

**ASSESSMENT OF COMPLIANCE WITH INTERNATIONAL
COOPERATIVE ALLIANCE STANDARDS AMONG
COOPERATIVE SOCIETIES IN MPIKA DISTRICT, ZAMBIA**

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BY

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Abstract

This paper assesses the extent to which co-operative societies in Mpika District, Zambia complied with the International Co-operatives Alliance (ICA) standards reflected by principles of: voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, cooperation among cooperatives and concern for the community. The national criterion of categorizing cooperative enterprises does not take into consideration the ICA standards. Findings show that 100% of enterprising and non-enterprising cooperatives were non-compliant with the principle on independence and autonomy and this resulted in the compromise with other ICA principles. The study concludes that there is no significant association between enterprise category of cooperatives and compliance with ICA principles. This implies that cooperative societies regardless of their enterprise category are similar in the compliance and non-compliance with ICA standards. Data was collected from a sample of 75 registered co-operatives comprising of 32 enterprising and 43 non-enterprising cooperatives that were purposively selected. Data analysis was done using descriptive statistics, chi-square test, liquidity ratio and surplus determination. Evidence shows that the national department of cooperatives did not deregister any cooperative that abrogated the ICA standards. Furthermore, findings in the year of evaluation show that government provided farm input subsidies to cooperative societies in both enterprise categories. The implication drawn from the results is that cooperative societies function more in line with government objective than ICA objective. Thus, the study main recommendation is an appeal to ICA to work closely and develop a position on cooperatives worldwide that do not comply with its set standards.

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Thumbs up to co-operative societies' leadership, co-operative and agricultural staff in Mpika district for the cooperation and support rendered to the research project.

Most importantly and sincerely I give honor and praise to the Omnipotent God for His infinite providence during the research project and the entire Programme. The matter has been ably concluded.

Certificate of approval

I the undersigned, certify that this dissertation is as a result of the author's own work, and to the best of my knowledge, it has not been submitted for any other qualification within Mulungushi University or elsewhere. The dissertation is accepted in form and content.

Supervisor: Dr. Emmanuel Musaba

Signature.....

Declaration

I, **Reagan Ntalasha**, do hereby declare to the International Multidisciplinary Conference-Zambia-2017, that this dissertation is a true reflection of my own efforts with due and full acknowledgement of the ideas and works of others where required. Therefore, I take full responsibility of the findings of this research and so commit myself in signing hereunder.

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Signature

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Date

Dedication

I dedicate this project to my late mother – Jenifer Mwalukwanda Ntalasha. I remember vividly how mom and dad – Patrick Ntalasha earnestly encouraged me and my sisters (Lukoba and Wendy) to soldier on in our education endeavors at a time when we used to walk long distance during our primary school days. Admittedly that education phase was not an easy one to undertake and the hard lesson learnt is that there is no easy walk to freedom anywhere - education inclusive. Regrettably, mom did not live long enough to see her son rise to the level of producing a Dissertation report - a partial fulfillment of a Master's degree award. Though mom is gone physically, her encouraging spirit has always been with me and it has urged me to move on in my academic journey even when confronted with mammoth obstacles.

Looking at the closing of my research work which is a culmination of a Master's Programme, I can now afford a smile as I triumphantly declare that I have run my academic race and valiantly fought a good fight of education.

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List of Abbreviations

AGM	Annual General Meeting
BEO	Block Extension Officer
CEO	Camp Extension Officer
CSO	Central Statistical Office
FAO	Food Agricultural Organization
FISP	Farmer Input Support Programme
ICA	International Co-operative Alliance
ILO	International Labor Organization
MCTI	Ministry of Commerce, Trade and Industry
MAL	Ministry of Agriculture and Livestock
NAP	National Agricultural Policy
NGO	Non-Governmental Organizations
NGCs	New Generation Co-operatives
PRSP	Poverty Reduction Strategy Paper
SPSS	Statistical Package for Social Sciences
UNIP	United Nations Independence Party
UN	United Nations
UK	United Kingdom
ZCF	Zambia Co-operative Federation
ZMK	Zambian Kwacha

CHAPTER ONE

1. INTRODUCTION

1.1 Background

The International Cooperative Alliance (ICA) defines a co-operative as 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. This definition underlies the key ICA principles of: voluntary and open membership, democratic member control, member economic participation, independence and autonomy, education, training and information, cooperation among cooperatives and concern for the community. These 7 ICA principles were formulated by ICA to ensure development of effective and viable cooperatives in the world.

ICA is an independent, non-governmental organization established in 1895 to unite, represent and serve co-operatives worldwide. It is an international apex organization that was formed in London in 1895 to provide a global voice and forum for knowledge, expertise and coordinated action for and about co-operatives. Alliance's members are international and national co-operative organizations from all sectors of the economy, including agriculture, industry, services, banking, retail, fisheries, health, housing, and insurance. The Alliance has members from one hundred countries, representing one billion individuals worldwide. Several hundred million people draw all or part of their income from a co-operative (ICA News, 1995).

Sizya (2001) opines that cooperatives provide an opportunity for pooling financial resources of people of limited financial means together in order to achieve commonly identified development needs of their members. Cooperative societies constitute an avenue through which cheap credit is channeled to the rural areas and especially when it is supported by international donors and governments (Huppi and Feder, 1990). Cooperative societies are a major part by which developmental activities are carried out in rural communities via individual member's participation (Oke et al., 2007). Financial

cooperatives are described by Larocque et al. (2002) as an avenue for those without access to commercial banking services to gain access to financial services that may include savings deposit, productive credit, consumer credit and loan. Sizya (2001) argued that cooperatives have been the leader in development interventions that aim to alleviate the poverty level of the poor in the rural areas.

The rural people take solace in the little financial service that is provided by the cooperative. Sizya (2001) stated further that cooperatives are the most significant forms of participation in financial markets available to the rural Tanzanians. The importance of cooperatives has been identified by Larocque et al. (2002) as an avenue for the introduction of formal banking to rural areas in Burkina Faso. This shows that the rural people first have a good knowledge of the benefits of financial services by participating in financial cooperatives.

Cooperatives are independent association of people who voluntarily unite to form a jointly owned and democratically controlled enterprise called cooperatives, to meet members' economic, social and cultural needs (Henry and Schimmel, 2011). Cooperative can be seen as an arrangement designed to improve the lot of individuals and enhance micro and small-scale entrepreneurs both in the rural and urban areas in mobilizing savings and accessing fund as loan as at when needed from the scheme. This study defines a cooperative as voluntary open association established and owned by people of like minds who come together to form an organization called cooperative society without government or program funding primarily for the mobilization of fund in form of savings from the members, which guarantee access to loan facility to such member who meet the minimum savings period requirement of the program, and also apply for a loan in order to improve the economic conditions of members of the association with little or no control from the government. As a voluntary association, a member is free to join or cease to be a member of the association at will based on the rules guiding the cooperative.

Gibson (2005) observes that, "co-operatives play an increasingly important role worldwide in poverty reduction, facilitating job creation, economic growth and social development. Co-operatives are viewed as important tools for improving the living and working conditions of both women and men. Since co-operatives are user owned, they make

decisions that balance the need for profitability with the welfare of their members. As co-operatives foster economies of scope and scale, they increase the bargaining power of their members providing them, with higher income and social protection. Hence, co-operatives accord members opportunity, protection and empowerment.

A co-operative is generally described as a business that is owned and controlled by the people who use its services, and whose benefits are shared by the users (Garter, 2001). According to International Cooperative Alliance (ICA, 2012), co-operatives are community-based, rooted in democracy, flexible, and have participatory involvement, which makes them well suited for economic development. The process of developing and sustaining a co-operative involves promoting community spirit, identity and social organization

The co-operative concept can be traced in the 18th and 19th century during the industrial revolution in Europe. During this revolution, workers faced the worst hardships, long work hours for low wages and harsh work environment (Makungu: 1982:9). Because of the living conditions of the working class which kept on deteriorating, a group of 27 weavers at Rochdale through their savings established their own store from where they procured their requirements at affordable prices. By 1844, the weavers succeeded in founding the first consumer co-operative and this saw the birth of modern co-operatives. The success of Rochdale equitable store spread to others parts of Europe, and Rochdale co-operative principles became renowned worldwide. The success of co-operatives in Europe spread to all parts of British colonies (Munker 1978: 4). Other than the famous Rochdale pioneers, who founded the first consumer shop, it was Robert Owens (1771 – 1858), who organized agricultural settlements and industrial cooperation among people and not competition. According to Owen, all the state needed was to give the co-operative an adequate legal framework in which they could operate (Makungu: 1982:9).

