

## **MEMBERS' PARTICIPATION IN DECISION MAKING IN PRIMARY AGRICULTURAL MARKETING COOPERATIVES IN TANZANIA, EVIDENCE FROM SELECTED PRIMARY COOPERATIVES OF BUKOBA AND MOSHI DISTRICTS**

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### **ABSTRACT**

Globally, the importance of a co-operative as a member owned socio-economic institution is becoming evident and the aspect of member participation is becoming important in co-operative democracy. In Tanzania co-operative policy and legislation highlights ownership and participative democracy to co-operatives; various efforts have been made to ensure primary Agriculture Marketing Co-operative Society (AMCOS) use participative democracy in decision making. Generally, the study assessed the extent to which democratic practices reflect member ownership in different decision making processes. The study objective was to examine members' participation in decision making in primary AMCOS in Tanzania basing on evidence from Bukoba and Moshi district. The findings of the study revealed that member in the primary AMCOS were registered based on selling coffee. Membership share status indicates only few have paid all required shares. The democratic practice of the majority of respondent had low mean scores. Members who sell all their produce in the primary AMCOS were below fifty percent. Also the findings showed that members found to be satisfied by the primary AMCOS services. However dissatisfaction was reported in the aspects of; accessing agricultural inputs and members' education and training as well as getting agro credits. The rights of members to engage in decision making were found to be limited. Findings on the governing instrument assessment revealed that none of the primary AMCOS had Vision, Mission, Core values, financial regulation and Strategic plan. In assessing member complaint it was identified that low price of coffee that indicates that most of primary AMCOS were affected by low price. However some primary AMCOS had a problem of transparency while others were in complaining of misuse of primary AMCOS funds. Among other things, the study recommends education to members so that members can achieve best options for participation in different decision making organs and create fed back mechanisms.

**Keywords;** Members' participation, Participation in decision making, Primary Agricultural Marketing Cooperatives.

### **1. Background information**

Co-operatives play an important role worldwide in facilitating the dual aspect of economic and social development, as their importance is seen in the goods and services they render to the general public and to the members (Chambo, 2011). The International Co-operative Alliance (ICA) (2005) and International Labour Organization (ILO) (2002) define 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". What is the importance of co-operatives and why should there be studies about them? Why co-operatives and not any other models? What are the advantages of co-operatives as opposed to other models? (Fahlbeck, 2007). With these arguments, the ownership component in co-operative governance is a key aspect for having a democratic institution.

ICA (1995) provides seven co-operative identities and principles; one of them (the second one) is 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 members. The fourth co-operative principle is about autonomy and independence whereby co-operatives are regarded as autonomous, self-help organizations controlled by their members. It further means that, if they enter into agreements with other organizations including governments and other stakeholder's members, they should maintain their co-operative autonomy. These two principles explain the aspect of member ownership and democratic sustainability of primary AMCOS members.

Member ownership and member participation in co-operatives as a self-regulation have attracted global focus whereby members' democratic ownership plays major roles in governing the co-operatives (Jussila *et al.*, 2012). Chambo (2007) and Rwekaza (2012) agree that, in most countries, co-operative movements expect government action on regulation, while the world is towards self-regulation which calls for member owned regulation of their co-operatives. In co-operatives, members understand their rights which enable them to own their institutions through democratically established legal frameworks (Chambo, 2011). The democratic function of the co-operative is vested in co-operative principles (ICA) (1995). The second ICA co-operative principle of democratic member control describes that member ownership in co-operatives is through the use of annual general meetings, and through representation by elected members (Muenkner, 1993; Anderson and Henahan, 2005). This has been the global setting on how co-operative enterprises are managed.

In developing countries, attempts to organize farmers into co-operatives have often failed, although co-operatives have the potential to supply farm inputs and market farm products that are both important for agricultural development (Hoyt, 1989). The Department of Industry and Trade (South African Republic) DTI (2003) provides a brief overview of co-operative development in African countries as cited in Akwabi-Ameyaw (1997) that, in Africa, farmer co-operatives have often failed because of problems in holding management accountable to the members (that is moral hazard), leading to financial irregularities.

In Tanzania, co-operatives were initially initiated by coffee growers in 1925 when the Kilimanjaro Native Planters Associations (KNPA) and in Bukoba the Native Growers Associations (NGA) were formed in 1930s to market their coffee (Birchall and Simmons, 2010; Seimu, 2017). In Kilimanjaro, by 1929, the British governments closed KNPA and established the integration of co-operatives model with chieftainships to make control of co-operatives. Kahama (2002) and Urio (2011) assert that the co-operative democratic practices in the Tanzania legal framework is affected by Co-operative Policy, Acts, Rules and Regulations that govern co-operatives which are based on agents to govern co-operatives on behalf of members. Meghji and Tarimo (1992) confirm that Tanzania is among the third world countries where the co-operative legal framework makes it difficult for co-operative members to realize their ownership rights in governing their co-operatives with consistency

and purpose for which they were established. The Tanzania co-operative legal framework has passed different changes in different time periods as from independence to date. Among these changes, we had a Co-operative Act of 1968, a Co-operative Act 1974, Co-operative Act No. 14 of 1982, Co-operative Act No. 15 of 1991, Co-operative Act No. 20 of 2003, and Co-operative Act No. 6 of 2013 (Wakuru, 2016). These changes did not reflect members' ownership of their co-operatives as expected. However, another change was experienced in the change of co-operative department in different ministries from the colonial era up to date, and these changes have caused co-operatives to lose the common understanding on which ministry should be responsible for developing the co-operatives sector.

Member participation in Tanzania, as presented in the Co-operative Development Policy of 2002 (CDP, 2002), was developed following the outcome and the aftermath of the government revival programme which was based on the recommendations of a Special Presidential Committee. The committee was formed in 2000 aiming at reviving, strengthening and developing co-operatives in Tanzania (URT, 2005). Basing on the committee's recommendations, the President acknowledged the contribution of co-operatives in enabling citizens to participate in building a stronger economy using the co-operative model, as it adheres to co-operative principles, ethics and values. Basing on the Co-operative Development Policy of 2002, the Co-operative Societies Act of 2003 and the Co-operative Society Rules of 2003 were formed. Later on, the enactment of the Co-operative Societies Act of 2013 was enacted to repeal the Co-operative Society Act 2003. The agricultural marketing co-operatives were studied basing on the evidence from Bukoba and Moshi Districts in looking into how members participate, and their democratic practice in addressing member ownership. The co-operative movement on AMCOS in Tanzania is presented in a four-tier system; these are primary, secondary, apex and federation. In this study, primary AMCOS were used as units of analysis in assessing member ownership and democratic sustainability of the MCOS.

Different studies show that some primary AMCOS in Tanzania by-pass member ownership when promoting co-operatives, which is contrary to primary AMCOS by-laws and democratic sustainability. Member ownership needs to be reflected on how members participate democratically in different decision making avenues. Literature, specifically in addressing ownership and democracy as a function of co-operative sustainability, is inadequate. Available information does not specifically address how the primary AMCOS member ownership has an impact on members' participation in decision making in primary AMCOS to sustain democratic sustainability of these primary AMCOS. However, primary AMCOS experience the absence of democratic governance that leads to absence of members' participation in decision making in the co-operative institutional governance. This objective study aimed at assessing how primary AMCOS of Bukoba and Moshi Districts understand ownership and democracy and how they motivate members to participate in decision making in order to sustain members' objective attainment.

## **2. Statement of the Problem**

Members in AMCOS are the principal owners, whereby ownership is governed by a democratic process of managing their co-operatives as defined in the co-operative policy Act and by-laws. However, the question of delegating co-operative management to the board and managers as members' agents results in reducing the ownership of the members and constrains sustainability of democratic rights of members. The Tanzania Co-operative Policy of 2002 and the Tanzania Co-operative Society Act of 2013 direct co-operatives to operate within a legal framework and policies that provide how best the primary AMCOS should be

governed. However, the democratic practice on how members can own their co-operatives has not been in place as expected. Various efforts have been made to ensure AMCOS embark on member ownership and democratic sustainability; such efforts include programmes such as formulation of the International Co-operative Alliance (ICA) (1995) principles that have ownership and democratic process recommendations; Member Empowerment in Co-operative (MEMCOP) (2000-2005) (implemented in some parts of Tanzania) aimed at empowering members to demand their rights, the Tanzania Co-operative Reform and Modernisation Programme (2005 -2010) (the programme remained as a blue print) aimed at establishing a comprehensive transformation of co-operatives to become organizations which are member owned and controlled competitively, viably, sustainably, and with capability of fulfilling members' economic and social needs. Also, the establishment of Tanzania Co-operative Development Commission (TCDC) aimed at increasing viable co-operatives which are member owned and democratically sustainable. With all these efforts, one may wonder why members are not practising their democratic rights in exercising their ownership rights. In view of absence of empirical knowledge on low democratic sustainability and member ownership, this paper examines members' participation in decision making in primary AMCOS.

### 3. Study Theoretical Foundations

There are theories and principles were applied to this study to understand member ownership and co-operative society democratic sustainability practices. The principle agency theory and ICA co-operative principles were adapted to analyse member participation in decision making in the AMCOS. The agency theory and co-operative principle present the role of boards and management on performing institutional roles to attain member's objectives. Each theory and principle implies a different model of how boards work and the role of managers in ensuring owners' objectives. Below, each of these theoretical perspectives and associated models is briefly examined and how they can be usefully extended to shade light on the role of co-operatives in ensuring member ownership takes into account the sustainability of democratic practices. The agency theory propounds the overall governing of the study as it cut across all the other supporting theories and principles. This is due to that fact that, co-operative societies are member owned institutions, but the ownership is delegated to the electorates (the board) and the electorates employ managers who are experts to manage the institution.

Principal-agent theory was the dominant theory of the firm and community governance. The theory assumes that the owners of an enterprise (the principal) and those that manage it (the agent) will have different interests (Berle and Means, 1932). The owners or shareholders of any enterprise face a problem that managers are likely to act in their own interests rather than the shareholders (Keasey *et al.*, 1997). The theory was used in assessing member ownership and decision making in the AMCOS, ownership power by primary AMCOS and by districts and primary AMCOS democratic rights. Agency relationships exist whenever an individual or organization (the agent) acts of behalf of another (the principal). Principal-agent problems arise because the objectives of the agent are usually not the same as those of the principal, and thus the agent may not always best represent the interests of the principal (Alchian and Demsetz, 1972; Royer, 1999; Sykuta and Chaddad,; 1999 Ortmann and King, 2007). The terms of an agency relationship are typically defined in a contract between the agent and the

The Agency theory to co-operatives suggests that members as owners are the principles. In this context the agency theory assumes that the main interest of shareholders is to maximize prosperity and market control. In these theory managers faces two pressure forces; pressure

from shareholders with the threat of takeover, as well as board in monitoring to keep managers aligned to this organizational goal (Richards *et al.*, 1998). This suggests that for co-operatives the boards is the most important means that members uses to control managerial behavior, but at the same time these boards have to operate in a context where it is likely to be more difficult to exert influence to the management who are the expert in the organizational governance.

