariate analysis can be used to see the relationship between two variables. Since the variables in this paper were categorical in nature, the researcher used Chi-square test to see the association between the dependent variable and the independent variables.

It is clearly shown in table 16 that, performance of cooperatives have statistically significant association with accountability, transparency, prediction, rule of law and participation. It was hypothesized that accountability and performance of cooperatives would have a positive association. The findings of the cross tabulated analysis confirm the expected association i.e with the chi-square value (43.03) and the p value is less than the table value ($P < 0.001$) for accountability and performance of cooperatives, it has statistically significant association. The analysis indicates that if there is accountability in cooperatives, the performance will be improved. Transparency can affect the performance of cooperatives and it is understood from the chi-square and significant value ($\chi^2 = 51.86$, $P < 0.001$), transparency and performance of cooperatives have statistically significant association.

It is also observed that prediction and performance of cooperatives has statistically significant association and it was found that P- value which is equal to 0.001 is less than the level of significance of 0.01. Therefore, prediction will also influence the performance of cooperatives. The relationship between rule of law and performance of cooperatives is based on the chi-square value (28.71) was 0.000, less than the level of significance of 0.001. Therefore, rule of law and performance of cooperatives have statistically significant association. Furthermore, the chi-square value of 44.93 together with p value < 0.001 shows that there is statistically significant association between participation and performance of cooperatives.

Table 16: The relation between Governance practices and performance of sample cooperatives

Variables	Cooperative performance			X^2_{cal}	P-value
	Yes	No	Total		
Accountability				43.03	0.000***
Disagree	18	59	77		
Undecided	10	3	13		
Agree	30	5	35		
Total	58	67	125		
Transparency				51.86	0.000***
Disagree	14	58	72		
Undecided	10	5	15		
Agree	34	4	38		
Total	58	67	125		
Prediction				14.28	0.001**
Disagree	16	39	55		
Undecided	29	24	53		
Agree	13	4	17		
Total	58	67	125		
Rule of law				28.71	0.000***
Disagree	3	19	22		
Undecided	32	45	77		
Agree	23	3	26		
Total	58	67	125		
Participation				44.93	0.000***
Disagree	17	57	74		
Undecided	13	8	21		
Agree	28	2	30		
Total	58	67	125		

Note: *, **, and *** shows significant level at $P < 0.05$, $P < 0.01$, $P < 0.001$ respectively.

5.6.2 Multivariate Analysis on Cooperative performance vs. Governance practices:

In order to examine the relative importance or net impact of each independent variable, by controlling all the confounding factors, binary logistic regression was employed. The predictor variables which are significant in the bivariate analysis were included for the binary logistic regression analysis. In this research, the dependent variable is performance of primary cooperatives and the independent variables are Accountability, Transparency, Prediction, Rule of law and Participation.

Table 17: Results of Binary Logistic Regression Analysis

Variables	B	S.E	P-value	Exp(B)
Accountability	1.978	0.926	0.033	7.226
Transparency	1.455	0.677	0.032	4.285
Prediction	0.004	1.040	0.997	1.004
Rule of law	1.850	0.930	0.047	6.358
Participation	2.523	0.851	0.003	12.468
Constant	-15.300	3.581	0.000	0.000

Note: B=Regression coefficient, S.E=Standard Error, $P < 0.05$ is significant value. Exp (B) = Odds ratio

According to binary logistic regression output in the table 17, four predictors which were included in model have found to be significant impact on cooperative performance. Since prediction is insignificant variable, the other significant variables are discussed in the following paragraph.

Accountability has positive and significant impact on cooperative performance, since the P- value which is 0.033 less than 0.05, and statistically significant. Also since the p-value 0.032 is less than 0.05, transparency has significant impact on cooperative performance. The coefficient values of the transparency shows that one unit increase in transparency, the cooperative performance is expected to change by 1.455 given the other variables in the model are held constant. The table results also indicate that as the rule of law applied in cooperatives, holding other independent variables constant, the ratio of odds for cooperative members is 6.358 times their performance than the cooperatives that were not applied the rule of law. It can also be concluded from the p value < 0.05 for rule of law can be an impact on performance of cooperatives. Moreover the P-value which is 0.003 less than 0.05, the regression coefficient for Participation has found to be statistically significant impact on cooperatives' performance. The positive value of regression coefficient indicates that as the participation of respondents increases the cooperative will increase its performance.

