

Contribution of co-operatives for sustainable development: The Case of Kindi SACCOS and Nronga Women Diary Co-operative Society, in Tanzania.

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1. Introduction

Cooperative organizations play a prominent role in social and economic development. According to one estimate nearly half the world's population depends to some extent on Some cooperative forms of production, distribution or services (UN, 1991, McLaren 2007). The objective of this paper is to use two co-operative societies from North Eastern Tanzania as case studies to empirically demonstrate the contribution of co-operatives towards sustainable development.

2. Definition of concepts

Co-operation Vs Cooperatives

Co-operation is the process of working together for a common objective. It addresses the practice of co-operation. In other words, it is a voluntary arrangement in which two or more entities engage in a mutually beneficial exchange instead of competing. Co-operation can happen where resources for both parties exist or are created by their interaction to address specific common problems (Francsconi, G, 2009).

While co-operation is the action or process, a co-operative is an organization or institution. It is simply defined as an autonomous association of persons who **voluntarily** cooperate for **their mutual; social, economic, and cultural benefit**

(Tyler, T, R, 2011) Co-operatives include **non-profit community organizations** and **businesses** that are owned and managed by the people who use its services (a consumer co-operative) or by the people who work there (a worker co-operative) or by the people who live there (a housing co-operative).

In accordance to the Tanzanian Co-operative Act No 20 of 2003 and the National Development Policy of 2002, a cooperative is defined as an association of persons who have voluntarily joined together for the purpose of achieving a **common need**. This is accomplished through the formation of a democratically controlled member organization whereby the members make equitable contributions to the capital required for the formation of such an organization. They accept the risks and the benefits of the undertaking in which they actively participate. This definition is similar to the one given by the International Co-operative Alliance (ICA 1995) stating that co-operation 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 (ICA 1995). Co-operatives are managed through seven guiding principles of the ICA 1995.

Therefore a co-operative 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.

Values of Co-operative

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity 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.

What are the Principles?

The Co-operative principles are guidelines by which co-operatives put their values into practice.

First Principle: Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and are willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Second Principle: Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives member have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

Third Principle: Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

Fourth Principle: Autonomy and Independence

Co-operatives are autonomous, self-help organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

Fifth Principle: Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers and employees so that they can contribute effectively to the development of their co-operatives. They inform the general public particularly the young people and opinion leaders about the nature and benefits of co-operation.

Sixth Principle: Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

Seventh Principle: Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Sustainable development

Development

This is advancement from lower, less satisfying, less peaceful stage to struggle to higher, satisfying, emancipating conditions. It represents not only material achievement, but also includes cultural, freedom, and psychological uplift of man (Nyerere, 1974). Development is a process, not an integral end.

Sustainable Development (SD)

The concept of 'sustainable development' was made popular in 1987 by the Brundtland Commission report of the United Nations' World Commission on Environment and Development. The Brundtland Commission defined 'sustainable development' as '*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*' (Brundtland Report, 1987).

The Spirit of Brundtland definition of Sustainable Development is that each generation living on this planet at any given time has a duty to harness the resources available to meet their needs in such a way that they also prepare for the coming generations. But, the reverse is true where the present generation lives as if it is the last in these countries, yet it is not. There are uncountable other generations to come. The main questions are: how is this generation preparing for the other coming generations? Is there anything been done to this effect? If there is not, how do we situate ourselves to come back to the right track? And what are the contributions of the co-operatives?

Components of SD: Environmental, economic and social well-being.

One of the major challenges for the developing world, Tanzania included is to adopt and implement development strategies for sustainable development. Sustainable development has been defined by many in various ways. However, the most referred to definition is: the development which gratifies the needs of the present generation without compromising the ability of future generations to meet their own needs.

Components of Sustainable Development include environmental, economic and social well-being for today and tomorrow. Looking at the economic conditions of most countries in the Sub-Saharan region, the world trade order and the current economic crisis, sustainable development seems a dream especially for the majority poor. The most possible means for the poor to address the situation is to form cooperative organizations. This paper attempts to identify the contributions of co-operatives towards sustainable development.