According to the ILO, the world is suffering from unprecedented unemployment (over 200 million persons), dramatic youth unemployment, an historic level of migration and a very

substantial presence of informal and precarious employment. Meanwhile, the report estimates that co-operative employment, both full time and part time, involves at least 250 million people in the world according to official data from 74 countries covering 75% of the world's population. 26.4 million of these people work in co-operatives, as employees (15.6 million) or worker-members (10.8 million), while 223.6 million producers organize their production together within the scope of co-operatives.

In Zambia, the first co-operative was formed in 1914 by white settler farmers as a means for marketing their agricultural produce to the newly developing copper mines in Katanga Region of the Democratic Republic of Congo and the newly opened copper mines on the Copper-belt in Zambia. Despite the colonial policy of trying to protect the interests of the white settler community several co-operatives also emerged among small-scale African farmers. In 1947, the colonial government was forced to recognize co-operatives amongst indigenous Africans under a co-operative ordinance which was followed in 1948 by the formation of a government department, the department of marketing and co-operatives, for the registration and regulation of co-operative enterprises (Chabala, 1993).

Nevertheless, with market liberalization in 1991 and the withdrawal of government support, many state sponsored co-operatives could not compete with the private sector and had to shut down.

Today cooperatives continue to be an important component of the national social economic development efforts. With the nation experiencing poverty levels especially in rural areas, cooperatives have a role to play. In this regard, establishment and supporting the development of cooperatives as a tool for reducing poverty and enhancing food security in Zambia is a high (National Agriculture policy, 2004).

“When the government introduced a free market economy, which meant that co-operatives had to compete with private companies and other players, it did not put in place a mechanism that would ensure training and/or orientation of co-operatives to conduct business under the new dynamically changing competitive environment. This resulted in weak structural and financial situation in which co-operatives have been

operating. Because of these weaknesses there has been a dramatic reduction in post-liberalization co-operative business turnovers by more than 70 percent (co-operative development training manual, 2006)

According to the National Agricultural Policy, (NAP) of 2004, the co-operative societies Act Cap 397 aims to promote and regulate co-operative development in the context of agricultural liberalization, which involve rural and urban people operating and running co-operatives on sustainable, viable, commercial and business lines. Co-operative development is an avenue through which government endeavors to realize its aim to pass on the benefits of market reforms to farmers, in particular small-scale farmers, as they have the highest potential for enhancing growth prospects in the sector.”

In August during the address to the national Assembly (the institution that enacts co-operatives law in Zambia), the president of the Republic of Zambia made the presidential directive on co-operatives, “it is indeed disheartening to see that the co-operative movement in Zambia despite having been once upon a time so vibrant and an envy of countries within east and southern Africa and beyond is now in a state where it is now struggling to make any notable contribution to our country's economy. We shall therefore engage ZCF and put measures that will ensure that co-operatives across the country are revamped.

Currently there are more than 70,000 cooperatives in Zambia, and the 2014/2015 report showed that there were 378 in Mpika district in northern Zambia that were categorized as follows; 12 - successful enterprising, 65 - emerging enterprising and 301 - non-enterprising.

Successive co-operatives are cooperatives that operate profitably, have capital above ZMK50, 000; emerging co-operatives are cooperatives with new business established, capital above ZMK5, 000 and non-enterprising co-operatives are cooperatives with no business, capital below ZMK5, 000 (department of cooperatives report 2015).

According to the 2014/15 report, the statistics shows that only 20.4% cooperatives are in enterprising category while 79.6% are in non-enterprising category.

The categorisation criterion is a national initiative that was devised to help develop cooperatives becomes more business oriented.

1. Problem statement

Gibson (2005) observes that, “co-operatives play an increasingly important role worldwide in poverty reduction, facilitating job creation, economic growth and social development. Co-operatives are viewed as important tools for improving the living and working conditions of both women and men. Since co-operatives are user owned, they make decisions that balance the need for profitability with the welfare of their members.

Since 1960s, co-operatives have been established with great enthusiasm in Zambia and expectations of their performance have been high as co-operative enterprises are expected to achieve a number of economic and social goals (Chabala, 1993).

Effective and viable co-operatives are guided largely by the seven basic ICA co-operative principles (ICA News, 1995).

Since the criterion for categorizing cooperative enterprises does not take into consideration the need for compliance with the ICA standards and there is little empirical evidence on the drivers of compliance with ICA standards in Zambia, this research was undertaken to assess the compliance with ICA standards among cooperative societies in 2015.

1.3 Research Objectives

The goal of the study was to assess the extent to which co-operative societies complied with the ICA standards using cooperatives in Mpika district.

The specific objectives were:

1. To determine the extent to which cooperative societies in the categories of enterprising and non-enterprising complied with the seven ICA principles:

1. Voluntary and open membership,
2. Democratic member control,
3. Member economic participation,
4. Autonomy and independence,
5. Education, training and information,
6. Cooperation among cooperatives and
7. Concern for the community.

1. To understand the characteristics of enterprising and non-enterprising cooperatives of Mpika district.
2. To draw policy implications of compliance to ICA principles for the development of cooperatives in Zambia.

2. Hypotheses

1. H_0 : There is no significant association between the enterprise category of cooperative societies and the compliance with ICA principle number one (1)
2. H_0 : There is no significant association between the enterprise category of cooperative societies and the compliance with ICA principle number two (2)
3. H_0 : There is no significant association between the enterprise category of cooperative societies and the compliance with ICA principle number three (3)

4. H₀: There is no significant association between the enterprise category of cooperative societies and the compliance with ICA principle number four (4)
 5. H₀: There is no significant association between the enterprise category of cooperative societies and the compliance with ICA principle number five (5)
 6. H₀: There is no significant association between the enterprise category of cooperative societies and the compliance with ICA principle number six (6)
 7. H₀: There is no significant association between the enterprise category of cooperative societies and the compliance with ICA principle number seven (7)
3. Significance of the study

Poverty remains the greatest challenge Zambia is facing. The national average poverty levels are estimated at 73% while in rural areas it is at 83% (CSO, 2015). People suffer immensely from inadequate access to economic and social resources. Vulnerable groups in rural areas which mostly consists women, children and the aged depend on farming and small businesses as the main source of livelihood. Given that the highest rates of poverty are in the rural areas, co-operatives are an important source of livelihood and income in the rural communities of the country. Thus, support to co-operative societies has been identified as a priority by the Zambian government to reduce poverty and enhance household food security (National Agriculture policy, 2004).

The study would reveal if the dismal performance in the enterprising activities by the co-operative community in Mpika district and other parts of the country is linked to adherence with the ICA standards. Lessons will be learnt on the need for the primary societies to adhere with the global voice of the ICA. The findings in the study will help the government and other stakeholders to devise effective methods that will develop cooperatives in the country. Furthermore, the findings of this study will be a contribution to the academia.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter is devoted to the review of existing bodies of knowledge on related studies that have been carried out in areas of cooperative financial viability with main emphasis on compliance of cooperatives with the ICA standards. The chapter is also used to highlight gaps that are available in the literature and a portion to be filled by this work. Lastly, it provides the theory of cooperatives, theoretical framework and the conceptual framework for the study.

2.2 Theory of cooperatives

Helmberger and Hoos (1962) can be regarded as having developed the first complete mathematical model of behavior of an agricultural cooperative. Sexton (1995: 92), who provides a brief overview of developments in the economic theory of cooperatives in the US prior to Helmberger and Hoos' paper (see also LeVay, 1983; Sexton, 1984), considers their paper as "a landmark in the economic theory of cooperatives." Helmberger and Hoos (1962) use the neo-classical theory of the firm to develop short-run and long run models of a cooperative (including behavioral relations and positions of equilibrium for a cooperative and its members under different sets of assumptions) using traditional marginal analysis. In their model, the cooperative's optimization objective is to maximize benefits to members by maximizing "the per unit value or average price by distributing all earnings back to members in proportion to their patronage volume or use" (Torgerson *et al.*, 1998: 5). Sexton (1995) regards this "landmark" paper so highly because (1) the (correct) analysis of cooperative and member behavior is based on a clear set of assumptions; (2) the model clearly distinguishes between short and long-run behavior in a cooperative; and (3) based on these characteristics, the model set the stage for further

advances in cooperative theory in the 1970s and 1980s. Torgerson *et al.* (1998) contend that Emelianoff (1942) made a major contribution to understanding the internal economics of cooperatives with his conception of the cooperative as a form of vertical integration, and his focus on the structural and functional relationships of members (the principals) to their cooperative marketing organization (the agent). His model was later refined by Robotka (1947), Phillips (1953) and Aresvik (1955).