Co-operative principles were adopted in governing the primary AMCOS. The ICA (1995) co-operative principle was used as guidelines by which co-operatives put their values into practice (Levin, 2002; ICA Recommendation No 6. 1995). The study used three principles, one being democratic member control; in that 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 members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner. This was used in areas of primary AMCOS internal democracy. The second principle uses are autonomy and independence, in that principle co-operative is autonomous, self-help organizations controlled by their members. If they enter into agreements with other 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. This was used in areas such as member ownership and decision making in the primary AMCOS. The third principles used are 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. This was used in areas such as Members engagement in co-operative business and AMCOS democratic rights.

#### 4. Methodology

The study was conducted in Bukoba and Moshi Districts. These areas had a long history way back in the 1920s on cooperation and co-operative establishment in Tanzania (Kihemba *et al.*, 1977). Also, the consideration of the nature of the crop that is coffee in both districts provides a comparative study from the same cash crop marketed by co-operatives in different geographical environments. In Kagera and Kilimanjaro regions, the study was done in two districts' AMCOS; the districts that were selected for the research were Bukoba District in Kagera Region and Moshi District in Kilimanjaro Region where AMCOS were found to operate their businesses under the umbrella of unions and networks. In Bukoba Districts the primary AMCOS were operating under Kagera Co-operative Union (KCU), while in Moshi District they were operating under Kilimanjaro Native Co-operative Union (KNCU). However, in Moshi District, some primary AMCOS were operating under a network known as G32. The number of primary AMCOS dealing with coffee in those districts was 50 in Bukoba District and 39 in Moshi District. In Bukoba District, the studied AMCOS were as follows: in Kyamtware Division, Kagege Primary Co-operative Society and Mweyanjale Primary Co-operative Society were studied. Also, Buma Primary Co-operative Society and Kobunshwi Primary Co-operative Society in Bugabo Division as well as Izimbya Co-operative Primary Society in Kihanja Division. In Moshi District, the studied primary AMCOS were Kilema North Rural Co-operative Society and Kiruwa Vunjo Rural Co-operative Society in West Vunjo Division. In East Vunjo Division, the study was done in Mwika North East Co-operative Society, while in Kibosho Division the study was conducted in Kibosho Central Rural Co-operative Society and in Mawela Co-operative Society. In Moshi District, the studied primary co-operatives were under KNCU and G32. It is only

Kilema North Rural co-operative society which had not joined G32 while others had sold their coffee using G32.

A cross-sectional design was used whereby data were collected once and were used as a basis for generalization. Member ownership and democratic sustainability concepts in the primary AMCOS of the studied areas could have similar results that fitted in other primary AMCOS in Tanzania and other countries that have similar characteristics. Bukoba and Moshi Districts' AMCOS at primary level were examined by taking five primary societies and a comparative analysis of dependent and independent variable was done. The cross-sectional design provided a room for data collection at a point of time, and data were compared across different primary AMCOS, examining their differences and similarities on the tested variables. The design provided deeper examination of member ownership and a democratic system in primary co-operatives. Cross-section design allowed use of primary data obtained using a structured questionnaire, and justified by panel data obtained in the TCB COASCO, and TCDC documents, as well as information from key informants and focus group discussants. The use of cross-tabulation across districts and across primary AMCOS under cross-section design increases data validity and reliability for better results. The unit of analysis in this study were primary AMCOS members of Bukoba and Moshi Districts dealing with coffee.

The eligible sample was members of the primary AMCOS in Bukoba District of Kagera Region and Moshi District in Kilimanjaro Region of Tanzania. The population of the study was not known because members of the primary AMCOS in the studied areas had not been updated as from 1992 to 1994 when the new register was updated as indicated in Table 1.

**Table 1: The population registration status of primary AMCOS in the study area**

District	Name of AMCOS	Year of register	Registered members	Active members
Bukoba	Kagege Primary Co-operative Society	1992	469	300
	Mweyanjale Primary Co-operative Society	1992	444	300
	Buma primary co-operative society	1990	377	200
	Kobushwi Co-operative Primary Society	1990	253	120
	Izimbya Co-operative Primary Society	1990	432	316
<b>Sub total</b>			<b>1975</b>	<b>1236</b>
Moshi	Kilema North Rural Co-operative Society	1994	1900	600
	Mwika North East Co-operative Society	1994	2000	928
	Kiruwa Vunjo Rural Co-operative Society	1994	1400	700
	Kibosho Central Rural Co-operative Society	1993	1750	500
	Mawela Co-operative Society	1994	1600	678
<b>Sub total</b>			<b>8650</b>	<b>3406</b>
<b>Total</b>			<b>10625</b>	<b>4642</b>

Source: Primary AMCOS Register Books (2016)

The adequacy of the samples size for this study had to take into account the minimum number provided by Tanzania Co-operative Society Act No 1 of 2013, Section 20 (a), whereby 20 to 30 persons is the minimum number for a registered AMCOS. Taking 40 AMCOS members were over and above the minimum number prescribed by the Act to ensure inclusion of enough AMCOS members. Basing on these facts, the sample size was selected following the formula developed by Cochran (1977) for large populations (ten thousand and above):

$$n_0 = \frac{Z^2 pq}{e^2}$$

In which case,  $n_0$  is the sample size;  $Z^2$  is standard normal deviation, set at 1.96 or 2.0 which is equal to the desired confidence level of 95%;  $p$  is the estimated proportion of an attribute that is present in the population (if not known 50% is used); and  $q$  is  $1-p$ . The value for  $Z$  is found in statistical tables and represents the area under the normal curve; and  $e$  is the desired level of precision which is set at 0.05.

Therefore, the sample size for this study was;

$$n = \frac{2^2(0.5 \times 0.50)}{(0.05)^2} = \frac{4 \times 0.25}{0.0025} = \frac{1}{0.0025} = 400$$

Therefore, 400 members were selected from ten primary AMCOS (five from each district of Bukoba and Moshi). These key informants were from the co-operative movement, the co-operative training institutions, co-operative departments, co-operative auditing firms and co-operative promoters.

As the research used a cross-sectional design, and the studied areas were in two districts, the methods that were used for data collection were household survey, interview and documentary review. As these data collection methods suit the nature of the study and bring data that are reliable and valid to study member ownership and democratic sustainability, in collecting data, the following methods were used.

Data were analyzed qualitatively and quantitatively. Qualitative analysis used content analysis whereby open ended questions were summarised and grouped. The procedures for content analysis included post coding whereby the researcher categorised opinions, comments and ideas from each statement made by respondents during Focus Group discussions and during key informant interviews. Various opinions, comments and ideas were placed into appropriate themes/contents (Sekaran, Bougie, 2010; Yin, 2014).

Quantitative analysis was done using descriptive analysis whereby frequencies, averages. Minimum and maximum values of individual variables were computed using SPSS and Excel software. It was also done using chi-square analysis, t-tests, F-tests. Chi-square analysis was done to determine associations between some variables recorded at the categorical (nominal and ordinal) levels, for example members' feelings on primary AMCOS ownership and indicators of sustainability of primary AMCOS. T-tests and F-tests were used to compare values of variables recorded at the scale (interval and ratio) levels, including points scored on various scales that were used, like comparing points scored on levels of participation in Moshi and Bukoba Districts, and comparing points scored on members' feelings on primary AMCOS ownership and on indicators of democratic participation of primary AMCOS.

## 5.0 Results and Discussion

### 5.1 Social-Demographic Characteristic of the Respondents

In the study, the researcher studied agricultural co-operatives dealing with coffee. Members registered in these primary societies were found to differ from one primary society to another one. However, a great discrepancy in terms of members' activeness was found between the registered members and active members in the co-operative society's registration. Some members were registered, but they were found not to participate in primary AMCOS activities, which were basically selling coffee through their primary AMCOS. Also, considering the respondents' sex categories; it was found that female respondents were few in the AMCOS registration, especially when respondents were asked on the number of women among the active members. This is due to the fact that traditionally coffee is a cash crop that

is owned by men, while women own banana in the studied area. In that case, active members were considered to be those who had been participating in the co-operative business in the previous five years from the time when the data were collected as presented in Table 2.

**Table 2: The registration status of primary AMCOS studied**

District	Name of primary AMCOS	Year of register	Registered members	Active members	%	Active female	%	Active male	%
Bukoba	Kagege	1992	469	300	63.00	58	19.33	242	80.66
	Mweyanjale	1992	444	300	67.56	51	17.00	249	83.00
	Bumai	1990	377	200	53.05	50	25.00	150	75.00
	Kobushwi Society	1990	253	120	47.43	18	15.00	102	85.00
	Izimbya	1990	432	316	73.14	52	14.45	264	83.5
<b>Sub total</b>			<b>1975</b>	<b>1236</b>	<b>62.58</b>	<b>229</b>	<b>18.53</b>	<b>1007</b>	<b>81.47</b>
Moshi	Kilema North	1994	1900	600	31.58	28	4.66	572	95.33
	Mwika North East	1994	2000	928	46.40	85	9.16	843	90.84
	Kiruwa Society	1994	1400	700	50.00	48	6.86	652	93.14
	Kibosho Central	1993	1750	500	28.57	30	6.00	470	94.00
	Mawela	1994	1600	678	42.37	63	9.29	615	90.71
<b>Sub total</b>			<b>8650</b>	<b>3406</b>	<b>39.36</b>	<b>254</b>	<b>7.46</b>	<b>3152</b>	<b>92.54</b>
<b>Total</b>			<b>10625</b>	<b>4642</b>	<b>43.69</b>	<b>488</b>	<b>10.51</b>	<b>4154</b>	<b>89.49</b>

Data source: AMCOS Register Books, (2016)

Table 2 indicates that 10,625 members were registered in the ten primary AMCOS which were studied. The total members included 4,642 active members (43.7%) while the rest 5,983 (56.3%) were not active (that is they had never participated in primary AMCOS business for the previous five years from the time when the data were collected). Also, when assessing active membership with respect to sex disaggregation, it was found that women represented only 10.5% while men represented 89.4%. Comparatively, it was found that Moshi District represented more dropouts of members from 8,650 to 3,406 which was 60.6% dropout. However, the proportion of women drop out in Moshi District was found to be very low (7.4%) compared with that in Bukoba (18.5%). However, the drop out of men in Moshi was 92.5% as compared with that of Bukoba, which was 81.4%. Drop out was higher in Moshi District than in Bukoba due to land decrease in Moshi districts as increase in population and land tenure was higher, compared to Bukoba.