3. Contribution of co-operatives towards sustainable development

A number of literatures affirm that cooperatives organizations .have made a major imprint not only in Tanzania, but both in developed and developing countries (Birchall, J and Simon, R, 2010; Develtere,P, Pollet, Taylor, L, and Sakafu, A 2004; Chambo, 2009; Siza, M, 2001). The most notable contributions of cooperatives can include among others;

- i) Creation of employment
- ii) Spurring the process of poverty alleviation
- iii) Empowering members economically

- iv) Acting as seeds and forum for practicing democracy
- v) Helping co-operators to identify markets for the members' products such as: cotton, cashew nuts and coffee
- vi) Educating members on the cross cutting issues such as gender, and HIV
- vii) Acting as a mouth piece for the co-operators on policy issues and lobbying with the government
- viii) Creation of a culture of saving (money) for future development activities
- ix) Provision of credit for improvement of economic welfare and a future that is promising.
- x) Access to credit, farm inputs and education and trainings.
- xi) Expansion of members' entrepreneurial knowledge and skills.

4. The cases

(a) Kindi SACCOS

Population and Economic Profile

Kindi SACCOS is located in Moshi Rural District on the slopes of Mt. Kilimanjaro. It serves the whole Kindi Ward extending more than 20 kilometers from the head office of the SACCOS. Current estimates of Kindi Ward population stands at 21,896 of whom 10,045 are men and 11,851 are women. It is further estimated that there are about 3,704 children of less than 5 years. Population growth rate stands at about 2.5% per annum. The people of Kindi Ward are basically farmers deriving their livelihood from coffee, maize, beans, rice and vegetable production. Dairy farming is becoming popular for women.

Industrial activity is limited. According to the Ward leadership poverty is rampant with about 70% of the population living on \$1 per day and below and only about 30% live on \$ 2 per day and above. According to the Ward leadership the poverty situation in the Ward is getting worse due to serious land shortage, declining coffee production and productivity on account of falling world market prices and escalating prices of farm inputs, poor irrigation infrastructure and unpredictable weather conditions.

Transformation and Formation of Kindi SACCOS

Kindi SACCOS was started in the mid 1980s as a department of Kindi Agricultural Marketing Cooperative Society to provide limited financial services to the members of the agricultural marketing society. It was registered as an independent entity in 1991 with Registration No.KLR435.

The major objectives for the formation of Kindi SACCOS included the following:

- To open membership to wider clientele. Hitherto, membership was confined to members of the agricultural marketing cooperative society only. Since traditionally coffee business was owned by men, women could not qualify for membership in the SACCOS
- To provide the Kindi community with an institution that would provide them with savings and credit facilities on a sustainable basis.

Membership Profile

Membership to the society includes individuals (women and men), groups and institutions (Table 1).

Table 1: Membership Trend: 2002- 2009

	2002	2003	2004	2005	2006	2007	2008	2009	%change 2002 Base year
Men	164	131	206	407	504	631	728	758	362
Women	106	121	143	254	304	358	426	460	334
Groups	40	47	54	84	99	128	143	155	288
Institutions	1	3	3	4	5	6	6	13	1200
TOTAL	311	352	406	749	912	1123	1303	1386	346

Source: Kindi SACCOS

Membership has increased tremendously since 2002. Membership of individuals increased by an average of 348% between 2002 and 2009, groups increased by 28% while that of institutions increased by 1,200%.

Capitalization

Savings and credit cooperative societies as member based institutions are expected to finance their lending activities through members' shares, savings, deposits and accumulated reserves. Kindi

SACCOS' capitalization has so far been contributed by members and internally generated reserves (Table 2). It has so far not accessed external funding. Internal capitalization's growth has been generally on the rise (Table 2, Figure 1) despite erratic trends in 2003, 2006 and 2009. The decline in 2003 is more attributed to the transformation in 2002 from a savings and credit scheme managed as part of the Kindi Rural Cooperative Society. The changes and trends are depicted in the graph 1 below.

Table 2: Growth of Capitalization between 2001 and 2009

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Members'shares	1527	1571	1775	3727	9068	13869	19355	23333	24943
Stationary reserves	0	0	0	0	0	2864	5070	5070	9000
Retained Reserves	912	5211	-25998	2419	3409	4831	12128	18379	20000
Members Savings	0	0	1567	3976	22893	27448	70666	90681	62182
Members deposits	78094	90082	97237	68182	108381	66179	119578	154469	155033
Total Internal Capital	80533	96864	74581	78304	143751	115191	226797	293940	271158