There have been various debates on whether a cooperative enterprise should be treated as a firm (a decision-making entity), as Helmberger and Hoos (1962) did, or as an organization (aggregation) of economic units (members), as treated by Emelianoff (1942), Robotka (1947), and Phillips (1953), for example.

Rhodes (1995) presents an overview of the debate on the Helmberger-Hoos and Phillips models, with the former initially having the greatest support among economists, although their contribution has also been criticized (e.g., LeVay, 1983; Lopez and Spreen, 1985; Sexton, 1986). Sexton (1995: 94) views this debate as “primarily one of semantics,” and considers the issue not important to understanding cooperatives. He sees the development of alternative models as application of advances in economic theory of cooperatives reflecting “the richness of the environments in which cooperatives operate and the need to have alternative models that apply in different settings” (p. 97). Staatz (1994), Royer (1994) and Torgerson *et al.* (1998) also contribute to this debate.

2.3 Theoretical framework

This study considers the social capital theory and adopts it as theoretical framework; it is useful for our understanding on the cooperative societies in the context of compliance with the ICA values and principles.

The social capital theory emanates from social capital which the World Bank (1998:2) defined as “the institutions, the relationships, the attitudes and values that govern interactions among people and contribute to economic and social development.” Social capital has to do with the relationship that exists among people which is expected to lead to social and economic development. According to Basargekar (2010:27) social capital is

“the abilities of people to work together towards resolving community/social issue and promote equitable access to benefits of development.” Social capital can therefore be considered as a tool of economic development among people which also affects their environment and community (Anderson et al 2002; Rankin, 2002; Basargekar, 2010) either positively or negatively based on their “collective action for mutual benefit” (Basargekar, 2010;26) of a group of people or a community.

According to Rankin (2002: 6) “Individuals do not generate social capital and are not the primary unit of analysis” in the use of social capital theory to measure a phenomenon. Although, it can be argued that the developmental progress of a community or a group, cannot be accomplished without the individuals that made up the group and the community. Hence, the individuals cannot stay aloof from the social, financial and physical development of a group and/or a community. “Social capital is the effect of people’s relations in social groups that often unknowingly results in fulfillment of their goals” (Torfi et al., 2011: 5513). Social capital also relates to the promotion of cooperation and unity among members of the same association which leads to trust in the network.

The social capital theory covers various aspects of social capital which include the type of social networking, relationship and interaction which comprises the rules, regulations and norms that govern social actions and the trust among members including the benefits that accrue to them (Anderson et al., 2002; Jainaba et al., 2005; Basargekar, 2010) either as an individual, for the community or for the association that they belong to. The theory focuses also on collective responsibility that enhances better loan repayment (Basargekar, 2010). The social capital theory postulates that when people act or function in a group as in a cooperative society or self-help group, it leads to the economic and social development of the group, individuals in the group and the immediate community where such group operates from (World Bank, 1998; Anderson et al., 2002).

Social development is the improvement in relationship between people while the economic development is divisible into two parts as improvement in financial condition and physical progress such as material acquisition. This is significant because economic

development does not take place without increase in physical material acquisition and financial resources (Jainaba et al., 2005; Holmgren, 2011).

The economic development in social capital includes improvement in economic condition of the people which may be physical and financial. Relating this to the standard of living criteria suggest that assets acquisition is physical economic development while enterprise profit, savings and income are financial economic development. The interaction of the economic developments in social capital theory to standard of living is an indication that participation in an association such as a cooperative can lead to physical capital and financial capital (Anderson et al., 2002).

The theory also recognizes healthy social and political environment which should help the social group to act and meet their personal and group interest without which economic development potentials will not be achieved (Bastelaer, 2000; Rankin, 2002). The focus of the social capital theory is to use social network, association and relationship for the social and economic development of individuals, the group and the community. The application of the social capital theory to the role of cooperative societies in rural finance to assess the contribution of the cooperatives to members' standard of living which basically examines household income, household assets, enterprise profitability and enterprise asset condition is expected to lead to social, financial and physical benefits. The three benefits were suggested in Henry and Schimmel (2011) conclusion that cooperatives are meant to meet members' financial, economic and social needs. The economic needs can be met through the financial and physical benefits derived by the members, while social needs relate to social benefits.

The social, financial and physical contribution of cooperative to the members may include easy access to loans, ability to accumulate savings and acquisition of physical assets. Financial benefit or capital can arise in a cooperative because "improved interpersonal relations and trust can increase efficiency and reduce the costs of working together, thus creating financial capital" (Holmgren, 2011: 8). Financial capital can also arise where participation in an association leads to increase in investment and income. Improvement

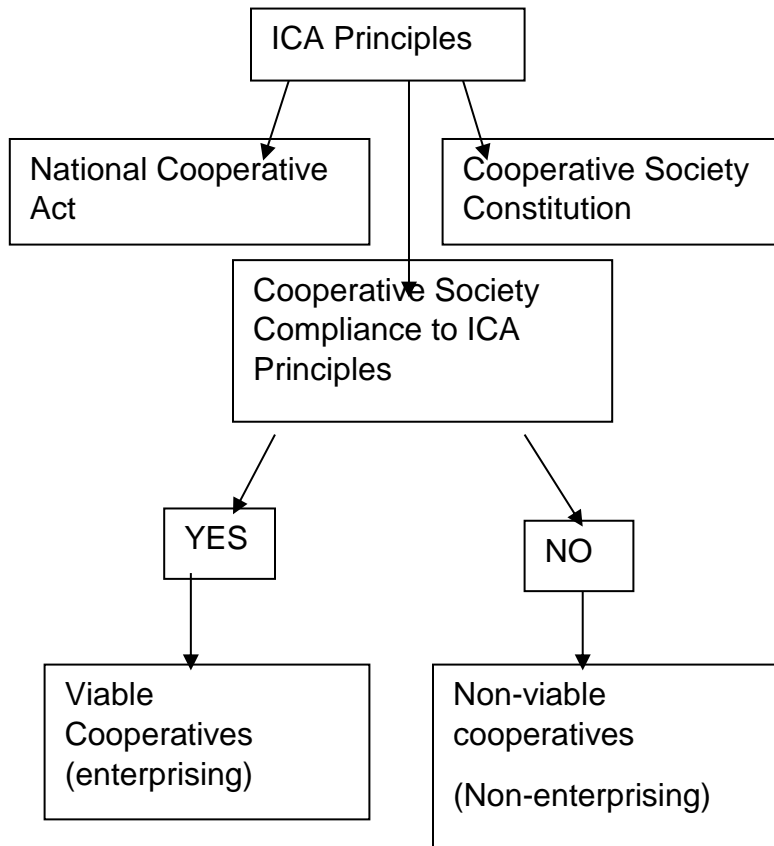
in household income and enterprise profitability is a form of financial capital provided the increase can be associated to membership of an association or program. All forms of financial security such as savings and access to loan are financial capital including other opportunity to generate or improve income. Increase in savings is therefore a financial capital, and the acquisition of financial capital can be a possible motivation for joining a cooperative. Financial capital is important because it can be converted into other forms of capital that could generate income or bring more satisfaction. Access to adequate financial capital is very useful to generate physical capital and may reduce worry and stress. Physical capital are those material things, items and products that can be seen and touched which shows an improvement in standard of living (Calkins and Ngo, 2005). These include assets and other household and enterprise durables that make life worth living. Physical capital is also needed and useful to support livelihoods (Holmgren, 2011). Enterprise durables and goods include tools and equipment, while household durables include fridge, television and generator. The ability of cooperative societies to meet the financial, physical and social needs of their members was referred to by Allahdadi (2011) as meeting members' economic, cultural and social needs.

2.4 Conceptual framework for analysing the state of compliance with ICA principles the case of Mpika in Zambia

This research is founded within the theoretical framework of social capital theory of which the ICA principles are categorized according to social, physical and financial components. Based on this theory, it is conceptualized that the performance of cooperative societies is assessed according to the compliance with the ICA standards. The bylaws (constitution) for the cooperative societies and Zambia's cooperative society Act number 20 of 1998 follows the dictates of the ICA standards.

