

Member Ownership and Democratic Sustainability in Primary Agricultural Marketing Co-operative Societies in Tanzania: A Case Study of Bukoba and Moshi Districts

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Abstract

The study was keen that in Tanzania, member ownership in primary Agricultural Marketing Co-operative Societies (AMCOS) was sought to be imperative to ensure democratic sustainability. With various efforts which have been made to ensure primary AMCOS are governed by democratic practices which are based on member owned practices, still such democratic sustainability was far from being realised. This was a reason which called for this study to analyse member ownership factors that influence AMCOS practice in Tanzania to attain democratic sustainability of these member owned institutions. The specific objectives were to:

- Examine members' participation in decision making
- Examine the accountability of the board and management to members
- Determine internal and external interfaces which promote co-operative sustainability and
- Determine members' views on factors for AMCOS sustainability.

The study was conducted in Bukoba and Moshi Districts (Kagera and Kilimanjaro Regions) respectively. The famous crops grown in Moshi District are coffee and banana which are cash and food crop similar to Bukoba. These two districts have a long history way back in the 1920s on co-operation and co-operative establishment in Tanzania. The areas were chosen because the consideration of the nature of the crop (coffee) in both districts provides a comparative study from the same cash crop marketed by AMCOS. The Bukoba primary AMCOS are more engaged in Robusta Coffee and small production of Mild Arabica, unlike in Moshi District where primary AMCOS are engaged in Mild Arabica Coffee.

The study used a cross-sectional research design whereby data were collected once and used as a basis for generalisation. Member ownership and democratic sustainability concepts in the primary AMCOS of the studied areas could have similar characteristics that fitted in other primary AMCOS in Tanzania as well as other countries. Bukoba and Moshi Districts' AMCOS at primary level were examined by taking five primary societies and a comparative analysis of dependent and independent variable was done. The use of cross-sectional design allowed a comparative analysis across districts and across primary AMCOS. This increased the understanding of the associations on their levels of comparison and contrast between member ownership and democratic sustainability across the districts. This study used a sample size of 400 AMCOS members. In selecting the number of respondents in each primary AMCOS, the sub-samples size for this study had to take into account the minimum number provided by Tanzania Co-operative Society Act No. 1 of 2013, Section 20 (a), whereby 20 to 30 persons is the minimum number for a registered AMCOS. The 40 primary AMCOS members taken were over and above the minimum numbers prescribed by the Act to ensure inclusion of enough AMCOS members. Also, the selection of the 40 members in each primary AMCOS was justified on the basis of advice by Bailey (1994) that regardless of the population size, the minimum sample or sub-sample for a research in which statistical data analysis is to be done should not be less than 30. The minimum of 40 members in

each primary AMCOS that were selected were even more than the minimum number recommended, which is good for statistical data analysis. The sample size selected is presented in the Table 2

Table 2: Sample selection details

District	Name of the AMCOS	Number selected
Bukoba	Kagege Primary Co-operative Society	40
	Mweyanjale Primary Co-operative Society	40
	Buma Primary co-operative society	40
	Kobunshwi Co-operative Primary Society	40
	Izimbya Co-operative Primary Society	40
Moshi	Kilema North Rural Co-operative Society	40
	Mwika North-East Co-operative Society	40
	Kiruwa Vunjo Rural Co-operative Society	40
	Kibosho Central Rural Co-operative Society	40
	Mawela Co-operative Society	40
Total		400

The study used both probability and non-probability sampling techniques in order to have objectivity and avoid selection biases. The sampling unit in this study was an individual member of primary AMCOS dealing with coffee production in Bukoba and Moshi Districts. Under probability sampling, simple random sampling was used in selecting the primary AMCOS that were studied as indicated in Table 3

Table 3 : Selected primary AMCOS by District

District	Division	Primary AMCOS	Union Membership
Bukoba	Kyamtwara	Kagege Primary Co-operative Society	KCU
		Mweyanjale Primary Co-operative Society	KCU
	Bugabo	Buma Primary Co-operative Society	KCU
		Kobunshwi Primary Co-operative Society	KCU
		Izimbya Co-operative Primary Society	KCU
Moshi	West Vunjo	Kilema North Rural Co-operative Society	KNCU
		Kiruwa Vunjo Rural Co-operative Society	KNCU and KNCI
	East Vunjo	Mwika North East Co-operative Society	KNCU and KNCI
		Kibosho	Kibosho Central Rural Co-operative Society
			Mawela Co-operative Society.

- The number of primary AMCOS dealing with coffee was 50 in Bukoba District and 39 in Moshi District.
- The study was based on assessing the democratic practice at the primary AMCOS. For the purpose of preciseness, equal numbers of primary AMCOS were selected, five in each district.

- In selecting members, randomisation was done by using lists of members from primary AMCOS registers; members were identified basing on the villages where they were coming from.
- Qualitative and quantitative data were used in this study
- Qualitative data were collected through focus group discussion and key informant interviews
- Quantitative data were collected using a questionnaire; some of the items assessed included membership obligation, membership and services, power in decision making, democratic rights, decision compliance, membership rights, information dissemination and succession plan. Also, other contracts which contributed to member ownership and democratic practice in the primary AMCOS were assessed.