Source: Audited financial statements, inspection reports and management reports

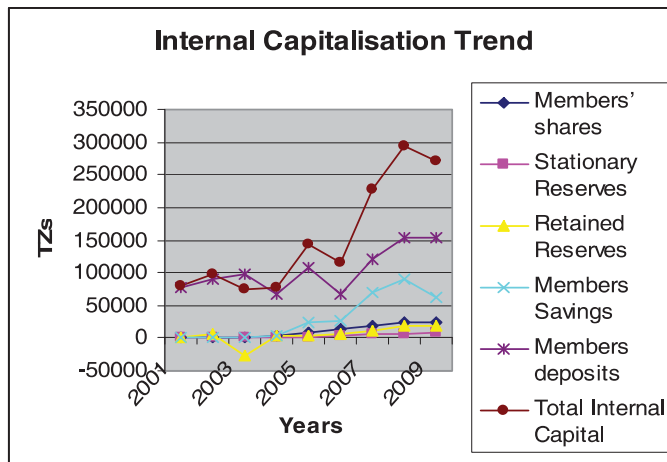


Figure1. Internal Capitalization Trend

Loan Portfolio Growth

Table 3: Growth, Gender and changes in loans outstanding

	Growth and changes in Loans issued from 2001 to 2008 TZs 000s							
	2002	2003	2004	2005	2006	2007	2008	2009
Loans to women	180	920	7440	28327	13823	23210	47373	67300
Loans to men	712	5796	22109	43848	61308	44610	72665	136895
Total	892	6716	29549	72175	75131	67820	120038	204195
Changes%		653%	340%	144%	4%	-10%	77%	70%

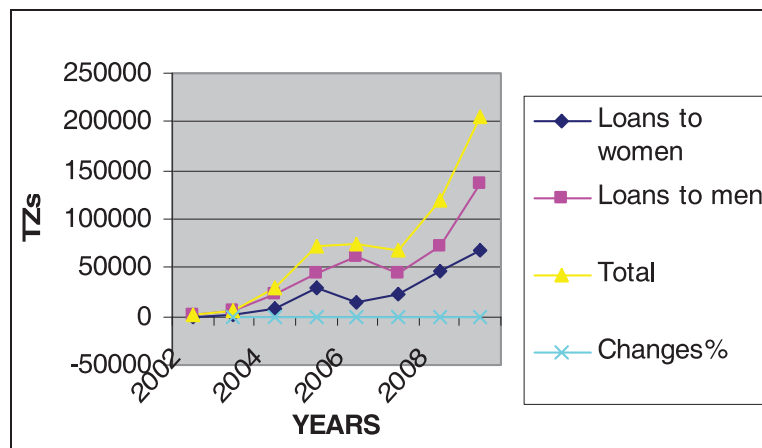


Figure2. Growth and changes in loans issued genderwise

Since 2002 Kindi SACCOS has been recording increases in amounts of loan extended (Table 3, Figure 2).

Tangible Benefits

Tangible benefits accruing to members have included; purchase of motor vehicles, milling machines, sewing machines, dairy cows, house construction, kiosk business, education for children and purchase of farm land.

Intangible Benefits

- Increased access to credit facilities
- Growing culture of saving among member
- Increased awareness and improved business skills due to training
- Increased social interaction during training, seminars and study tour
- Women have become aware of their rights and contribution to community development.

Trickledown effect to the members: The case story of Mr. Hamad Mushi SACCOS

Hamad Mushi historically was a farmer producing coffee, bananas and maize. He has been an active member of the SACCOS since 2002. He took his first loan of Tshs. 250,000 in 2003 for expanding maize production. He harvested 122 bags and realized Tshs. 1,220,000 out of which he paid the loan and realized a surplus of Tshs.970,000.

He took his second loan of Tshs.3,000,000 this time to expand his small business in Dar es Salaam. Since then he has expanded his retail business and successfully introduced the wholesale business.

In 2008 he took his third loan of Tshs.5,000,000 and invested in house construction. The house is complete and rented to a Coca Cola Company. He has constructed similar houses in Dodoma and Dar es Salaam cities.

In 2009 Hamad borrowed Tshs.5,000,000 again this time to buy carpentry machines. He began with a single sawing machine. Since then the business has grown to include a planner, lather machine, a welding machine and a moulding machine.

Hamad Mushi has used the surplus money generated to buy a pick up car and pay school fees for his children.

All loans, except the last one, have been fully repaid. Hamad attributes this success to the training received from RFSP and the good SACCOS management. In particular he mentions entrepreneurship, business planning and rights and obligations of members as some of the training programmes have greatly contributed to his success so far.