Furthermore, the findings from the FGDs and observation of members register indicated that primary AMCOS had not been updating members' registration in their members register book; the latest registration update had been done from 1990 to 1994. The register's books were found to have names of members who had passed away, members who had shifted to other places, members who had changed their businesses and members who did not have farms. Primary AMCOS by-laws require members to have all these prerequisites for membership. Moreover, when comparing individual district primary AMCOS drop out status, the results indicated that Kibosho Central Rural Co-operative Society of Moshi District had more member drop out (Table 3) (71.4%) while Kobunshwi Co-operative Primary Society of Bukoba District had the highest member drop out in the district (52.5%). The general outlook showed Moshi District primary AMCOS to have members who had left coffee business. This is caused by coffee farm decrease due to increase in population as well as farm inheritance a characteristic that leads to decrease in coffee farm size. Hence, when members are not engaged in coffee business, the probability of dropping from the primary AMCOS becomes inevitable.

In assessing the age of respondents and membership duration (with 400 respondents) in the studied areas, the respondents were found to have an average age of 59.1 years, with the



minimum age of 30 years and the highest age of 92 years. The age varied by districts; Bukoba district primary AMCOS members had an average age of 55.4 years, and in Moshi district primary AMCOS members had an age average of 62.8 years. About membership duration, the membership duration was found to range from 4 to 40 years with a mean of 22.0 years. Moshi District was found to have older aged members with the average age of 62.8 years compared with Bukoba District where the average age of primary AMCOS members was 55.4. The maximum age in Moshi District was 92 years, and the minimum age was 28 years. However, in Bukoba District, primary AMCOS members with the highest and lowest ages were 82 and 27 years old respectively.

The ages of the respondents; when categorized into different categories of youth ranging from 18-40 years, mid-age ranging from 41-60 years, and elders with more than 60 years; the primary AMCOS members interviewed were found to be 13 (3.2%), 180 (45%) and 179 (49.2 %) respectively. Those findings indicate that the greatest proportion of members in the surveyed primary AMCOS were in the age group of above 60 years, followed by the mid age group. Ageing in primary AMCOS seems to be a bigger problem since new blood is not coming in as members. The main reasons as to why youth and young members are not part of primary AMCOS membership is the longevity of crops from planting to harvest, which takes three to five years as opposed to other crops such as beans, maize and vegetables which are mostly commonly grown by the majority has becomes the perfect substitute of coffee.

## **5.2 Membership and member obligation fulfilment**

The democratic practice in the primary AMCOS has a vital role in the decisions of the members. In determining members' democracy, the understanding of the original idea on how primary AMCOS came into being became inevitable. In assessing respondents' membership, the findings indicated that all (100%) accepted that they were members of primary AMCOS. However, when the primary AMCOS members were asked whether they had applied for the membership, it was found that only 6 (1.5%) of the respondents had applied for membership while the rest 364 of the respondents (98.5%) had not applied for membership. On the same issue of application for membership to AMCOS, the members who had not applied for membership were not the founders of their primary AMCOS whose co-operative by-laws required them not to apply for membership. All primary AMCOS by-laws, co-operative society Act 2004 and 2013 have a section prescribing membership and membership procedures. Some sections of the by-laws require members to apply for membership, and be present at annual general meetings. The Co-operative Act No. 10 of 2013, particularly the preliminary provision, states that the members of a co-operative society include "a person or a registered society joining in the application for registration of a society, and a person or a registered society admitted to membership after registration in accordance with the by-laws and rules made under this Act". That indicates that membership in primary AMCOS does not always follow established procedures stipulated in the law; that had been a practice, and no one had given emphasis to rectify membership process to abide by the laws and procedures.

Findings from an FGD with TCDC staff showed that getting membership to co-operatives requires applicants to fill forms for applying for it; thereafter, the applications are presented in an annual general meeting for discussion. Such discussion can result in accepting or rejecting any of the applications. After that, members are supposed to pay their membership obligations such as shares, entry fee, and other statutory obligations. However, most of the co-operative societies avail these procedures, but the law provides to abide by these guidelines. The discussants in the FGD with TCDC staff contended that most of co-

operatives in Tanzania are affected by absence of member education in their effort to manage their co-operatives. Member education would make them know their obligations and how to manage their co-operatives. With that, TCDC staff thought that co-operatives are governed in the systems that members do not know why they belong to the co-operatives rather than selling their produce.

The research findings on assessing the available procedures for becoming members indicate that 92.5% became members just by selling coffee in the primary AMCOS. This is supported by the argument given by Moshi Co-operative University Professor, who was a Key Informant who said that:

*“... The registration process of members is totally interrupted. Members are registered by receipt; that’s why they sell coffee in their primary AMCOS, and selling is what determines their membership. Members join primary AMCOS by circumstance of finding places where to sell their coffee, but they are not joining on their will”.*

Findings from FGD with Kibosho Central AMCOS board (members and management) revealed that the entry procedures for new members were selling of coffee, and paying an entry fee of TZS 2000, buying at least one out of 20 shares, the share price being TZS 5000. Basing on these descriptions and membership conditions, the procedures for becoming members are distorted since once of these are paid, no more payment is done. This is due to member reluctance to finish share payment. The Co-operative Societies Act 2013, section 20 (2) (a-d) defines membership as “that member who has attained the minimum age of eighteen years and is of sound mind, that he undertakes a trade or occupation relevant to the society’s object as defined in the by-laws, that he has a common need which the society seeks to satisfy, that he is capable of paying fees and acquiring shares”. This was supported by the account given by Kagera Assistant Co-operative Registrar, who was a key informant that:

*“..... registration of members in the co-operative society as per Co-operative Society Act No. 15 of 1991 provides membership by succession, and new membership is by application, paying an entry fee and buying shares. Also, the co-operative society Acts of 2003 and 2013 provide the same. The problem of not following the legal requirement is due to the reluctance of board members and management”.*

From the legal conditions provided above, the Co-operative Societies Act (2013) defines membership in primary AMCOS as being determined by members fulfilling their obligations. There are statutory obligations such as paying membership shares; in that, it signifies membership and ownership in the primary society. The findings (Table 3) indicate that those who had paid shares represented 80.8% of the respondents; those who had never paid any share were 16.8%; and only 2.5% had paid all their shares. From the FGD conducted in Moshi and Bukoba districts primary AMCOS board, members and management; the respondents indicated that most of the members had paid 2 to 3 shares out of 5 shares. However, when shares were 10, members were found to pay 4 out of them. Members were found not to pay their shares due to the fact that, even when they don’t pay all their shares, still they get all the primary AMCOS services. Share is a significant indication of the membership in the co-operative, and share differentiates the owner from non-members.

**Table 3: Primary AMCOS Share price and payment status**

Districts primary AMCOOS	Share price TZSH	Total shares	Total share price TZSH	Paid share averages	Unpaid shares averages	% of unpaid shares	Total unpaid share price average TZSH
<b>Bukoba district AMCOS</b>							
Kagege Primary Co-operative Society	1,000	5	5,000	2	3	60	2,000
Mweyanjale Primary Co-operative Society	1,000	5	5,000	3	2	40	3,000
Buma Primary co-operative society	1,000	5	5,000	3	2	40	3,000
Kobunshwi Co-operative Society Primary	1,000	5	5,000	2	3	60	2,000
Izimbya Primary Co-operative Society	1,000	5	5,000	2	3	60	2,000
<b>Moshi district AMCOS</b>							
Kilema North Rural Co-operative Society	2,000	5	10,000	2	3	60	6,000
Mwika North East Co-operative Society	1,000	5	5,000	2	3	60	3,000
Kiruwa Vunjo Rural Co-operative Society	1,000	10	10,000	4	6	60	6,000
Kibosho Central Rural Co-operative Society	1,000	20	20,000	3	17	85	17,000
Mawela Co-operative Society	5,000	20	50,000	3	17	85	35,000

The share payments presented in Table 3 indicate that most of the primary AMCOS were found to have paid at the fewest shares, but Moshi district primary AMCOS led other in payment of shares below the average payment. It was found that in Moshi District, Kibosho Central Rural Co-operative Society and Mawela Co-operative Society were found to be the leading ones in members not paying shares, with 85%. In Bukoba District AMCOS, Kagege Primary Co-operative Society, Izimbya Co-operative Primary Society and Kobunshwi Co-operative Primary Societies were the leading ones, with 60% of unpaid shares. However, the by-laws of each primary AMCOS prescribe that membership are upon payment of all shares. The Co-operative Societies Act of 2013, in its preliminary section, provides that an AMCOS member is a person joining an AMCOS by application and registration, after which the members are required to abide by the by-laws and rules under this Act. One of the obligations of an AMCOS member is paying shares, but members sometimes do not even know the share value. From the FGD conducted with board, members and management in Kilema North Rural Co-operative Society, it was found that there were differences in mentioning the share value to be TZS 5,000 and TZS 10,000 as the total share values to be paid by every member. Generally members were not paying their shares as required by Co-operative Act and primary AMCOS by-law, when making assessment on that, it becomes like a surprise to the entire primary AMCOS management when they indicates the status of share payment in connection to legal requirement since they noted that there were no members in their primary AMCOS.

The findings from FGD with TCDC staff revealed that absence of co-operative member education and governance knowledge to board and management caused members not to pay shares. Members, board and management lacked education on the conditions and circumstances of share payment effects. However, TCDC said that they provided education occasionally using annual general meetings, which was not enough. However, insufficient fund allocated to the department of Co-Operatives from the Government budget allocation led to inability to reach most of the co-operatives. This was supported by the following explanation provided by Kagera Assistant Co-operative Registrar, who was a key informant that:

*“..... members were not paying statutory shares and other statutory payments due to reluctance of board and management; members’ reluctance had been a*

*big issue. For those members who were not paying those statutory shares the law provides conditions with this statutory payment. With that, there should be nobody who does not pay, but negligence prevails”.*

The Co-operative Societies Act (2013), Section 41 (1), contends that “a person shall not exercise the rights of a member unless he has paid 50% or more of the required shares, entrance fee and any other dues”. And section 41 (2) stipulates that “without prejudice to generality of subsection (1), the unpaid up shares shall be paid as may be presented in the by-laws of the society within a period of twenty four months from the date of payment of the initial shares”. Basing on this stipulation, no member of a co-operative society had fulfilled the legal requirement, and no effort had been made to affect it from the data given by board management and members.