5.7 Factors hindering good Governance as cited by the Respondents

Members contribute equitably to, and democratically control, the business and the governance of the primary cooperatives. In this regard a series of problems were forwarded in front of members and asked them to prioritize the factors which they feel which hinder the good governance practice of sample cooperatives.

Table 18: Respondents' opinion on factors that hinders governance practices

Hindering Factors	Frequency	Ranking order
Lack of participation	18 (14.40)	1
Lack of accountability	16 (12.80)	2
Lack of transparency	13(10.40)	3
Corruption	12(9.60)	4
Educational level	08(6.40)	5
Poor responsiveness	08(6.40)	5
Poor sense of ownership	08(6.40)	5
Lack of cooperative democracy	07(5.60)	6
Board-member relation	06(4.80)	7
Lack of consensus	06(4.80)	7
Double responsibility	06(4.80)	7
Term and tenure	05(4.0)	8
Poor responsiveness	05(4.0)	8
Members age	04(3.20)	9
Cooperatives by-law	03(2.40)	10
Total	125(100.0)	

Note: Figures within parenthesis indicate percentage.

As the survey result (table 18) shows, the respondents put the problems or factors that hinder governance practices in all affairs of the society. The first ranked problem is weak involvement of members in business as well as governance of the cooperatives. This affects the whole activities of the cooperatives and leads to failure.

Causes for those factors as cited by the respondents: The following are cited by the respondents as the cause for those factors that hinders governance practices.

- Lack of knowledge on cooperative values and principles.
- Poor service delivery by the cooperatives to members.
- Unnecessary interference of the external body.
- Prevalence of corruption
- Negligence of members about affairs of the cooperatives.
- Lack of training and education for members and boards.
- Lack of knowledge on cooperative by-laws.
- Reluctance of committee members to provide appropriate services to their cooperatives.
- Shortage of honesty between members and subcommittee.
- Unwillingness of members and boards in respecting their duties and responsibilities.

5.8 Conclusion and Recommendations

The integration of good governance in cooperative management intends to improve its service delivery methods. Good governance is therefore very important for the sustainability of cooperatives for the reasons: to prevent fraud and mismanagement, promote sound decision-making, avoid costly fines, create/maintain a positive corporate image, attract and retain financing and investment. In this paper, effort has been made to look into the management board and individual members' contribution in practicing governance issues and impacts of such practices on the performance of cooperatives. The overall findings of this study show that lack of members' involvement in business participation, lack of transparency and accountability, prevalence of corruption and lack of democracy, low commitment and unwillingness of committee members, shortage of training for both members and the board were observed in the sample cooperatives which leads to low performance. Based on the findings the following recommendations are forwarded.

- Members have lack of awareness on importance and governance of cooperative, so it needs empowering cooperative members to play their active governance role through well programmed and continuous cooperative education.
- Most of the board members of cooperatives have no awareness on ethics of the society; so that it is better to aware them of cooperative culture and ethics to maintain good governance practice and run the society properly.
- It was found that the service rendered by cooperatives was seasonal. It has to be continuous without any interruption to keep up or maintain members' involvement with cooperative throughout the year.
- It was found that dividend payment was interrupted or delayed for a long period of time and this condition abolishes members concern about the cooperative. It needs attention of appropriate authority and on time payment of both patronage refund and dividend to maintain loyalty in cooperatives.
- It was found that there is no democratic governance approach. There is high prevalence of corruption, double responsibility of cooperative leaders and non applications of pillars of good governance are considered the major determinants of good governance practices as cited by the respondents, so it needs due attention to overcome such problems and maintain good governance ethics in the societies.
- It was realized that members including cooperative board are not aware of their own by-laws. So it needs due attention to aware them and make available the copy of the documents on the hands of each members.
- The service rendered by the cooperative is limited to somehow on input distribution. This condition dissatisfied the members and blocked members' participation, hence it needs diversifying services to encourage existing members, and attract new membership for good governance practice.

- All the problems indicated above are, in one way or another related or would be addressed through collaborative and deliberate action of both members and government. So from the member's side, high commitment as a principal stakeholder and sense of ownership is needed. From the government side, creation of conducive environment through formulating sound cooperative laws, policy and awareness of executives to implement vital to create competitive cooperative and ideal movement in the study area.

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