(b) Nronga Women Diary Cooperative Society

Nronga Dairy Co-operative Society is a women milk marketing and distributor of dairy inputs. The co-operative was formed in the 1980s. Nronga was re-registered in 1994 under the Cooperative Act of No 15 of 1991. The society started with 11 members. Today there are 342 members, impressive evidence that the society meets a milk market and members' needs

The co-operative was established to seek market opportunities for the milk production of the women in Nronga, and to supply consumer goods. Its formation was triggered by the low prices offered for milk on the local market in which they needed to cross a river. Several women, and their children, had been drowned.

The second aspect of the society is to supply goods to the members. Nronga group started with a shop for consumer goods but, later established a project for dairy supplies

Some of the milk is processed into yogurt, ghee and butter. Nronga collects milk from women members and sells in bulk or in smaller quantities to several markets. Personnel are employed to handle the collection of milk, which is then kept in large containers. Every morning the unpasteurized milk is decanted into smaller containers of 20 litres and taken by a pickup truck owned by the cooperative to the nearby towns of Moshi and Arusha, at 35 km and 98 km distance, respectively. In these towns, the milk is sold to

hotels, institutions and individuals. Individual customers pay per sale, but many institutions pay weekly, or per month, according to agreements. Members are usually paid their share of the revenue every two weeks. Building business increases prospect of expansion and development contributes to sustainable development

A further advantage of selling milk through the co-operative is that Nronga pays dividends yearly to its members (they share the profit of the business) in addition to the money they get from sales of milk. For example, in 2000 they paid Tshs 24,000 per member. Other services such as supply of animal feed, insemination services and trainings on animal husbandry and organizational management are additional attractions. Skills and financial benefits are factors contributing to sustainable development.

Due to good performance, Nronga had contributed much to the changes in the life of the women and their families. Women had been able to acquire new skills, for example, animal husbandry. Some described the cooperative as their '*liberator*' as it can contribute to poverty alleviation. Table 4 offers clear evidence that women have benefited significantly in financial terms from their cooperative membership. An important point was that the money went to household support, so dependants benefited as well as it enabled them to send children to school. They also acquired some assets useful for their families but which remain under their control.

Table 4. Assets and financial contribution (per month) to household expenditure of six women before and after joining a F-WBC

	Before joining the F-WBC			After joining the F-WBC	
	Assets		Financial contribution to the household	Purchased assets	Financial contribution to the household
A	Cloths, kitchen utensils		0 (contributed labour)	bicycle	50.000-100.000
B	Cloths, kitchen utensils		0	Furniture, bed, TV	100.000-150.000
C	Cloths, kitchen utensils		50.000-100.000(kept poultry)	Bed, TV, bicycle	100.000-150.000
D	Cloths, kitchen utensils		50.000-100.000(selling food)	Furniture, TV	150.000-200.000
E	Cloths, kitchen utensils, household items		50.000-100.000 (selling second hand clothing)	Furniture, TV	150.000-200.000
F	Cloths, kitchen utensils, household items TV, bicycle		100.000-150.000 (employed teacher)	New furniture, land, construction of a house	>200.000

Lessons/Observations

The two cases illustrates that cooperatives are important institutions to its members and the public/nation at large. Out of these cases we can learn that cooperatives contribute towards sustainable development depending on the nature and type of a cooperative as follows:

- Enables members to air their voices in different forum. Cooperative members enjoy economies of scale such as enhanced collective bargaining, lobbying and advocacy and empowerment.

- Access to various services. Members can for instance organize through cooperatives to access to various services such as credits, market for their produce, farm inputs and implements.
- Enablement of members to invest today for future returns to their businesses. Through experience (trial and error) they learn how to invest and run their businesses.
- Provision of social, welfare services as education and trainings. Eg coffee and coffee cooperatives are reputable

cooperatives for provision of education of children of farmers (Sizya , 2001).

- Improved standard of living through earning accrued from cooperatives. Out of that members have acquired dividend and assets and building decent houses
- As members they can easily reached by a range o government and non government outreach programs. It provides a forum through which learning about development can take place and acquisition of various skills offered can take place. Funding

agencies or instance can use cooperative as vehicle to provide support.

5. Conclusion

The cases discussed above offered evidences that cooperatives continue to be important tools for social and economic transformation in Tanzania. Cooperation therefore remains a valuable concept for small holder and poor, and for sustainable development. These efforts need to be promoted by key stakeholders and policy makers.

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