Ortmann and King (2007) Cook (1995) and Royer (1999) argued that, as the free-rider problem that emerges when property rights are untradeable, insecure, or unassigned to them; it has a type of common property problem that emerges when property rights are not tradable or are not sufficiently well defined and enforced to ensure that individuals bear the full cost of their actions or receive the full benefits they create. With that, both internal and external free-rider problems are often associated with conservative co-operatives. Member share payment can be effective if there is a different treatment in those who have paid all shares as opposed to those who have paid few shares. With regard to share payment problems in co-operatives, the internal free-rider problem arises (the common property problem) because the rights to residual claims in a traditional co-operative were linked to patronage instead of investment; new members would receive the same patronage and residual rights as existing members. The general tendency of the free-rider problem then is to encourage decisions that increase cash flows per member. This creates a disincentive to existing members to invest in their co-operatives because of the dilution of their returns (Vitaliano, 1983; Cook, 1995; Royer, 1999). The common property problem makes members unable to finish their shares capital purchase in their co-operatives and makes members to be not committed to their co-operative ownership.

In assessing the factors that determine membership and existence of member ownership in primary AMCOS, assessing the process that determines primary AMCOS membership becomes inevitable. Membership in co-operatives is guided by principles, policies, acts and rules. Chambo and Mathew (2011) argue that co-operatives in Tanzania need to be guided by principles of good governance in managing membership. However, member registration and its governance are affected by challenges of the nature of co-operation itself. Danda and Bamanyisa (2011), and Birchall and Simmons (2010) argue that African co-operatives are bound by legal, policy environment and local cultural traditions of different communities that affect the entire effort to solve the co-operative registration challenges that need to be addressed; this should go together with co-operative member empowerment. When membership registration is solved, and co-operatives embark on members ownership strategies, co-operatives will be able to gradually shift from bureaucratic mode to competitive co-operative enterprises. Table 4 presents findings on the factors for becoming members of primary AMCOS in Bukoba and Moshi Districts.

**Table 4: Factors for becoming members by primary AMCOS and by districts (n = 400)**

Name of the primary AMCOS	Membership factors		
	Registration and presentation in general meetings (%)	Selling of produce in the AMCOS (%)	Receiving memberships from parents (%)
Kagege AMCOS	0.2	9.0	0.8
Mweyanjale AMCOS	0.2	9.5	0.2
Bumai AMCOS	0.0	9.5	0.5
Kobunshwi AMCOS	0.2	9.2	0.5
Lubale AMCOS	0.2	9.2	0.5
Kilema North AMCOS	0.2	9.0	0.8
Mwika North AMCOS	0.2	9.5	0.2
Kiruwa Vunjo North	0.0	8.8	1.2
Kibosho Central AMCOS	1.0	8.0	1.0
Mawela AMCOS	4.5	5.2	0.2
<b>Total</b>	<b>7.0</b>	<b>87.0</b>	<b>6.0</b>
<b>Districts</b>			
Bukoba	1.0	46.5	2.5
Moshi	6.0	40.5	3.5
<b>Total</b>	<b>7.0</b>	<b>87.0</b>	<b>6.0</b>

In assessing individual primary AMCOS on factors for membership, it was found that Mawela AMCOS had 4% of members who were members by registration and 7% for members who were registered and be presented in the AGM. The other primary AMCOS had members who had become members just by selling their produce in their primary AMCOS (87%). The leading primary AMCOS for accepting members by only selling the produce were Buma AMCOS, Mweyanjale AMCOS, Mwika North AMCOS with 9.5% each, followed by Kobunshwi AMCOS and Lubale AMCOS. However, Table 6 presents status on membership basing on the district, and the findings indicate that registration of members and who were presented in the primary AMCOS meetings were higher in Moshi District than Bukoba District by 28% and 24% respectively. However, in members who became members by just selling produce in the primary AMCOS were reported to be 46.5% in Bukoba District while Moshi District had 40.5%. The differences indicate that Moshi District primary AMCOS abode by Co-operative Act and primary AMCOS by-law to a greater extent as compared to Bukoba District AMCOS. The procedure for membership acquisition is defined in the Co-operative Act and in the primary AMCOS by-laws. Management diverges from such legal conditions knowingly; this was indicated by respondents from the FGD with primary AMCOS board and management were found to understand membership procedures. However, the management did not abide with membership procedures due to managerial reluctance.

### 5.3 Membership and primary AMCOS service

The Co-operative Societies Act of 2013, Section 3, identifies the objective of the co-operative societies to be "...promotion of the economic and social interests of its members by means of common undertakings, based on mutual aid and which conform to the co-operative principles ....". In assessing services that members received, six services that were provided were assigned points, 1 for Yes if the service was provided and 0 if the service was not provided. The minimum and maximum possible scores were 0 and 6, if one received none of the services or all the services respectively. The results are presented in Table 5.

**Table 5: Scores on services provided and by percentage (n = 4 00)**

Services provided by primary AMCOS	Mean points scored on a services scale out of 6.0		% of Service delivered	
	Bukoba District (n = 200)	Moshi District (n = 200)	Responses (n = 400)	% of cases
Selling of produce	1.000	1.00	400	100.0
Dividends	0.95	0.91	371	92.8
Member education and training	0.05	0.20	353	88.2
Attending meetings	0.86	0.91	95	23.8
Accessing agricultural input	0.00	0.48	49	12.2
Agro credits	0.00	0.15	29	7.2
<b>Scores on all the services</b>	<b>2.85</b>	<b>3.63</b>		

As seen in Table 5, more services to primary AMCOS were available in Moshi District; the overall score on receiving services was higher (3.63 out of 6.00) than that in Bukoba (2.85 out of 6.00). Comparing the two means scores using an independent samples t-test revealed that the points were significantly different at the 0.1% ( $p \leq 0.001$ ). This means that primary AMCOS members in Moshi District had more services than those in Bukoba district. This is due to the fact that Moshi District primary AMCOS received programmes such as Member Empowerment and Management in Co-operative Programme (MEMCOP), and the presence of Moshi Co-operative University had an impact to nearby primary AMCOS unlike those of Bukoba where all these factors were non-existent. The services received by primary AMCOS members were also assessed by doing multiple responses analysis to determine the percentages of the primary AMCOS members who got various services (Table 6). The same six services were assessed, and the results showed that the services that were mostly received were selling of produce (100.0%) and getting dividends (92.8%). The services that were least received were member education and training (12.2%) and agro credits (7.2%). Primary AMCOS member mostly participated in bringing their coffee to their AMCOS. However, their participation had remained on bringing coffee than other primary society services that were supposed to have member participation on board. The above findings on the services were supported by the argument provided by one Moshi Co-operative University Professor, who was a Key Informant that:

*“... Members delegate their selling process to the board and unions; members take whatever price tags or indicative price without negotiations. In that regard, members sell their produce by being forced by poverty in their pockets”.*

However, the differences in services between the two districts in service access might be due to differences in the co-operative promotion; this argument was supported by G32 Manager who was a key informant who argued as follows:

*G32 establishment (a network of co-operatives in Kilimanjaro Region) was a result of MEMCOP (Member Empowerment in Co-operative Programme), and that was part of efforts to avoid KNCU governance problems that included exorbitant costs for running primary AMCOS. Up to 2002/03 all the primary AMCOS were under KNCU which took all the responsibilities of managing primary AMCOS, taking loans for purchase of coffee, determining the amount to be given to the Primary AMCOS, collecting AMCOS members' coffee, processing and marketing the coffee, and deciding the price to be given to primary AMCOS members for their produce. With all that, the union took*

*all the responsibilities; the primary societies were just buying centres that did not have any ownership power until when G32 was established. Primary AMCOS members' voices have started being heard on price determination in Kilimanjaro”.*

The co-operative services when highly received by members signify the reasons as to why co-operatives are appropriate organisations and vehicles for sustainable development (Gertler, 2001). Co-operatives service promotes economic democracy and the empowerment of marginalised groups (Maghimbi, 2010). Also, they reduce inequality and promote equitable sharing of the costs and benefits of sustainable democratic practice (Ravensburg, 2009). Given community ties and less need for short-term profits, co-operatives services have the capacity to embrace and act on longer planning horizons. Co-operatives help to stabilize regional economies and provide a favourable climate for further investment (Roe, 2003). With that, members can participate in higher investment services than what is currently available at the AMCOS service disposal.

#### 5.4 Primary AMCOS internal democracy

Co-operative Societies Act 2013 section 3 (2) (b) defines a co-operative as a “democratic organization controlled by their members who actively participate in setting their policies and making decisions, men and women serving as elected representatives and accountable to members”, and (b) an “autonomous self-help organizations.....”. ICA (1995) provides the co-operative principles, and principle No. 2 defines a co-operative organisation as a democratic institution governed by members. Accordingly, the internal democracy of the primary AMCOS is vital in determining members' decision making process.

In assessing the internal democracy as a factor determining primary AMCOS decision making ownership, a ten-statement index summated scale was used. For each of the statements, the respondents were asked to respond not at all (0), little (1) and much (2). Therefore, the minimum possible score on the scale was zero if one chose not at all for all the statements, while the possible maximum score was twenty if one chose much for all the statements. The results are presented in Table 8 and show that the average score by all the respondents over the maximum of 20 was 6.2, which is equivalent to 20.5%, which means that the extent of prevalence of internal democracy was 20.5%. The findings mean that the prevalence of internal democracy was low, the reason being members not knowing how to demand their rights from the management due to absence of co-operative management education. The low internal democracy had an impact on member decisions when co-operative members were striving for sustainable democracy.

**Table 6: Primary AMCOS internal democracy factor scores (n = 400)**

Items indicating internal democracy	Minimum	Maximum	Mean	Extent of internal democracy (%)
Freedom to join and exit	1.0	2.0	1.9	6.4
Periodic election	0.0	2.0	1.8	5.9
Member, Board and management adherence to by-law	0.0	2.0	0.4	1.4
Members' participation in decisions	0.0	2.0	0.3	1.0
Transparency of information to members	0.0	2.0	0.9	3.1
Separation of power between management and board members	0.0	2.0	0.4	1.3
Availability of Leadership succession planning	0.0	2.0	0.1	0.2
Participation of members in AMCOS policy formulation	0.0	2.0	0.1	0.3

Participation of members in AMCOS policy implementation	0.0	2.0	0.1	0.4
Members' participation in projecting future markets	0.0	2.0	0.2	0.6
<b>Overall score on internal democracy</b>	<b>1.0</b>	<b>13.0</b>	<b>6.2</b>	<b>20.5</b>

Among the factors that affected democratic practice of the primary AMCOS which were reported by focus group discussants with KNCU board and Management were primary AMCOS members lacking education on how best they could manage their co-operatives. This in turn limited their democratic practices. In most primary societies, education is provided to the board and management, while ignoring the members who are the majority and real practitioners of internal democracy. The primary AMCOS do not set aside funds for providing education to members. That creates their ability to manage their firms, and in that case they are found to be owners who cannot manage efficiently their co-operatives.