The assessment of compliance with ICA principles among cooperative societies in Mpika district, Zambia is illustrated in Fig 2.1.

Figure 2.1 Conceptual framework for analyzing the state of compliance



Source: This study

2.5 Review of the ICA cooperative standards

The International Co-operative Alliance is an independent, non-governmental association which unites, represents, and serves co-operatives worldwide. The ICA, as a world-wide representative of co-operative organisations of all kinds, has the following objects: (a) to promote the world co-operative movement, based upon mutual self-help and democracy; b) to promote and protect co-operative values and principles; c) to facilitate the development of economic and other mutually beneficial relations between its member organisations; d) to promote sustainable human development and to further the economic and social progress of people, thereby contributing to international peace and security; e) to promote equality between men and women in all decision-making and activities within the co-operative movement (Source: ICA Review, Vol.90 No.3, 1997).

Any association of persons, or of societies, shall be recognized as a co-operative society, provided that it has for its object the economic and social betterment of its members by means of (the exploitation of) an enterprise based on mutual aid, and that it conforms to the ICA Statement on the Co-operative Identity, as approved by the General Assembly of the ICA: (replaces Co-operative Principles, as established by the Rochdale Pioneers and as reformulated in 1966 by the 23rd Congress of the ICA:). The co-operative principles are guidelines by which co-operatives put their values into practice.

1st Principle: Voluntary and Open Membership

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

2nd Principle: Democratic Member Control

Co-operatives are democratic organisations 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 members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

3rd 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.

4th Principle: Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, 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.

5th Principle: Education, Training and Information

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

6th 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.

7th Principle: Concern for Community

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

(Source: ICA Review, Vol.90 No.3, 1997)

2.6 Review studies on cooperative compliance with ICA standards

Cooperative performance can be evaluated by different standards and with different perspectives. Onwuchekwam argues that “the choice of criteria for organizational performance is a contextual issue that depends on the nature of the organization in question” (1985:154). Furthermore, different stakeholders have their claims on cooperative performance. Holmén (1994) describes how donors’ expectations on

cooperatives are unrealistic and how cooperatives often fail to address the development problems that donors want them to target. Consequently, Holmén argues that an evaluation of cooperative performance should start with discussing what cooperatives can and cannot do. Onwuchekwa argues that the members' expectations are a vital part of understanding the cooperative goals and that the criteria for evaluation should be formulated as "the extent to which a cooperative satisfy the basic interests that motivated the members to join the cooperative" (1983:157).

In the context of a liberalised economy, cooperatives need to compete with a range of private actors that buy and sell agricultural produce, in order to survive as business organisations. As members are able to choose the buyer of their produce, they are likely to select the one that offers the highest economic benefits. This means that a mismanaged cooperative, with low member returns are likely to lose its members base (Wanyama et al. 2009). The performance of cooperatives in this context can thus be seen as an ultimatum: "failure to survive the competition or successful business organisations" (ibid. p 373).

The liberal era of African cooperatives has given the organisations a chance to restructure their activities and organizational form in order to fit their new context. This has led to the survival of some cooperatives while others have failed (Wanyama et al. 2009). As Wanyama et al. explains: "the list of successful examples of cooperatives in the liberal era can be long, just as the list of unsuccessful ones may as well be" (ibid. p. 386). However, little has been written about the reasons to why some cooperatives fail while others survive in this new context. Wanyama et al. describe that cooperatives who work as "demand-driven and market-oriented business organizations" are successful while "cooperatives that are not organized along these lines are losing their members due to their inability to provide the demanded services and subsequently closing down" (ibid.).

As African cooperatives have left their state controlled development in favour to function as independent businesses, the leadership is likely to be of vital importance for their performance. A study by Keeling (2004) of California Rice Growers Association shows that cooperatives are in need of highly skilled management with the capacity to make informed business decisions just like a private enterprise. Wanyama et al. point to current data from Africa which indicates that a "committed leadership and a clear vision of finding solutions to the daily problems of their

members” are of key importance to cooperative success (ibid. p. 386). The importance of leadership is also raised in older literature on cooperative performance (Hatti & Rundquist 1994; Onwuchekwa 1985). The leadership capacity in a rural cooperative is directly related to the level of literacy among its members as leaders usually are elected from the member base. In developing countries where the education level is low this can be a major constraint for cooperative development (Chriwa et al. 2005). This was shown by African cooperatives” failure in the past where corrupt, illiterate and opportunistic leaders drove the cooperatives into financial mismanagement and nepotism (Wanyama et al. 2009).

Another important aspect of a cooperative is the need of a clear identity and vision which the literature emphasises as a problem in African cooperatives today (Pollet 2009; Wanyama et al 2009; Mutunga 2008). The literature describes the tendency among cooperatives to involve themselves in a variety of activities which leads to an unclear goal definition. Onwuchekwa (1985) describes how the vision and mission of a cooperative is based on why members joined the organization in the first place. Since there are several rural issues that make smallholders join cooperatives this can create cooperatives which work with many aspects of rural development (Hatti & Rundquist 1994; Onwuchekwa 1985). Even though these might be welcome services to smallholders, the multipurpose function might hinder cooperative efficiency (Hatti & Rundquist 1994; Mutunga 2008; Onwuchekwa 1983).

Member participation is another important factor for cooperative development that the literature mentions (Flygare 2007; Holmén 1994). Hatti and Rundquist write that success of an organization depends on the involvement of the local population as a high degree of membership participation puts pressure on leaders and staff to properly exercise their respective roles (1994:67). Wanyama et al. describe how one of the main reasons for African cooperatives” failure in the past was an increasing mistrust and alienation among members “when they realized that it was the state agencies and boards that set priorities and targets for their organisations rather than themselves” (2009:370). Holmén (1994) describes members” mistrust and indifference to cooperative affairs as one of the main reasons for cooperatives failure in developing countries.

(Uchezuba, D., Mbai, S. & Laubscher, K. 2016) The problem of trust, non-transparency, and dysfunctionality has been ascribed to the character and the nature of the agricultural cooperative

system in Namibia. Perhaps the true characterization of the problem is not known with certainty albeit, the concern about the role of the institution, government intervention and member laxity. Further insight from the institutional economics suggests that organisational behavior has a much larger role to play. Using a survey of 340 livestock farmers in six regions of the Southern Communal Areas of Namibia and adopting a logistic probability outcome model, the study examines the relevance of agricultural cooperatives with regards to the extent members are willing to participate with due cognisance to these concerns. The result shows that the probability that a farmer will join a cooperative is 29.5%. Education and technical constraints such as lack of adequate market information and training negatively affect willingness to participate. Participation is region specific, the odds of participation increases by 65, 91 and 14% if they are from Hardap, Kunene South/Erongo and Omaheke respectively. Increases in farm credit increase the odds of participation by 34%. The study also found that younger and inexperienced farmers are more likely to join cooperatives than older and experienced ones. The results highlight a general lack of knowledge about the cooperative system which calls for the strengthening of the policy framework to incorporate the concerns raised by new institutional economics.

2.7 Review of studies on cooperative financial performance (liquidity and solvency aspects => enterprising or non-enterprising)

Enterprise impact is measured through changes in business development with increased profitability and increase in ownership of business assets (Edgcomb and Garber, 1998; Nelson, 2000). Acquisition of enterprise assets is the ability to invest the program loan in the enterprise rather than for consumption purpose (Nelson, 2000; Falaiye, 2002).

The findings in the study of Madulid are that, "almost equal numbers of primary co-operatives operating in Northern Samar which are viable in terms of profitability and those which are not viable. This picture is disheartening because it is expected that most if not all existing co-operatives should operate profitably. Although co-operatives are not motivated to operate for profits, they should be adequately profitable in order to have continued successful operation. Successful operation of a co-operative may be gauged by its ability to provide financial services to the members. If a co-operative has poor return of investment, it cannot attract new investors and members; hence it will have less available funds to meet the financial needs of its members.

A co-operative must therefore be profitable in terms of investment in order to be viable.” (Farah Alo Madulid, 2015).