Qualitative data was analysed with reference to content analysis. Data was recorded on notebooks and voice recorders then transcribed and thereafter post coding was conducted by categorising opinions, comments and ideas from participants into themes basing on research objectives.

Quantitative data analysis was done through descriptive analysis and inferential statistics. Frequencies, mean, minimum and maximum values of individual variables were computed. Multiple Response Analysis (MRA) was done to compare descriptively variable relations across primary AMCOS and districts. Chi-square analysis was done to determine associations between some variables recorded at the nominal and ordinal levels, including associations between districts where AMCOS were based and changes in AMCOS membership over the previous 10 years. T-tests were used to compare inferentially averages of variables recorded at the scale (interval and ratio) levels, including points scored on various scales that were used, like comparing points scored on levels of members' obligation fulfilment and voluntary contributions payments in Moshi and Bukoba Districts.

The findings of this study on demographic information revealed that:

- There were great differences across districts on member activeness; Moshi District had more numbers of members as compared to those of Bukoba District AMCOS. Also, the age of the respondents varied between the two districts; Bukoba District primary AMCOS members had lower average years compared to those of Moshi district Primary AMCOS.
- The average age was above 50 years which indicates that old age of members would affect the sustainability of the co-operative institution due to absence of the youth majority. Comparatively, it was also found that Moshi District represented more dropouts of members as compared to that of Bukoba with the main reason being decrease in member engagement in coffee farms.

On members' democratic participation in decision making in primary AMCOS, it was found that;

- Membership and member obligation fulfilment were not given their due importance, as members were found not paying all their statutory payments. That indicated that primary AMCOS had members who legally, were not true members based on primary AMCOS by-laws and Co-operative Societies Act.
- Members were found to receive their membership by just selling their produce in the primary AMCOS, where the process such as registration and being presented to the general meetings were not followed.

- The internal democracy in the surveyed areas was found to be low as members' democratic rights on the scaled measured indicated low scores. This affects the primary AMCOS members, who are the owners, in accessing their democratic rights.
- Moreover, basing on member ownership and decision making, it was found that most of primary AMCOS in Bukoba District, the ownership and decision making were in the hands of the Union unlike Moshi District primary AMCOS where members had more power on ownership and decision making.
- The governing instruments were not available in primary AMCOS in both districts' primary AMCOS, which affected members' understanding on how their primary AMCOS were managed; for the few governing instruments available they were not at the members' disposal for perusal.

On accountability of board and management to members in primary AMCOS, the findings indicated that;

- The managerial accountability assessment, managers were more accountable to the Union than to the board which is the immediate office to managers.
- The information dissemination in the primary AMCOS was done through village meetings which are more based on village leaders where owners of AMCOS have no voice and cannot question. AMCOS meetings and notice boards were used to a lesser extent.
- In decision compliance, it was found that members do not comply with decisions made by the board and management since they decide outside members' suggestions.
- Leadership succession plan in primary AMCOS was found not to be in place, and most primary AMCOS were found uninformed on how it could be practiced.

Furthermore, based on the findings from internal and external interfaces which promote co-operative sustainability; the internal factors were assessed and the results showed that:

- Members did not understand the functional roles of the board and management. Members as owners of the primary AMCOS were expected to fully understand functional roles since they are the ones who had formulated the roles.
- Members were found ignorant of the AMCOS assets and governing instruments. These are the important items which determine member institution ownership.
- Internal primary AMCOS capitalisation was found to be based on external financing than generating the institutional capital to expand and increase owners' benefits in terms of better prices and dividend.
- On determining owners' voice in price determination of members' produce, it was found that government and buyers-controlled produce price.
- With regard to external interfaces which promote primary AMCOS sustainability, the findings indicated that the government's role was found in taxing members' produce than creating enabling environment for the primary AMCOS. Also, auditing of primary AMCOS was found not to be done on an annual as it is directed in the Co-operative Societies Act and AMCOS by-laws.

Basing on members' views on factors for AMCOS sustainability, the findings based on districts cross-tabulation:

- Bukoba District primary AMCOS had higher member decrease as compared to Moshi District AMCOS.
- In assessing crop business sustainability, it was found that due to a decrease in coffee production that could affect membership and business sustainability, members opted to market coffee with other crops to sustain primary AMCOS.
- Also, in democratic governance and AMCOS sustainability, the extent of prevalence of good governance and democratic practices was found to be low.
- In assessing the future co-operative governance in its democratic practice from 2015 to 2025, which is ten years from when the data were collected, it was found that the democratic governance sustainability would be apparent for the years to come and the AMCOS members had good hope in their organisations.