Findings from FGD with TFC management indicated that internal democracy of the primary AMCOS could not be achieved since member education was not in place; when members do not know their responsibilities, they cannot claim for their democratic rights. The rights of democratic participation cannot be exercised while members are extremely ignorant on co-operative governance. Periodic election in primary AMCOS is done sometimes to follow legal requirements, but the elected members to represent the primary AMCOS do not have the prerequisites and knowledge to lead the primary AMCOS.

This was supported by the argument that:

*“... Members own votes; they don't even own shares since even when they claim for them, they are not returned. They don't even own investments since they don't get profit on those investments. They don't own policy or by-laws since they have never participated in their formulations”, Moshi Co-operative University Professor, Key Informant.*

*“.....democracy is not found in the primary AMCOS because these co-operative institutions lack financial capacity, basing on the fact that their democratic rights are in the hands of capital providers. For the case of primary societies, democracy is owned by the union, and unions are owned by financial institutions”. Kagera Assistant Co-operative Registrar, Key informant.*

The internal democracy in co-operatives had been affected by the nature of co-operative governance and co-operative business operations. Rwekaza and Nko (2012), and Chambo and Mathew (2011) argue that the officialised and automatic model of the co-operative movement in Tanzania becomes a major challenging aspect for co-operatives to embark on democratic practices. The established co-operatives were in the form of political centred in decision making that limits internal co-operative democracy. This is due to the fact that co-operatives are established basing on policies established and passed by non co-operators, especially political leaders who do not believe in co-operatives. With that regard, the co-operative internal democracy cannot be increased as members lack understanding of co-operatives' insight, and the drive is externally driven, and establishment is officialised and automatic.



### 5.5 Member ownership and decision making in the primary AMCOS

The aspect of ownership in the primary AMCOS is important for building a sustainable co-operative. Chambo (2007, 2008) found that the co-operatives have unique characteristics that explain three continuums which were members who own, members who use, and members who control. From the totality of the three items, ownership was the most important factor of the other factors as it determines key roles of who have more stakes. Also, ICA (1995) Co-operative Principle No. 2 talks of co-operatives being democratically controlled by members who are the owners. Also, ownership is shown in the Co-operative Act 2013 schedule of amendments, part two of the Act.

An assessment was done to determine whether members understood whether they owned their institutions and its property. The ownership feelings differed as per districts, AMCOS and as per primary society. The findings from FGD done with Board, Management and members in Bukoba district primary AMCOS showed that members did not own any decisions in the primary AMCOS as the union (KCU) dictated all the decisions made at primary societies. However, the primary societies were regarded as buying posts of the union. The districts where the primary AMCOS worked were cross-tabulated with members' feelings on primary AMCOS ownership to assess whether they were significantly associated. The findings are presented in Table 10 and show that members in Moshi District primary AMCOS had 92.0% than those of Bukoba (34.5%). The association between feelings of primary AMCOS ownership and district where the primary AMCOS worked was significant ( $p \leq 0.01$ ). The ownership became low in Bukoba District AMCOS because they are under the Union while in Moshi district Primary AMCOS are more independent. Table 7 presents the data that assessed whether members felt owning anything in the individual primary AMCOS.

**Table 7: Members feelings on primary AMCOS ownership (n = 400)**

Name of the primary AMCOS	primary AMCOS ownership feelings	
	Yes (%)	No (%)
Kagege AMCOS	22.5	77.5
Mweyanjale AMCOS	42.5	57.5
Bumai AMCOS	42.5	57.5
Kobunshwi AMCOS	20.0	80.0
Lubale AMCOS	45.0	55.0
Kilema North AMCOS	77.5	22.5
Mwika North AMCOS	97.5	2.5
Kiruwa Vunjo North	100.0	0.0
Kibosho Central AMCOS	87.5	12.5
Mawela AMCOS	97.5	2.5
<b>All</b>	<b>63.2</b>	<b>36.8</b>
<b>Districts</b>		
Bukoba	$\chi^2$ 142.239	34.5
Moshi	Sig (p-value)0.000	92.0
<b>All</b>		<b>63.2</b>

When examining individual primary AMCOS (Table 7), it was found that Kiruwa Vunjo North had the highest score of all percent (100%), having a feeling of ownership, followed by Mwika North AMCOS and Mawela AMCOS with 97.5% each of them. The member ownership in the primary AMCOs was found to be characterised by a historical mark as the findings from FGD with TCDC staff indicated that primary societies which were established during and before Co-operative Society Act 1968 had a four tier system (Primary, Union, Apex and Federation) whereby unions control primary societies to date. The reason was that the Union was a mandatory tier, and it had more powers over the primary societies. With that

type of organisation, primary society members in these primary AMCOS were found to have no feeling of ownership. The findings from FGD with the TFC showed that primary AMCOS do not own their primary societies, and from the co-operative traditional approaches they are owned by the union that dictates the primary societies. However, for respondents who claimed to own something were asked about what they owned by primary AMCOS members in terms of assets, and the results are presented in Table 8.

**Table 8: Member ownership items in the primary AMCOS (n = 400)**

District	Member Ownership Items in the primary AMCOS	Percent
Bukoba	Buildings	66.3
	Furniture	28.9
	Employees	4.8
	<b>Total</b>	<b>100.0</b>
Moshi	Buildings	32.1
	Furniture	23.9
	Farms	15.5
	Rented offices	19.1
	Employees	9.2
	<b>Total</b>	<b>100.0</b>

In Moshi District primary AMCOS, it was found that buildings (32.1%) had more respondents than other owned assets in the AMCOS, followed by furniture (23.9%), rented houses (19.1%), farms (15.5%) and employee (9.2%). However, in Bukoba District AMCOS, farms had a zero response.. The information from FGD with KCU union board members and management revealed that union members were primary societies, and unions were owned by primary societies. On the same aspect, unions had farms, for example, Kishoju and Kashozi farms which were found not to be known to members. However, in Bukoba District AMCOS 66.3% of the respondents were found to own buildings, while 28.9% furniture owned and 4.8% had employees. The primary AMCOS members were found to own more buildings than other assets. This is due to the fact that, other assets are not known to members as they are known to the management. Similarly, the management do not report these assets in the meetings.

The ownership power was examined, as it may infringe on members' democratic rights. Respondents were asked about the organ which had more ownership right of the primary AMCOS. The assessment was done in order to understand member ownership power in primary AMCOS and to determine which organ had more power decision over the primary AMCOS. Table 9 indicates the members' responses on the ownership power of the primary AMCOS. In assessing the ownership power in the primary AMCOS by district cross-tabulation, the findings indicate that, in Bukoba district, the primary AMCOS power is vested in the Union members (83.5%). The respondents reported that the board members in Bukoba District primary AMCOS controlled the primary AMCOS by only 4.0% and members controlled it by 4.5%. In Moshi District primary AMCOS, the ownership was upon the members by 6.5%; that indicates that Moshi District primary AMCOS had more member-owned primary societies than Bukoba District primary AMCOS. Management (11.0%) and board (10.0%) were found to have powers in Moshi Distinct primary AMCOS as compared with Bukoba District primary AMCOS; they were said by 8% and 4% respectively of the respondents. In both districts, the members' power to control the primary AMCOS were 33.0%, management 9.5% and board had 7% ownership power. Similarly, individual primary AMCOS were interviewed, and the results are presented in below.

**Table 9: Ownership power by primary AMCOS and by districts (n = 400)**

Name of the primary AMCOS	Ownership power in the primary AMCOS			
	Union (%)	Management (%)	Board members (%)	Members (%)
<b>Bukoba district</b>				
Kagege AMCOS	85.0	5.0	5.0	5.0
Mweyanjale AMCOS	85.0	10.0	2.5	2.5
Bumai AMCOS	87.5	5.0	2.5	5.0
Kobunshwi AMCOS	80.0	10.0	5.0	5.0
Lubale AMCOS	80.0	10.0	5.0	5.0
<b>Moshi district</b>				
Kilema North AMCOS	87.5	0.0	2.5	10.0
Mwika North AMCOS	0.0	20.0	12.5	67.5
Kiruwa Vunjo North	0.0	20.0	10.0	70.0
Kibosho Central AMCOS	0.0	2.5	10.0	87.5
Mawela AMCOS	0.0	12.5	15.0	72.5
<b>All</b>	<b>50.5</b>	<b>9.5</b>	<b>7.0</b>	<b>33.0</b>
<b>Districts</b>				
Bukoba	83.5	8.0	4.0	4.5
Moshi	17.5	11.0	10.0	61.5
<b>All</b>	<b>50.5</b>	<b>9.5</b>	<b>7.0</b>	<b>33.0</b>

The findings (in Table 9) indicate that, despite the fact that Moshi District primary AMCOS members were found to have more ownership power (61.5%), Kilema North AMCOS in Moshi district which was still operating coffee business under the Union; it had very high ownership by 87.5%. The individual AMCOS member's power ownership in Moshi District AMCOS shows that Kibosho central AMCOS led by 87.5% followed by Mawela AMCOS and Kiruwa vunjo AMCOS. However, in Bukoba District primary AMCOS, when assessing union control over the individual primary AMCOS, it was found that Bumai AMCOS had 87.5% followed by Kagege AMCOS and Mweyanjale AMCOS. Ownership power in the primary AMCOS was highly concentrated to the union where members were found not owning their primary AMCOS. As indicated in Table 12, Moshi District primary AMCOS showed that members had power as opposed to Bukoba District AMCOS; this might be due to the programmes conducted on member empowerment that was under MEMCOP. The empowerment was done through member education which its aftermath was the existence of G32 that is member owned network.

That was supported by the description given by Kagera Assistant Co-operative Registrar who was a Key informant that:

*"..... Primary societies are projects of the unions (KCU). The practice of co-operative business operation in primary societies is that primary AMCOS are the agents of the unions since they receive all the guidelines from the union. The practice is so because members of primary societies lack the knowledge to manage and govern primary AMCOS business. The primary AMCOS cannot manage financial resources, and unions take responsibilities of managing primary societies".*

According to Shaw (2006) and Trewin (2004) found that co-operative ownership is in the principal agency theory that considers members as the principal owners; members were expected to own the primary AMCOS over the agents (management). The management (agents) controls these democratic institutions using the legal framework set by the shareholders (members) in order to manage the co-operative society (Wanyama *et al.*, 2009; Roe, 2003). Also, Wakuru (2016), Rwekaza and Mhihi (2016) and Rwekaza and Nko (2012)

contend that the bureaucratic failure of the unified model of building co-operatives through Unions that has created a hierarchy which subordinates primary societies and members than creating enabling environment of facilitating a network of working together as equals. Craig (1973) argues that primary co-operatives were found to be subordinates of unions; members of the primary co-operatives remained unconnected to the Union, though they were represented by the board. The decisions made at the Union level do not reach members of the primary societies so that they can make inputs, rather to adopt and implement the decision made. The vertical and bottom up approaches are broken due to absence of practical connection of networking between primary co-operatives and co-operative unions.