Edgcomb and Garber (1998) indicated that existing clients have more profits than new clients, and client enterprises improve as a result of changes in business development. In addition, more clients than new clients increase the scale of their business, employ more workers, improve the quality of their products, source cheaper credit and acquire new products to increase profitability. The study found more clients than non-clients selling in new markets, and a statistical significance of $p=0.06$ between program loan and increase in enterprise profit. Ghosh and Maharjan (2001) reported that cooperative members have an increase of 89% in enterprise profit. Falaiye (2002) documented that clients (6.1%) had an increase in total employees than new clients (5.6%), 14.3% of clients and 8.3% of incoming clients reduce business cost by buying input in large volume. Clients' performance was higher than incoming clients on quality of product, bulk purchase, business expansion and ability to sell in new market as proxy for business profit. Larocque et al.'s (2002) found that more of members businesses declare surpluses that are about 15.7% of their net income but the surplus from urban areas was 30 times higher than the rural areas. Adedayo and Yusuf (2004) indicated that loans are used for productive purpose which yielded profit that eventually leads to increase in income and business diversification. Calkins and Ngo (2005) reported that members in Ghana had higher enterprise profitability than nonmembers and the control group, but contrary result was found in Cote d'Ivoire It is worthy of note that none of the summarised studies above on the impact of cooperatives on members' enterprises profitability is placed within any theory.

2.8 Performance of cooperatives in Zambia in view of ICA principles and financial viability

The survival of cooperative societies in any country depends largely on the overall political and economic environment of such nation because cooperative exists within the wider economy of the particular country where it operates. The practice of cooperative has grown over the years across the globe either as formal or informal institutions. The regulation of financial cooperatives is a function of the roles they are expected to perform

in such economy vis-a-vis the level of economic development and poverty in such a nation. When purchases increase in volume or value, traders often approach their informal thrift and savings associations for loans. Cooperatives with track records of prudent management and cohesive membership stand to play a major role in the development of rural financial markets in Nigeria (Oluyombo, 2010).

Since independence in 1964, the Zambia's successive National Agricultural policies and National Co-operative Development Policies have focused on supporting and developing small-scale farmers, providing a conducive environment for the growth of the large-scale farming sector, and encouraging small-scale farmers to form and register co-operatives and other farmer organizations through relevant registration (NAP, 2004; National Co-operative Development Policy (NCDP), 2009, p.vii, ix, 1).

However, a number of researchers and practitioners who have conducted surveys and case studies into the performance of smallholders, co-operatives and MSME in general argue that co-operatives are either defunct or non-performing (Lolajih (2009, pv1, 5-6); the introduction of a complex set of subsidy programmes (FISP and FRA) via co-operatives does not seem to be the most efficient route to develop agriculture (Bigsten and Tengstam, 2008, p.5); the MSMEs performance is low and lack growth (Bonger and Chileshe, 2013, p.vii; ZBS, 2010, p.7-; Mbuta, 2007, p.viii, ix).

Immediately after independence the Zambian government embarked on the active promotion of co-operatives throughout the country, and for many types of economic and social ventures. Co-operatives at this time were largely viewed as a mechanism for stimulating rural development and not necessarily as institutions for meeting the economic and other needs of their members. This view of co-operatives was further reinforced by the policies of central planning which were actively pursued in Zambia in that period (Chabala, 1993).

As a result, the government sponsored initiatives, and often with donor support, primary societies were formed in all parts of the country. While many of those co-operatives were based on genuine grassroots mobilization, others were established mainly to take advantage of the assistance that was available. From a total of about 500 co-operatives at independence the number approximately doubled in less than ten years to about 1000 in 1973. In 1983 co-operatives were declared a mass movement by Zambia's sole political party - UNIP. Through this measure, which

included co-operative representation in the highest decision-making body of UNIP, the co-operative movement became affiliated to the party. The main reason for the process of increased co-operative dependence on government during this period was undoubtedly the gradually more important role that the co-operatives were given, and aspired to, in the national economy. Maize is the dominant crop and provides the national staple food and its regulation and management was therefore a government high priority. The perception of co-operatives that has prevailed in the country, including partly the self-perception of the co-operative movement itself, was a contributing factor. Since independence, co-operatives were seen as potentially important contributors to overall rural mobilization and agricultural development rather than as member based business organizations (Chabala, 1993).

CHAPTER THREE

3.0 METHODS, MATERIAL AND TOOLS

3.1 Introduction

This chapter reports the study location, research design, sample size and sampling procedure, data collection, data sources and data analysis.

1. The study location

The study was undertaken in Mpika district in Muchinga province of northern Zambia. Mpika district is located on the southern part of Muchinga Province and lies between latitudes $11^{\circ} 00'$ to $13^{\circ} 30'$ South and longitudes $29^{\circ} 45'$ to $32^{\circ} 30'$ East. The total land area of the district is 41,000 Sq. Km (Largest district in Zambia) of which 10,800 Sq. Km comprised of arable land. The district lies on the Central African plateau and is located between the high and middle velds with an altitude of between 900 m and 1800 m above sea level. There are nine chiefdoms namely Mpepo, Chikwanda, Kopa, Kabinga, Luchembe, Nabwalya, Chiundaponde, Mpumba and Mukungule. The commonly spoken languages are Bisa and Bemba.

Mpika District has Three (3) constituencies namely Mpika central, Kanchibiya and Mfuwe which are headed by elected Members of Parliament. The constituencies are divided into twenty-two (22) wards.

Mpika district has a tropical climate and enjoys three distinct seasons namely, the Hot/Dry season which starts in September and ends in October, the Warm/Wet season which runs from November to April and sometimes overlaps into May and the cool/dry season which runs from May to August.

Temperatures range between 17.5°C - 40°C during the coolest and hottest months respectively.

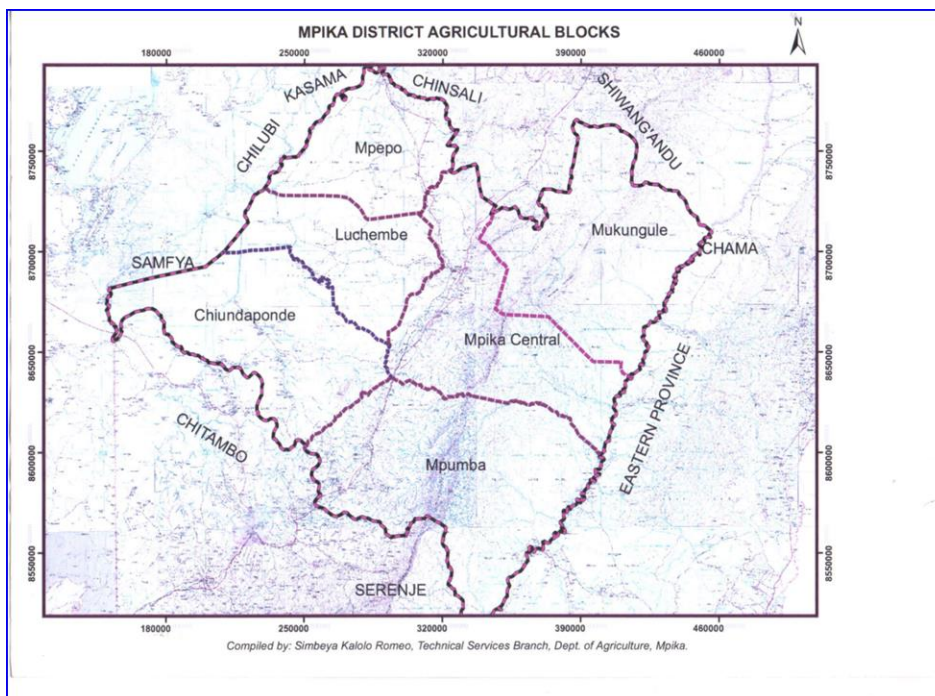
Generally, climatic conditions that prevail in Mpika are relatively favourable for implementing development activities throughout the year.

The district rainfall pattern which is mostly convergence has remained high in the last ten (10) years notwithstanding the fact that the country generally experienced low rainfall during the period in question. The average number of rain days per season in Mpika is approximately 120.

The topography of Mpika is mainly undulating forming ups and downs intersected by streams or valleys. The proposed LAP area within Mpika District has a number of perennial Streams such as Lwitikila, Lubambala, Mwamfushi, and Malashi. Furthermore, the proposed LAP area has some dambos.

Mpika district has six (6) agricultural blocks namely; Mpepo, Mukungule, Luchembe, Chiundaponde, Mpika central and Mpumba.

Figure 3.1- Map of Mpika district Agricultural Blocks



The 2010 census estimates the population of Mpika to be at 203,379 with an average annual growth rate of 3.4%. Considering the above growth rate, it can be projected that the population for Mpika will be 284,126 by the year 2020. About 30 % of the population is located in the peri-urban area and the remaining 70% in the rural area (CSO 2010).