The study concluded that:

- Members' participation in Primary AMCOS in co-operative societies was important for a democratic decision-making system. The Co-operative Act and AMCOS by-laws, especially in areas that demonstrate how members can participate in democratic processes, are essential to enhance members' capacity to participate in institutional decisions that will increase members' ownership of AMCOS. Also, co-operative decision power in Bukoba District primary AMCOS, unlike Moshi District where some primary AMCOS are owned by the Union; Union controls constrained member ownership at primary level. The historical imprints those direct primary co-operatives to be under the Union are still affecting negatively most of the primary co-operatives.
- Furthermore, members were denied democratic rights of meeting participation and access to meetings proceedings since meeting minutes were not even accessible to all members. Similarly, the governing instruments in the primary AMCOS were not available, thus, it made AMCOS members ignorant of their institutional governance. The democratic practice systems that entail accountability in primary AMCOS are the factors that make members to own their institutions. Absence of managerial accountability to members guided by policies, laws and regulations was found to be a component limiting members' ownership
- Policies, laws and regulations are not adhered to by members, Boards and managers. Similarly, education on co-operative business management and governance was not provided. Education to members in co-operative societies was a legal right. Education to members was a key factor for primary AMCOS to embark on member owned co-operatives and to have sustainable democracy. Also, the decision-making processes in the primary AMCOS did not follow the democratic practice that would mainstream members' decisions at the primary AMCOS meetings. This failure to mainstream members' decision in democratic practice had led to absence of decision compliance
- Succession plan was affected by the oldness of members by age. Also, the Board members were of more or less the same age (where the mean age was 62.8 years and 54.4 years in Moshi). Primary AMCOS new strategies have to involve youth members in the boards of primary AMCOS.

- Shareholders do not understand the agents' role. On members' understanding of AMCOS assets was very low. Members' understanding was affected by absence of members' capacity to demand their rights which is attributed to low member educations on co-operative governance.
- The government's efforts are more directed to taxing members produce and fixing price margins than creating enabling environment for primary AMCOS to do their businesses basing on their established democratic systems
- The democratic practice in agricultural co-operatives was seasonal since members meet during harvest. Primary AMCOS need to have a continuity of democratic practice by engaging in multiple crops.
- Employing tangible strategies for primary AMCOS democratic suitability is important in order to build existence of sustainable member owned society.

From the detailed findings, the study recommended that:

Tanzania Co-operative Development Commission (TCDC) should provide guidelines that enforce primary AMCOS to abide by legal requirements on membership and registration process. This will ensure the primary AMCOS have members who abide by instructional guidelines provided in the Co-operative Societies Act and co-operative by-laws.

AMCOS board and management should embark on collecting produce and look for markets rather than buying members' produce; this can be done by either using warehouse receipt system, or by having SACCOS on the AMCOS which could be lending to AMCOS members and give them produce receipts. This system would make AMCOS have ample time of finding better markets and get rid of capital problem. Moreover, board of Primary AMCOS should develop plans to put in place member education on their budgets and strategic plans. This will make primary AMCOS members understand their decision power and increase their capacity to practise their democratic rights

Primary AMCOS board and management should ensure proper management of the AMCOS to extend services. They should also prepare strategies that ensure members get access to services offered by the primary AMCOS. Auditing firms that audit primary AMCOS need to add auditing on the primary AMCOS democratic practice. Board and management of primary AMCOS should embark on effective use of notice boards placed at the co-operative's societies, village meetings, local authority notice Boards, religious meetings and other necessary areas where members can access information. The primary AMCOS management should have databases that contain members' contacts to enable easy sending of information to them.

The functional roles of the board and managers in their Primary AMCOS were found to be unknown to members (owners). The study recommends to the board and managers to disclose these roles and functions and make them available to all members to increase managerial accountability. The study also recommends to the board and managers at the primary AMCOS that they should be more responsible for ensuring members are aware of managerial roles and functions.

Furthermore, Primary AMCOS assets were found not known to members; the study recommends to the board and managers to disclose all AMCOS assets to ensure the future existence of the primary institution rests in the hands of the owners. Managing primary AMCOS assets is a challenge since they are out of members' knowledge. Board and managers should prepare documentation guiding primary AMCOS assets and process asset legal registration as well as making members aware of all AMCOS assets and governing instruments.

Board and managers of primary AMCOS need to prepare strategies that will expand the capital base of their firms in order to have a sustainable capital system that capacitates all AMCOS activities. Co-operative promoters and stakeholders should plan for capacity building programmes that will educate Primary AMCOS in project entrepreneurship and capital expansion strategies.

Primary AMCOS Board and managers as well as co-operative promoters need to take coffee integration strategies on board by educating coffee affiliated co-operatives to look for the best crops that can be traded alongside coffee. The ministry responsible for co-operative (Ministry for Agriculture and Irrigation) and TCDC should revise the Co-operative Societies Act to sharpen the procedures for holding accountable those who are found stealing primary AMCOS assets. The surcharge procedures take a long time leading to co-operative assets getting lost. The government should establish a special tribunal specifically dealing with co-operative cases since they are many.

On the principal agency theory, the study recommended that;

The theory was found to be effective only if members (the principal) have all legal requirements before assessment of ownership and democratic sustainability. The absence of member obligation fulfilment such as applying for membership, paying all the shares and members being present in the general meetings leads to ineffective member ownership and causes the principal to be controlled by the Agent (board and managers). The study recommends to co-operatives members as they are the primary AMCOS principal owners to fulfil their membership obligations for effective ownership that will accelerate effective democratic sustainability.