Moreover, the ownership power was assessed on the dividend decision power as to determine primary AMCOS members' power on deciding the amount and procedures for receiving the dividends. The procedure to determine the dividend decision, as shown in the Co-operative Act Section 77 (1 and 2), explains the calculation which is done by taking care of the primary AMCOS running costs, and setting aside the statutory deduction. The remaining balance as benefit should be presented to the assistant registrar on the balance sheet. Thereafter, the balance is presented at the annual general meeting before it is given to members. The findings from FGD in Bukoba and Moshi Districts primary AMCOS, done with the Board Members and managers of the primary AMCOS, showed that dividends were given equally between members and non-members, since membership is determined by receipt of selling in the primary AMCOS, number of shares; member registration is not considered. In Bukoba District primary AMCOS, dividends are determined by the Union, and no suggestions or recommendations of the assistant registrar on that decision. The findings in Table 10 present the examination of who decides on the amounts of dividends to be given to the members.

**Table 10: Dividends decision in the primary AMCOS by district (n = 400)**

District	Responses on who decides about dividends		
	Union (%)	AMCOS board (%)	Members at the annual general meeting (%)
Bukoba	90.	6.0	4.0
Moshi	16.5	26.5	57.0
<b>Total</b>	<b>53.2</b>	<b>16.2</b>	<b>30.5</b>

Table 10 indicates that 90% of the respondents in Bukoba District primary AMCOS said that the Union decides on the dividends to be given to members, while in Moshi District only 16.5% said so. However, decision on dividends being made at the annual general meetings in Moshi District primary AMCOS was said by 57.0% in Moshi District, while it was said by 4.0% of the respondents in Bukoba District primary AMCOS. Also, power decision of board was mentioned by 6% of the respondents in Bukoba District and 26% in Moshi district. However, the findings from FGD at TCDC indicated that, despite the fact that primary AMCOS members had ideas of dividends being given or not, it was reported that none of the primary AMCOS had ever received a dividend due to under performance at the level of primary co-operatives and unions.

This was supported by the description given by Moshi district co-operative officer and *KCU Export Manager* who was a key informant that:

*“.....the dividends in the primary societies have not been received since their establishment. The primary AMCOS and unions performing assets had never*

*given dividends to members. However, management of these institutions prepared budgets showing performing assets, income being less than expenditure all the times...” (Co-operative officer)*

*“...the performing assets of KCU had an average gross income of 5 to 6 billion TZS each year, but the expenditure was over 7 billion TZS each year. The increase in expenditures made the Union to depend on member produce deduction to get the required amount of expenditures. Therefore, it had a direct effect to members’ produce income; with that, primary AMCOS cannot realize dividends...” (KCU Export Manager).*

Dividends in co-operatives are provided basing on members’ business operations, if the profits are acquired. However, members were found not to sell all their produce at their primary AMCOS. On the other hand, the performance of assets does not provide returns on members as profits despite the fact that these assets belong to members. That leads to the portfolio problem that was argued by Ortmann and King (2007) and Cook (1995) who refer to this as another equity acquisition problem from the co-operative’s perspective. This problem occurs in conventional co-operatives because members invest in the co-operatives in proportion to their use and because equity shares in the co-operatives generally cannot be freely purchased or sold. Therefore, members are unable to diversify their individual investment portfolios according to their personal wealth and preferences for risk taking (Sacchetti and Tortia, 2013; Royer, 1999). The work of Royer (1995, 1999) contends that co-operative members have to carry these risks alone because potential outside investors, who could diversify the risks, are generally excluded from investing in co-operatives. This problem is exacerbated if members’ investment in the co-operative represents a high proportion of their off-farm investment and to the extent that these farming risks are positively correlated with the risks associated with the co-operative.

### **5.6 Primary AMCOS democratic rights**

The primary AMCOS decision and democratic rights are vested in the annual general meetings. The Co-operative Act 20013 presents meetings as a democratic right in schedule of amendments, part two of the general provision section 6 (1) that “The general meeting, being the highest decision making body of the co-operative society, shall be respected and given its appropriate importance”. Section 6 (2) stipulates that the co-operative board shall make effort to ensure that all members are informed of the general meeting as required by the Act, Regulations or by-laws, and shall facilitate the attendance of members to attend”. It is from that, that an assessment was done to test whether members attended meetings where they could exercise that democratic right. Table 11 presents members status in attending meetings by primary societies and by districts.

**Table 11: Meeting attendance by District primary AMCOS (n = 400)**

District	Response on meeting attendance status	
	Yes (%)	No (%)
Bukoba	23.4	87.9
Moshi	76.6	12.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
<b>Name of the primary AMCOS</b>		
Kagege AMCOS	35.0	65.0
Mweyanjale AMCOS	35.0	65.0
Bumai AMCOS	37.5	62.5
Kobunshwi AMCOS	10.0	90.0
Lubale AMCOS	20.0	80.0
Kilema North AMCOS	92.5	7.5
Mwika North AMCOS	90.0	10.0
Kiruwa Vunjo North	85.0	15.0
Kibosho Central AMCOS	95.0	5.0
Mawela AMCOS	87.5	12.5
<b>All</b>	<b>58.8</b>	<b>41.2</b>

The findings in Table 11 indicate that 87.9% of primary AMCOS members in Bukoba District did not attend meetings, compared to Moshi District primary AMCOS where 12.1% of the primary AMCOS members did not attend. The results also indicate that 76.6% of Moshi District primary AMCOS members exercised their meeting attendance democratic rights where decisions of the primary AMCOS were made, unlike 23.4% of the respondents who did so in Bukoba district. Apart from that, individual primary AMCOS meeting attendance shows the attendance status to be as follows in Bukoba District primary AMCOS. Bumai AMCOS had the highest percent of its members attending meetings (37.5) while Kobunshwi AMCOS with 10% had the lowest percent of members meeting attendance, followed by Lubale AMCOS. In Moshi District, the primary AMCOS that had the highest meeting attendance was in Kibosho Central AMCOS with 95% and Kilema North AMCOS with 92.5%. Almost all primary AMCOS in Moshi District had meeting attendance percent of above 80%. As it was argued in the previous discussions, Bukoba District primary AMCOS decision powers were in the hands of the union. It was also revealed in the meeting attendance where members at primary level didn't attend meetings since the primary AMCOS powers did not belong to members.

This was supported by the argument given by Moshi Co-operative University Professor who was a Key Informant that:

*".....members attend meetings to be informed of what is the plan ahead; they participate by numbers, but not by ideas since decisions are already made. So, they are informed of what is done and what to do, not how to do it. Also, members attend to get paid".*

Moreover, members were asked about the extent of meetings attendance. The assessment was done in the ratio of 10 members' attendance to examine the percentage of their attendance in primary AMCOS meetings. The findings indicated that, in Bukoba primary AMCOS, 63% of the respondents said that few members attended, while 37% of the respondents said that a half attended. In Moshi district primary AMCOS, 23.5% of the respondents said that few members attended meetings, and only 0.5% said that a half of the respondents attended. Moreover, in Moshi District primary AMCOS, 66.5% said that a few members did not attend.

Overall, as seen in Table 11, the higher percent of members attending meetings was said to be in Moshi District.

**Table 11: The extent of meeting attendance and reasons for not attending general meetings by district primary AMCOS (n = 400)**

District	Response for members not attending meetings					The extent of meeting attendance		
	No one	Members are not interested	Members are busy on private activities	Information are not very easily accessed	It is very far to reach the AMCOS	Few attend	Half attend	Few didn't attend
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Bukoba	64.5	14.5	16.0	4.0	0.0	63.0	37.0	0.0
Moshi	36.5	50.0	16.0	4.0	9.5	23.5	0.5	66.5
<b>All</b>	<b>4.8</b>	<b>50.5</b>	<b>32.2</b>	<b>16.0</b>	<b>4.0</b>	<b>43.2</b>	<b>18.8</b>	<b>33.2</b>

As seen in Table 11, Bukoba District primary AMCOS had higher percent of no member attending meetings as compared with Moshi District primary AMCOS. Little attendance leads in Bukoba district primary AMCOS (63.0%). However, Moshi district's primary AMCOS had half attend by 0.5% and Bukoba had zero percent of few don't attend. The general meetings are among the means where members' decisions are made, and it is where members' democratic right can be exercised. Investigation was done to determine reasons for members not attending meetings. The results showed that (Table 16) 50.5% of the members did not attend meetings due to lack of interest in attending meetings. This was followed by 32.2% of the respondents who did not attend meetings due to being busy with their private activities. However, low interest in attending meetings as a reason for primary AMCOS members not attending meetings was said by 64.5% of the respondents in Bukoba District primary AMCOS, while it was reported by 36.5% of the respondents in Moshi District. According to the Co-operative societies Act (2013), third schedule (2), general meetings are supposed to be held at least once a year. Also, primary societies can have other meeting as it deems fit. When members were asked on how many meetings they attended in a year, the findings indicate that Bukoba District primary AMCOS had 28.5% of the primary AMCOS members not attending meetings, compared with Moshi District primary AMCOS (14.8%). Moshi had the majority of its members attending one meeting (79.5%) as compared with Bukoba primary AMCOS (70%). Primary AMCOS members had attended at least one meeting; that indicates primary AMCOS adherence to meetings as indicated in the Co-operative Societies Act 2013, Third schedule (2). The power of members is within members attending meetings and co-operatives using meetings to discuss different agenda items. Also, through meetings, members exercise their democratic rights. However, member democratic rights that were expected to be practised through meetings remained not known to the members (Mbash, 1998; Rwekaza, 2012). The co-operative member's meeting are important in the decision making process and governance that represent members' voice (Copa, 2010; Chambo and Mathew, 2011). The power and influence of members in decision making is based on management, board, government and market forces. Therefore, meeting attendance status by individual primary AMCOS members was assessed, and the results are presented in Table 12.