In 2017, the population is estimated to be at 251, 783.

2. Sample size and sampling procedure

The study unit in this research was primary co-operatives. Out of a total of 378 cooperatives of Mpika district, 75 were selected for this study. These cooperatives were drawn from four of the six agricultural blocks and these are; Mpika central, Mpepo, Mpumba and Luchembe blocks.

The 75 cooperatives were stratified into two groups as enterprising and non-enterprising. This means that they were selected from a sampling frame of 378 co-operatives.

The selection of co-operative respondents was done randomly through a systematic sampling technique where every 5th element of the population of 378 co-operatives was selected. All members of the population had an equal chance of being selected to the sample and thus a total number of 75 co-operatives were selected that made 20% sample representation of the population. Of the 75 respondents, 32 respondents were in the enterprise category while 43 respondents were in the non-enterprising category.

Here enterprising cooperatives means that cooperatives operate profitably or have new business established and non-enterprising refers to cooperatives with no business, capital below ZMK5, 000.

3.4 Data collection

The structured questionnaire (composed of closed and open-ended questions) was administered through individual interviews with co-operative executive committee members. The questions were formulated to collect information on how cooperative societies comply with the ICA standards and characteristics of the cooperative societies.

The collected primary data included; number of management staff, amount of patronage bonus paid, willingness of people to join cooperatives, surplus generated, independence of societies from interference, knowledge on the function of cooperatives by the members, cooperation of societies among cooperatives. Data collection was undertaken in March/April 2016.

The interview guide by agricultural and co-operative officers was employed to verify the captured important information of the study from the agricultural camps and blocks. The data collected comprised of both qualitative and quantitative.

3.5 Data analysis

Data collected were summarized using descriptive statistics (frequencies) and cross-tabulations for comparing the responses between enterprising and non-enterprising cooperatives. In addition, chi-square test was used to test for association between enterprising status of cooperative and compliance with a particular cooperative principle (or ICA standard).

CHAPTER FOUR

4.0 RESULTS

4.1 Introduction

This chapter presents the research findings, based on a survey of a total sample of 75 cooperatives consisting of 32 enterprising cooperatives and 43 non-enterprising cooperatives surveyed in Mpika district. The chapter is divided into three sections. Section one is the introduction, section two covers the characteristics of surveyed cooperatives, section three assesses compliance of cooperatives to the 7 cooperative principles.

4.2 Characteristics of surveyed cooperatives

With regard to cooperative registration, in the enterprising category, there are 11 cooperatives (34.4%) that are single purpose while 21 respondents or 65.6% are multipurpose. In the non-enterprising category, there are 12 cooperatives (27.9%) that are single purpose while 31 respondents or 72.1% are multipurpose. There is no membership in both categories below 10 which is the minimum requirement for cooperative membership. The number of board of directors for both categories is in the range of 7-11. In both categories of enterprising and non-enterprising, the management component is absent.

Refer to the characteristics summary table below.

Table 4.1: Summary characteristics: Registration status, membership, number of management staff and director by cooperative enterprise status.

Variable	Category	Enterprising Cooperative	Non-Enterprising Cooperative	All
Registration type:	Single purpose	11	12	23
	Multi-purpose	21	31	52
Membership size:	Below 10	0	0	0
	Above 10	32	43	75
Board directors	Below 7	0	0	0
	Above 7-11	32	43	75
Management staff	Present	0	0	0
	None	32	43	75

Source: This study

As for the capital structure, the following are the features for the authorised capital in the by both categories; enterprising category, all 32 respondents – 100% have an amount above 5,000. In the non-enterprising category, all 43 respondents – 100% have an amount above 5,000. For paid up capital, in the enterprising category, all 32 respondents – 100% have an amount of shares above 5,000. In the non-enterprising category, 8 respondents – 18.6% have an amount above 5,000 while 35 respondents – 81.4% have shares below 5,000.

With regard to loans, in the enterprising category, all 32 respondents – 100% did not secure loans just like in the non-enterprising category where none of the 43 respondents secured loans.

Patronage bonus paid to members according to two categories of cooperatives shows 1 enterprising category paying members while 31 respondents did not pay patronage

bonus. In the non-enterprising category, all 43 respondents – did not pay patronage bonus.

With regard to retained earnings; 12 enterprising cooperatives – 37.5% retained while 20 respondents – 62.5% did not. In the non-enterprising category, 11 respondents – 25.6 % retained whereas 32 respondents – 74.4%.

Savings deposits according to two categories of cooperatives; in the enterprising category, all the 32 respondents – 100% did not have saving deposits. In the non-enterprising category all the 43 respondents – 100% did not have saving deposits

Donations from government to cooperative members through FISP subsidies shows enterprising category, all 32 cooperatives – 100% received donations. In the non-enterprising category, 39 cooperatives – 90.7% while 4 respondents – 9.3% did not receive.

Table 4.2: Characteristics of surveyed cooperatives: Capital structure, loans, paid up capital, dividends, savings, earnings and donations by enterprise status

Variable	Category	Enterprising Cooperative	Non-Enterprising Cooperative	All
Authorised capital:	Below ZMK 5,000	0	0	0
	Above ZMK 5,000	32	43	75
Secured loan:	Yes	0	0	0
	No	32	43	75
Paid up capital:	Above ZMK 5,000 shares	32	8	40
	Below ZMK 5,000 shares	0	35	35
Patronage bonus paid:	Yes	1	0	1
	No	31	43	74
Retained earning	Yes	12	11	23
	No	20	32	52
Saving deposits	Yes	0	0	0
	No	32	43	75
Received government donations	Yes	32	39	71
	No	0	4	4

Source: This study

4.3 Assessment of compliance of cooperatives to the 7 cooperative principles

A cross-tabulation of the responses on compliance with the each of the seven cooperative principles by cooperative enterprise status of enterprising and non-enterprising was generated. In addition, a chi-square test for association between compliance with the seven ICA principles and cooperative enterprise category was conducted. The results are presented below for each of the seven principles.

4.3.1 Compliance with principle one: voluntary and open membership

The table below shows cooperatives on the compliance with ICA principle number 1. In the category of enterprising, 28 cooperatives (87.5%) complied with the principle while 5 cooperatives (12.5%) did not comply. In the non-enterprising category, 38 cooperatives (88.4%) complied with the principle while 5 cooperatives (11.6%) did not comply with the principle.

Table 4.3 –Association of cooperative category with compliance to ICA principle number 1: Voluntary and open membership

Variable	Category	Complied	Non-compliant	Total
Willingness to join cooperative	Enterprising	28	4	32
	Non-enterprising	38	5	43
	Total	66	9	75
Chi-square probability of independence = 0.9084847				

Source: This study

Since probability is more than 10%, we accept the null hypothesis which states that there is no significant association between the enterprise category of cooperatives and the compliance with ICA principle number 1

The test implies that cooperative regardless of their enterprise categories are similar in the compliance and non-compliance with the voluntary and open membership ICA principle.

4.3.2 Compliance with principle two: democratic member control

The table below shows result of cooperatives on the compliance with ICA principle number 2. In the enterprising category, all the 32 – 100% complied with the principle. In the non-enterprising category, all the 43 respondents – 100% complied with the principle.

Table 4.4 –Association of cooperative category with compliance to ICA principle number 2: Democratic member control

Variable	Category	Complied	Non-compliant	Total
Election of Board of directors	Enterprising	32	0	32
	Non-enterprising	43	0	43
	Total	75	0	75
	Chi-square probability of independence cannot be computed			

Source: This study

Since probability cannot be computed because of compliance by cooperatives in both categories of enterprising and non-enterprising, then we accept the null hypothesis which states that there is no significant association between the enterprise category of cooperatives and the compliance with ICA principle number 2

The test implies that cooperatives regardless of their enterprise categories are similar in the compliance with democratic member control ICA principle.

4.3.3 Compliance with principle three: member economic participation

The table below shows result of cooperatives on the compliance with ICA principle number 3. In the enterprising category, 1 cooperative– 3.1% complied with the principle while 31 cooperatives – 96.9% did not comply with the principle. In the non-enterprising category, all the 43 cooperatives – 100% did not comply with the principle.