**Table 12: Holding meetings status in the primary AMCOS (n = 400)**

Name of the primary AMCOS	Response on meetings holding status			
	Meetings are regular and predictable	They are irregularly held	They are almost absent	They are called for on someone's wishes
	(%)	(%)	(%)	(%)
Kagege AMCOS	2.5	80.0	15.0	2.5
Mweyanjale AMCOS	2.5	85.0	10.0	2.5
Bumai AMCOS	0.0	80.0	12.5	7.5
Kobunshwi AMCOS	0.0	0.0	77.5	22.5
Lubale AMCOS	2.5	82.5	10.0	5.0
Kilema North AMCOS	5.0	77.5	15.0	2.5
Mwika North AMCOS	35.0	55.0	7.5	2.5
Kiruwa Vunjo North	17.5	70.0	5.0	7.5
Kibosho Central AMCOS	45.0	50.0	2.5	2.5
Mawela AMCOS	27.5	62.5	5.0	5.0
<b>All</b>	<b>13.8</b>	<b>64.2</b>	<b>16.0</b>	<b>6.0</b>

In assessing the status of holding meetings the primary AMCOS, the respondents were asked whether meetings were called for as per Co-operative Societies Act 2013, Third schedule, part two and as per the AMCOS by-laws. The results in Table 12 showed that Kobunshwi AMCOS in Bukoba District had none (0%) of its members who, during the time of data collection, had attended any AMCOS meeting, particularly from November 2014 to October 2015 while most of the primary AMCOS had attended at least one primary AMCOS meetings by 77.5% to 100%, the highest being reported by Kilema North AMCOS members (100%). Also, more respondents had meeting which were held irregularly; that shows that the procedures shown in the AMCOS by-laws are not followed. In assessing individual primary AMCOS, it was found that more respondents from Kobunshwi AMCOS members had higher percent of the primary AMCOS total respondents who reported absence of meetings. The status of members attending meetings in the primary AMCOS was experienced differently in different primary AMCOS.

The arguments were supported by the quotation from Moshi Co-operative University professor who was a key Informant which supported that:

*“..... the meeting decision agreements had no member inputs; only the election part was implemented as members agreed. Matters arising from agenda items which were discussed were normally not among the agenda items. AGM should have more power as it holds members, but it has always colluded with managers and board to hijack members' agenda. Therefore, members do not have power; board and managers are the bosses of the members. At the moment board members are elected, they are not part of members; they are rather members' bosses”.*

Meetings are upon keeping of the minutes, and minutes are an essential reference for the making decisions. Meeting minutes were used by board and management to effect the decisions reached. Also, they are used by members to understand what transpired in the previous meetings' decisions. When respondents were asked about the availability and accessibility of meetings by the members, the findings were as presented in Table 13.



**Table 13: The status of keeping minutes and its availability to members by District primary AMCOS (n = 400)**

District AMCOS	Response on minutes keeping status and its availability			
	Yes, kept but not available to all members (%)	Yes, they are kept for all members (%)	Sometimes kept sometimes not (%)	They are not kept at all (%)
Bukoba	63.5	18.0	5.0	13.5
Moshi	37.0	35.5	23.0	4.5
<b>All</b>	<b>50.2</b>	<b>26.8</b>	<b>14.0</b>	<b>9.0</b>

Meetings' minutes, as presented in Table 13, were found to be kept but not available to all members; 50.2% of the respondents said so. That interrupted the democratic right of freedom of information access to members. This is due to the fact that only 26.7% were in favour of meeting minutes being kept and made available to all members. However, Moshi District's primary AMCOS meetings were kept but not made available to members. Moshi District's primary AMCOS indicated the highest percentage of keeping minutes to all members. This indicates that Moshi District primary AMCOS had higher democratic right of members accessing minutes than Bukoba District's primary AMCOS. Members' participation in AMCOS decision had a great contribution to the democratic right of members to be engaged in primary AMCOS's decisions. The findings presented in Table 14 below describe participation democratic right examined above.

**Table 14: Members participation in decision making by district AMCOS (n=400)**

District AMCOS	Response on members participation in decision making			
	High (%)	Moderate (%)	Low (%)	Not at all (%)
Bukoba	2.5	5.5	69.5	22.5
Moshi	14.0	45.0	38.5	2.5
<b>All</b>	<b>8.2</b>	<b>25.2</b>	<b>54.0</b>	<b>12.5</b>

Members' participation in decision was low as said by 54% of the respondents as shown in Table 14. High participation in decision making was said by 8.2% of the respondents, which was a very small proportion compared with moderate participation, which was said by 25.2% of the respondents. The general overview shows that members' participation in decision making which indicates democratic right of members being denied since most of the members had low participation that infringes on membership rights on decision making in the primary AMCOS. However, Bukoba district's primary AMCOS were said to have the lowest percent of participation right compared to Moshi district's primary AMCOS. The decision right in co-operatives is in co-operative values, and principles may provide important guidelines for co-operative management practice to provide member participation in making decisions (ICA, 1995). The aspects of good governance have been limited due to internal tensions, and some of them are explained by the principal agency theory that explains the board members representing principal owners that may not have the technical capacity to make professional managers accountable and make members be involved in decision making. In that regard, managers are the corporate agent (Conforth, 2004). In normal practice, boards are provided with the opportunity to make policy. The professional managers use their technical knowledge to violate what the policy guidelines direct them. Board members who are representatives of the members in a democratic representation were found to be unable to hold management accountable to what went wrong, due to low knowledge capacity on technical professionalism of the co-operative enterprise management.

### 5.7 Governing instruments in the primary AMCOS

Governing instruments are important in any institution and primary AMCOS in particular. The Co-operative Society Act (2013) Section 51 (b) directs co-operatives to “keep a copy of Acts, Regulations, and its by-laws open for perusal and free of charge at all reasonable times to the registered address of the society”. Table No 15 presents responses from members if they understood governing instruments and their availability.

**Table 15: Primary AMCOS governing instruments availability (n = 400)**

Name of primary AMCOS	Governing instrument							
	Vision (%)	Mission (%)	Core values (%)	By-laws (%)	Financial regulation (%)	Employment policy (%)	Business plan (%)	Strategic plan (%)
Kagege	0	0	0	62.5	0	0.0	2.5	0
Mweyanjale	0	0	0	45.0	0	0.0	2.5	0
Bumai	0	0	0	42.5	0	0.0	5.0	0
Kobunshwi	0	0	0	0.0	0	0.0		0
Lubale	0	0	0	37.5	0	2.5	2.5	0
Kilema North	0	0	0	67.5	0	0.0	2.5	0
Mwika North	0	0	0	70.0	0	0.0	2.5	0
Kiruwa Vunjo North	0	0	0	62.5	0	0.0	5.0	0
Kibosho Central	0	0	0	67.5	0	0.0	0.0	0
Mawela	0	0	0	67.5	0	2.5	2.5	0
<b>All</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>52.2</b>	<b>0</b>	<b>0.5</b>	<b>2.5</b>	<b>0</b>

Assessment of availability of primary AMCOS governing instruments (Table 15) show that none of the primary AMCOS had vision, mission, core values, financial regulations and Strategic plan. However, it was reported that 52.2% of the total members had seen and read the primary AMCOS by-laws. Kobunshwi AMCOS did not have any governing instruments. The decision of the primary AMCOS should be based on these governing instruments. The findings from FGDs from all the primary AMCOS reported that governing instruments were missing, not known to the board, management and members. However, even the process for creating them was not known. Absence of governing instruments in the primary AMCOS was found to be the prominent member problem.

In assessing the primary AMCOS governing instruments that could enable the primary AMCOS to control co-operative business that sets rights and responsibilities of members, board and management, the Agency theory comes in. The theory presents the two parties that are the agents and principal owners (Keasey *et al.*, 1997). The owners need to set rules and regulations that will ensure owners' interest are met on the established democratic practices. In that case, they establish the governing instruments to lead the agents work to ensure such attainment. However, the agents use their knowledge to make sure their interests are achieved. This was supported by the following arguments:

*“... absence of by-laws which are formulated with respect to Co-operative Act 2013 are not yet in place; they are under process. Delays in these amendments lead to inefficiency in law implementation and procedure follow up; years have passed without these new regulations”. Kagera Assistant Co-operative Registrar, Key informant.*

“... the governing instruments in the primary AMCOS are not updated; they are not available, and if available they are not known to members. The process of formulating governing instruments is by consultants whereby the board presents them to the members for acceptance. Members do not know what is in the documents”. Moshi Co-operative University Professor, Key Informant.

“...the by-laws of the Primary AMCOS have not been in place due to government legal delays and bureaucracy on bringing new co-operative rules and regulations. The Co-operative Act is as old as from 2013 up to date November 2016. The Rules and Regulations are said to be in process. How can we make Primary AMCOS prepare the by-law is a question of debate? We are guessing and assumptions on implementing the Act that does not have rules and procedures up to now...”. Moshi District Co-Operative Officer, Key Informant.

Due to the absence of these governing instruments, and due to the fact that board, management and members did not know how they are formulated, the researcher examined the members' understanding of who should formulate them, and the findings were as presented in Table 16.

**Table 16: Responsibility of formulating governing instruments (n = 400)**

District	Response on responsible organ				
	Members (%)	Management (%)	Board (%)	Union (%)	Co-operative officers (%)
Bukoba	4.5	4.5	2.0	88.0	1.0
Moshi	6.5	39.0	45.0	9.5	0.0
<b>All</b>	<b>5.5</b>	<b>21.8</b>	<b>23.5</b>	<b>48.8</b>	<b>0.5</b>

It was found that the responsibility for formulating governing instruments had been perceived differently across primary AMCOS and across districts. In Bukoba primary AMCOS, 88% of the respondents said the Union is responsible for formulating these governing instruments, unlike in Moshi primary AMCOS where only 6.5% of the respondents said that Union was responsible for formulating them. Since the power of decision making in Bukoba District primary AMCOS is with the Union, the primary AMCOS expected the Union to be the main provider of governing instruments and all the directives. The findings from FGD with TCDC showed that the procedures for creating these governing instruments should be done either by the Board to formulate by creating a team from the primary AMCOS, providing a consultancy to professionals, and after that the documents should be presented to the board meeting before being presented to the general meetings to become a valid document. This document is owned by members as an AMCOS is a member owned institution.

The decision making and democratic practices of the primary AMCOS were examined closely as the decision making process to determine aspects in which members were more engaged. Members were assessed on different aspects that they had to make decisions upon. The assessed variables included preparation and approval of budgets, preparation and approval of by-laws and policies, approval of expenditure budgeting, marketing of the collected produce, rehabilitation of the primary AMCOS, election of board members, approving dividend distribution, primary AMCOS policies formulation, designing primary

AMCOS marketing strategies, participation in influencing selling price. The results, as presented in Table 17, show members' rating of the decision making across the variables.

**Table 17: Members' participation in different decision making aspects (n = 400)**

Primary AMCOS member Participation items	Minimum	Maximum	Mean	Extent of Member participation in decision making (%)
Preparation and approval of budgets	0.00	2.00	0.16	0.80
Preparation and approval of by-laws and policies	0.00	2.00	0.13	0.65
Approve expenditure budgeting	0.00	2.00	1.03	5.15
Marketing of the collected produce	0.00	2.00	0.32	1.60
Rehabilitation of the AMCOS	0.00	2.00	0.29	1.45
Election of board members	0.00	2.00	1.70	8.50
Approving dividend distribution	0.00	1.00	0.04	0.20
AMCOS Policies formulation	0.00	1.00	0.14	0.70
Designing AMCOS marketing strategies	0.00	1.00	0.13	0.65
Participation in influencing selling price	0.00	2.00	0.18	0.90
<b>Total Member involvements</b>	<b>0.00</b>	<b>12.00</b>	<b>4.16</b>	<b>20.80</b>

In assessing Members' participation in different decision making, a ten-statement index summated scale was used. For each of the statements, the respondents were asked to respond not at all (0), little (1) and much (2). Therefore, the minimum possible score on the scale was zero if one chose not at all for all the statements, while the possible maximum score was twenty if one chose much for all the statements. The results presented in Table 17 show that the average score by all the respondents over the maximum of 20 was 4.16, which is equivalent to 20.8%, which means that the extent of members' participation in decision making was 20.8%. The highest levels of members' participation in decision making were on election of board members (8.5%) and approve expenditure budgeting. However, members' participation in decision making had the lowest score in member participation items examined such as: approving dividend distribution, preparation and approval of by-laws and policies and designing AMCOS marketing strategies. The results mean that the prevalence of member participation in decision making was low. The low member participation in decision making had an impact on member democratic practice when co-operative members were striving for implementing new generation co-operatives models and sustainable co-operative democracy.

From an FGD done in Bukoba District primary AMCOS with the board, management and members, Izimbya AMCOS reported the union to control the primary AMCOS, and the primary AMCOS to be the subject of the union since it is their branch and their financial owners. Kagege AMCOS FGD reported the unions to effect all coffee deductions without members' discussion and that had been the practice and primary societies has nothing to do since the unions are the owners of the primary societies. The FGD from Moshi District primary AMCOS responded to have more decision power since they had defected from KNCU; hence the Union (KNCU) was no longer controlling their selling produce. Kilema North AMCOS FGD with member's board and management responded to be still under the union control in decision making, and they did not know how they could be independent.

### 5.8 Co-operative governance complaints

The Co-operative governance complaints were another element assessed to determine complaints availability in the primary AMCOS that could affect member democratic participation and decision making. Some members' complaints were due to members, board and management not abiding by the code of conduct, while others were operational issues.

The Co-operative society Act (2013), Section 134 defines that “there shall be a code of conduct for management of co-operative societies as provided for in the second schedule to this act”. The complaints were examined by providing room to all members to expose them; among these the research came up with the complaints presented in Table 18.

**Table 18: AMCOS Member’s complaint and respondent to query by primary AMCOS (n = 400)**

Name of primary AMCOS	Member’s complaint					AMCOS respondent to query	
	Low price of Coffee (%)	No transparency (%)	Misuse of funds (%)	Fraud (%)	Shortage of governance experts (%)	Yes (%)	No (%)
Kagege AMCOS	72.5	55.0	17.5	17.5	15.0	47.5	52.5
Mweyanjale AMCOS	72.5	50.0	30.0	25.0	20.0	35.0	65.0
Bumai AMCOS	70.0	60.0	32.5	12.5	20.0	35.0	65.0
Kobunshwi AMCOS	75.0	52.5	30.0	35.0	20.0	0.0	100.0
Lubale AMCOS	67.5	65.0	25.0	17.5	15.0	45.0	55.0
Kilema North AMCOS	52.5	47.5	17.5	17.5	15.0	50.0	50.0
Mwika North AMCOS	72.5	20.0	30.0	15.0	20.0	35.0	65.0
Kiruwa Vunjo North AMCOS	70.0	15.0	32.5	22.5	20.0	37.5	62.5
Kibosho Central AMCOS	75.0	17.5	30.0	15.0	20.0	72.5	27.5
Mawela AMCOS	67.5	15.0	25.0	12.5	15.0	55.0	45.0
<b>All</b>	<b>69.5</b>	<b>39.8</b>	<b>27.0</b>	<b>19.0</b>	<b>18.0</b>	<b>41.2</b>	<b>58.8</b>

As seen in Table 18, it was found that low price of coffee had been the complaint of the majority of respondents; it was mentioned by 69.5% of the respondents. That indicates that most of our primary AMCOS members are affected by low price of their produce. However, 39.8% had a problem of transparency; 27% complained about misuse of funds. Other complains included fraud and shortage of experts on primary AMCOS governance. On democratic institutions, the question of transparency needs to be adhered to. Principle Number 4 of the co-operative principles is about member democratic participation; therefore if a co-operative lacks transparency it contravenes the principles of its establishment. The complaint about misuse of primary AMCOS funds shows that the budget allocation and actual spending were not in line with what had been agreed upon at the budget approval. Also, the member priority is not followed by the same percentages.

Apart from that, Table 18 indicates that 58.8% of the primary AMCOS did not respond to the members' demands queries. On individual primary AMCOS assessment, Kobunshwi AMCOS in Bukoba district reported that all primary AMCOS did not respond to the demand queries. Kibosho Central AMCOS in Moshi district had 72.5% of primary AMCOS responding to members' queries, followed by Mawela AMCOS. However, Kobunshwi AMCOS had none (0%) of its members who indicated that the primary AMCOS responded to members queries in Bukoba District. For Moshi District primary AMCOS the power is with the AMCOS that decides, and members were found to have more power over the primary AMCOS that caused members queries being responded with grater percent as opposed to Bukoba District primary AMCOS. The above complaints were supported by the argument provided by KCU Export Manager, Key informant that:

*“...the unions belong to the primary AMCOS, and they form the board that manages the Union. The assets and projects of the Union belong to the*

*primary societies. The budget of the union is approved by primary board representatives at the annual general meeting. However, the board members of the primary societies who formulate union board membership fail to control the budget limits. The current debts of KCU are estimated at 6 billion TZS, which if it could be well managed, it could be paid in one or two years from the income of the KCU performing assets. KCU exports alone have an average of raising a gross income of 2 to 3 billion TZS each year. However, with the ignorance of board members and the loophole of that being used by some KCU board members and management, they are used to request for export incomes and spend outside the Union expenditure budget...”.*

Unions are owned by primary societies by using representative boards chosen by the primary AMCOS. The assets of the union are owned by primary societies. However, the primary societies in Bukoba District AMCOS were found not knowing the assets they owned outside their primary societies buildings. With that, they were unable to account for Union assets on income and expenditure. On the other hand, the power of the primary AMCOS in Bukoba Districts is in the hands of the Union. Some of the members' complaints would be solved by co-operatives in responding to the members' queries by the democratic or the association perspective model which, in other words, is called democratic model. The effective stewardship theories based on human relations perspective and beliefs that managers perform better and act as effective stewards in managing institutional resources. Basing on these two theories, it is expected that the membership democratic rights and decision ownership will be achieved. The managerial compliance with shareholders (members) interests will be attained when members' welfare improvement and member participation is improved to arrive at organizational performance (Muth and Donaldson, 1998). The entire democratic perspective theory was subjected to democratic governance practices that were subject to co-operative response to members queries arising from their institutions. These include open elections on the basis of one person one vote, pluralism that is based on member's representatives who represent different interests, accountability to the electorate, the separation of elected members who make policy from the executive who implement policy decisions (Chris, 2004). With that, the primary AMCOS can achieve member-owned co-operatives in which decisions are attained democratically and members hold the main stakes in decision making.

## **6.0 Conclusions and Recommendations**

### **6.1 Conclusions**

Member participation in Primary AMCOS is not apparent since members are not engaged in the cooperative democratic decision making systems. The Co-operative Act and AMCOS by-laws are not followed especially in areas that demonstrate how member can participation in cooperative democratic processes. The meetings in the primary AMCOS are not called as per the AMCOS by-laws and Co-operative Societies Act (2013) and meeting minute's accessibility is a problem in the primary AMCOS. Furthermore, the selling procedure in the AMCOS are mismanaged, primary AMCOS are buying members produce than collecting and look for markets. Also, co-operative decision power in Bukoba district primary AMCOS and some primary AMCOS in Moshi district are owned by the Union. These historical imprints that direct primary co-operative to be under the Union are still affecting most of the primary co-operatives. Nevertheless, the internal democracy in the primary AMCOS is very low. Also, on the other hand, the governing instruments in the primary AMCOS were found to be not available.

## 6.2 Recommendations

- Tanzania Co-operative Development Commission (TCDC) co-operative departments should provide guidelines that enforce primary AMCOS to abide by legal requirements on membership and registration process.
- Board and managers should take members on board in co-operative decisions making; co-operatives members are the principle owners in the co-operative society; hence they need to have systems of practising their democratic rights of owning their institutions decisions.
- Co-operative promoters need to embark on Co-operative education to members on understanding their decision power in their primary AMCOS; programmes which are member driven from co-operative promoters and co-operative movement that can take inputs from MEMCOP and CRMP need to be taken back on board in areas where primary co-operatives are still under union control.
- Primary AMCOS board and management should embark on democratic practices that make members participate in all matters that need members' decision.
- Auditing firms that audit primary AMCOS need to make auditing on the primary AMCOS democratic practice. The auditing reports should consider the democratic process on how best members fare in decision making and decision implementation.
- Selling procedures in primary AMCOS are mismanaged; primary AMCOS should embark on collecting produce before selling. This can be done by either using the warehouse receipt system or by having SACOS which would be lending to primary AMCOS members by produce receipt.
- Primary AMCOS board and management should ensure proper management of services and prepare strategies that ensure members get access to primary AMCOS services.
- In primary AMCOS service delivery system, it is recommended that the primary AMCOS board and management should ensure proper management of the AMCOS to ensure survives be reviewed and prepare strategies that ensures members access to services offered by the primary AMCOS. Auditing firms that audit primary AMCOS need to make auditing on the primary AMCOS democratic practice.
- AMCOS board and management should embark on collecting produce before selling; this can be done by either using warehouse receipt system, or by having SACOS on the AMCOS which could be lending to AMCOS members on produce receipt. This system would make AMCOS to have ample time of finding better markets and get rid of capital problems.
- TCDC, primary AMCOS board and management should make sure primary AMCOS adhere to AMCOS by-law and Co-operative Act on adherence to meetings and minutes are at members' disposal.
- All co-operative governing instruments should be mandatory items; the Co-operative Departments and Co-operative Development Commission should make all primary AMCOS have the governing instrument at their disposal, and be educated on their use in the primary AMCOS.

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