Table 4.5 –Association of cooperative category with compliance to ICA principle number 3: member economic participation

Variable	Category	Complied	Non-compliant	Total
Payment of dividends	Enterprising	1	31	32
	Non-enterprising	0	43	43
	Total	1	74	75
Chi-square probability of independence = 0.2432069				

Source: This study

Since probability is more than 10%, we accept the null hypothesis which states that there is no significant association between the enterprise category of cooperative societies and the compliance with ICA principle number 3.

The test implies that cooperative societies regardless of their enterprise categories are similar in the compliance and non-compliance with member economic participation ICA principle.

4.3.4 Surplus determination and utilization on ICA principle number 3

The table below shows financial information on enterprising and non-enterprising categories of respondents.

In the enterprising category, 41.9% of surplus was retained into business, 1 respondent – 3.1% paid patronage bonus to members, government donated an average amount of ZMK 619 to each member. In the non-enterprising category, 52.4% of surplus was retained into business, none of the respondents paid patronage bonus to members; government donated an average amount of ZMK 524 to each member.

Table 4.6 Surplus determination and apportionment

Category	Total Membership	Total annual income (ZMK)	Total annual expenditure (ZMK)	Surplus (ZMK)	Total Retained earnings from surplus (ZMK)	Amount of dividends paid to members (ZMK)	Government donations paid to members (ZMK)
Enterprising	1,315	178,167	122,224	55,843	23,380	450	814,706
Non-enterprising	1,512	85,069	64,560	20,504	10,750	None	793,700

Source: This study

Thus, surplus making and apportionment is not viable in both categories. Government bailed out cooperatives by paying members in form of farm input subsidies.

4.3.5 Liquidity ratios on ICA principle number 3

The table below shows the liquidity ratio of the enterprising and non-enterprising categories of respondents.

In the enterprising category, the ratio shows positive liquidity but none of the secured a loan from financial lending institutions and none of the respondents had an obligation of paying patronage bonus to members hence unavailability of information on patronage bonus.

In the non-enterprising category, the ratio shows positive liquidity but none of the secured a loan from financial lending institutions and none of the respondents had an obligation of paying patronage bonus to members hence unavailability of information on patronage bonus.

Table 4.7 Current assets: Current liabilities

Category	Assets (ZMK)	Loan secured (ZMK)	Patronage bonus owing to members (ZMK)
Enterprising	394,129	None	None
Non-enterprising	271,581	None	None

Source: This study

Thus, liquidity ratios could not be computed in both categories because information on current liabilities is lacking.

4.3. 6 Compliance with principle four: autonomy and independence

The table below shows result of cooperatives on the compliance with ICA principle number 4. In the enterprising category, all the 32 cooperatives– 100% did not comply with the principle. In the non-enterprising category, all the 43 cooperatives – 100% did not comply with the principle.

Table 4.8 –Association of cooperative category with compliance to ICA principle number 4: Autonomy and independence

Variable	Category	Complied	Non-compliant	Total
Information on deregistration	Enterprising	0	32	32
	Non-enterprising	0	43	43
	Total	0	75	75
	Chi-square probability of independence cannot be computed			

Source: This study

Since probability cannot be computed because of non-compliance by cooperatives in both categories of enterprising and non-enterprising, then we accept the null hypothesis which states that there is no significant association between the enterprise category of cooperatives and the compliance with ICA principle number 4

The test implies that cooperatives regardless of their enterprise categories are similar in the non-compliance with autonomy and independence ICA principle

4.3. 7 Compliance with principle five: education, training and information

The table below shows result of cooperatives on the compliance with ICA principle number 5. In the enterprising category, 1 cooperative-3.1% complied with the principle while the 31 cooperatives– 96.9% did not comply with the principle. In the non-enterprising category, 1 cooperative - 2.3% complied while 42 cooperatives - 97.7% did not comply with the principle.

Table 4.9 –Association of cooperative category with compliance to ICA principle number 5: Education, training and information

Variable	Category	Complied	Non-compliant	Total
Trainings conducted in cooperatives	Enterprising	1	31	32
	Non enterprising	1	42	43
	Total	2	73	75
Chi-square probability of independence = 0.8316869				

Source: This study

Since probability is more than 10%, we accept the null hypothesis which states that there is no significant association between the enterprise category of cooperatives and the compliance with ICA principle number 5.

The test implies that cooperatives regardless of their enterprise categories are similar in the compliance and non-compliance with education, training and information ICA principle.

4.3.8 Compliance with principle six: cooperation among co-operatives

The table below shows result of cooperatives on the compliance with ICA principle number 6. In the enterprising category, all the 32 cooperatives– 100% did not comply with the principle. In the non-enterprising category, all the 43 cooperatives – 100% did not comply with the principle.

Table 4.10 –Association of cooperative category with compliance to ICA principle number 6: Cooperation among co-operatives

Variable	Category	Complied	Non-compliant	Total
Affiliation to district union	Enterprising	0	32	32
	Non enterprising	0	43	43
	Total	0	75	75
Chi-square probability of independence cannot be computed				

Source: This study

Since probability cannot be computed because of non-compliance by cooperatives in both categories of enterprising and non-enterprising, then we accept the null hypothesis which states that there is no significant association between the enterprise category of cooperatives and the compliance with ICA principle number 6

The test implies that cooperatives regardless of their enterprise categories are similar in the non-compliance with cooperation among co-operatives ICA principle.

4.3.9 Compliance with principle six: concern for the community

The table below shows result of cooperatives on the compliance with ICA principle number 7. In the enterprising category, all the 32 cooperatives– 100% did not comply with the principle. In the non-enterprising category, all the 43 cooperatives – 100% did not comply with the principle.

Table 4.11 –Association of cooperative category with compliance to ICA principle number 7: Concern for the community

Variable	Category	Complied	Non-compliant	Total
Availability of deliberate programs on management of environment	Enterprising	0	32	32
	Non-enterprising	0	43	43
	Total	0	75	75
	Chi-square probability of independence cannot be computed			

Source: This study

Since probability cannot be computed because of non-compliance by cooperatives in both categories of enterprising and non-enterprising, then we accept the null hypothesis which states that there is no significant association between the enterprise category of cooperatives and the compliance with ICA principle number 7.

The test implies that cooperatives regardless of their enterprise categories are similar in the non-compliance with concern for the community ICA principle.

CHAPTER FIVE

5.0 DISCUSSION AND CONCLUSION

5.1 Introduction

This chapter is divided into three sections, section one discusses the study's results in view of the reviewed literature, section two gives the conclusion of the study and section three has recommendations.

5.2 Discussion of results

The study showed that cooperatives in both categories of enterprising and non-enterprising had the components of general membership and board of directors. This is in accordance with the ICA principle on democratic member control that requires cooperatives to run as democratic organisations controlled by their members. The ICA requires members to actively participate in setting their policies and making decisions. Men and women serve as elected representatives and are accountable to the membership. The study's findings of members participation in the running of cooperatives is closely related to the recommendation made by Hatti and Rundquist on the need for a high degree of membership participation (1994:67).

In both categories of enterprising and non-enterprising cooperatives, the study showed that the management staff component was absent. The board of directors and general membership manages the business affairs of cooperative enterprises. The findings of lack of management component in cooperative societies can be associated with observations made by Wanyama (et al. 2009) that, cooperatives in Africa lack committed leadership and a clear vision of finding solutions to the daily problems of their members. Furthermore, lack of management staff component in cooperative societies can be linked to the findings of Chirwa (2005) that the leadership capacity in a rural cooperative is directly related to the level of literacy among its members as leaders usually

are elected from the member base. In developing countries where the education level is low this can be a major constraint for cooperative development. Further, the results are related with the observation made by Keeling (2004) that cooperatives are in need of highly skilled management with the capacity to make informed business decisions just like a private enterprise. In Nigeria, (Oluyombo, 2010) suggests that cooperatives with track records of prudent management and cohesive membership stand to play a major role in the development of rural financial markets. However, the difference in the findings of this study and the reviewed studies is the linking of the internal structure of a cooperative with the need for compliance with the ICA principle of democratic member control.

This study found out that cooperative societies are dependent on government financial resources. According to the cost and benefit analysis, there was no cooperative in either enterprising or non-enterprising category that paid dividends to its members despite members remitting capital. The government provided farm input subsidies to cooperative members in both categories. This is a benefit of cooperative membership in both enterprising and non-enterprising cooperative categories. The results are closely tied with the findings of Chabala (1993) that primary societies were formed in all parts of Zambia as a result of government sponsored initiatives, and often with donor support. Chabala pointed out that immediately after independence the Zambian government embarked on the active promotion of co-operatives throughout the country, and for many types of economic and social ventures. Co-operatives at this time were largely viewed as a mechanism for stimulating rural development and not necessarily as institutions for meeting the economic and other needs of their members. Oluyombo (2010) indicated that the survival of cooperative societies in any country depends largely on the overall political and economic environment of such nation because cooperative exists within the wider economy of the particular country where it operates. The results are also closely related with the findings of Madulid, 2015 that there are almost equal numbers of primary co-operatives operating in Northern Samar which are viable in terms of profitability and those

which are not viable. This picture is disheartening because it is expected that most if not all existing co-operatives should operate profitably. Although co-operatives are not motivated to operate for profits, they should be adequately profitable in order to have continued successful operation. Successful operation of a co-operative may be gauged by its ability to provide financial services to the members. However, this study unlike other previous studies links the financial dependence of cooperatives to government with the compliance levels to ICA principle of autonomy and independence.

Of the reviewed literature, there are no studies done in the area of cooperative movement – the association of cooperatives from primary cooperatives to ICA cooperative levels. However, the results of this study showed that cooperative societies in both enterprising and non-enterprising categories in the district are not affiliated to the district cooperative Union. This means that the cooperative societies are disconnected from the cooperative movement. The findings are contrary to the requirement of ICA principle of cooperation among cooperatives. The principle requires primary cooperatives to be attached to higher structures of the cooperatives which are district, provincial, national and international levels. Lack of affiliation to the district union means that cooperative societies in Mpika district are not connected to the ICA. This study attributes the failure to affiliate to higher cooperative structures by cooperative societies to lack of compliance with ICA principles.

5.3 Conclusion

The study applied a chi-square test to assess compliance with International Cooperative Alliance Standards among cooperative societies in Mpika district, Zambia. The results showed that there is no significant association between enterprise category of cooperatives and compliance with each of the seven (7) ICA principles. Evidence shown is that 100% of cooperatives in each of the cooperative enterprise categories were not independent in their operations.

Characteristics of the enterprising and non-enterprising category of cooperatives were drawn and the study showed that none of the attributes were linked to ICA standards.

The findings of this study have shown that challenges in cooperative societies are associated with lack of compliance with the ICA principles in totality. The existing literature reviewed that studies on cooperatives have been in areas that can be attributed to some specific ICA principles. Previous studies conducted have not looked at ICA principles as a whole. Further, challenges in cooperative societies have not been attributed to the compliance levels with the ICA standards by reviewed existing literature.

The implication of the study's findings is that cooperative societies regardless of their category of enterprise are similar in the compliance and non-compliance with the ICA standards. Thus, the study concludes that the categorization initiative has not contributed in making cooperatives to become effective and viable. The study links the non-viability of cooperative societies in Mpika district to non-consideration of ICA standards in the enterprise categorization criterion.

1. Recommendations

In order to have cooperative societies that are compliant with the ICA standards in totality and consequently become viable, the following are the recommendations;

1. ICA to work closely and develop a position on cooperatives worldwide that do not comply with its set standards.
2. The national department of cooperatives should categorize cooperative societies according to their compliance with the ICA standards.
3. Successive governments should not interfere in the operations of cooperative societies.
4. More research is required in the field of cooperatives development by all stakeholders

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Appendix i

SCHOOL OF AGRICULTURE AND NATURAL RESOURCES

Master's in Transformative Community Development

QUESTIONNAIRE FOR CO-OPERATIVE SOCIETY REPRESENTATIVE

Dear respondent,

I am a final year Master's student in Transformative Community Development at Mulungushi University conducting a research on assessment of compliance with international cooperative alliance standards among cooperative societies in Mpika district, Zambia.

You have been selected to participate as a respondent in this study. You are requested to answer the questions on behalf of your co-operative to the best of your knowledge. The information you are going to give will be treated with confidentiality it deserves and it is purely for academic purpose.

PART A: General information

1. Age (years)
2. Gender? **Tick**
i. Male () ii. Female ()
3. Marital status? **Tick**
i. Married () ii. Single () iii .Divorced () iv. Separation ()
v. widowed ()
4. What is the level of your education? **Tick**
i. Never went to school ()
ii. Primary ()
iii. Secondary ()
iv. Tertiary ()

PART B: Co-operative Information

1. Type of Co-operative? **Tick**
- i. Agricultural () ii. Multi-purpose () iii. Savings & Credit () iv. Marketing ()
v. Livestock () vi. Any other ()
2. What was the membership of your co-operative in 2015
3. Number of Board of directors.....
4. Number of management staff in 2015.....
5. Number of general workers in 2015.....
6. Amount of donations received in 2015.....
7. Amount of saving deposits in 2015.....
8. Total amount of co-operative current assets in 2015.....
9. Total amount of loans releases in 2015.....
10. Amount of loans in 2015.....
11. Total amount of loan repayments in 2015.....
12. Authorized capital in 2015.....
13. Subscribed capital in 2015.....
14. Paid up capital in 2015.....
15. What was annual income in 2015.....
16. What was annual expenditure in 2015.....
17. Patronage bonus paid in 2015.....
18. Retained earnings in 2015
19. List major expenditure of share capital items and their share of bill in 2015? e.g. salaries wages.....
1. For how long has your co-operative been in operation.....
2. Year of commencement of business.....
22. Do members pay the annual co-operative financial requirements such as membership fees and share capital?

Tick

1. Yes()
2. No()

23. How many members paid membership fees by 2015?

.....

24. Is membership of your co-operative due to willingness of members to join?

Tick

1. Yes()
2. No()

25. Did your co-operative elect board of directors?

Tick

1. Yes()
2. No()

26. Did your co-operative pay dividends to members in 2015 or in the past?

Tick

1. Yes()
2. No()

27. do you have information on deregistration of cooperatives?

Tick

1. Yes()
2. No ()

28. Did your co-operative members receive trainings in cooperative education in 2015?

Tick

1. Yes ()

2. No ()

29. Was your co-operative affiliated to the district Union in 2015?

Tick

1. Yes ()

2. No ()

30. Does your co-operative possess a deliberate program on the care of the environment in your area?

Tick

1. Yes ()

2. No ()

31. What do you think is the major constraint affecting co-operatives development in Mpika?

.....

32. What are the successes that co-operatives have recorded in Mpika?

.....

Thank you for your cooperation!!!

Appendix ii

SCHOOL OF AGRICULTURE AND NATURAL RESOURCES

Master's in Transformative Community Development

INTERVIEW GUIDE FOR AGRICULTURAL BLOCKS/CAMPS CO-OPERATIVES DEVELOPMENT OFFICER

Dear sir/madam,

I am a final year Master's student in Transformative community development at Mulungushi University conducting a research on assessment of compliance with international cooperative alliance standards among cooperative societies in Mpika district, Zambia.

I have come to verify the collected data from co-operatives, i would be glad if you answer the questions to the best of your knowledge. The information you are going to give will be treated with confidentiality it deserves and it is purely for academic purpose.

QUESTIONS

1. Do you know of any co-operative society in your area that has the management staff component?

.....

What proportion of co-operatives in your area whose formation was member-driven only?

.....
.....
.....
.....

2. What proportion of co-operatives in your area whose formation was government-driven only?

.....
.....
.....

3. What proportion of co-operatives in your area whose formation was NGO-driven only?

-
.....
.....
4. What are the common core businesses in co-operatives in your area?
 1.
 2.
 3.
 4. Do you know of any co-operative that paid patronage bonus and patronage bonuses to shareholders in your area?
.....
 5. Do co-operatives in your area have business plans/ project proposals?
.....
 6. Do co-operatives prepare financial statements in your area?
.....
 7. Is income higher than expenditure in co-operative business?
.....
 8. Which government/non-governmental programmes/projects do co-operatives benefit from in your area?
 1.
 2.
 3. Were co-operative societies affiliated to the district union in 2015?
.....
 4. What induces co-operative registration and membership recruitment, is it government subsidies or membership willingness to conduct co-operative business?

.....

.....

5. Have you heard of any co-operative that was deregistered for not conducting viable business or not having a management staff in your area?

.....

6. Were co-operatives trained in cooperative education in 2015?

.....

7. Do co-operatives have deliberate programs on the care of environment?

.....

8. What recommendation can you give in order to improve co-operative societies' performance in your area?

1.

2.

3.

4.

5.

Thank you for your cooperation!!