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# Democratic Decision Making and Member Participation in Primary Agricultural Marketing Co-operatives in Tanzania: Evidence from Selected Primary Co-operatives of Bukoba and Moshi Districts

Gratian C. RWEKAZA \*

Moshi Co-operative University

Kim A. Kayunze

Sokoine University of Agriculture

Leons P. Kimaryo

Moshi Co-operative University

## **Abstract**

*Co-operatives play an important role in facilitating the dual aspect of economic and social development. Members have the dual rights to practice and participate democratically in the decision making on cooperative society's governance. In Tanzania, the co-operative policy and legislation highlights democratic ownership and participative democracy in co-operatives; the elements have remained a blueprint and its practice has remained on the legislation. The study examined: membership and member fulfilment of participative obligations, participation on internal democracy in the primary Agricultural Marketing Cooperative Societies (AMCOs), members engagement in co-operative business, member ownership and decision making in the primary AMCOs, and primary AMCOs member access to democratic rights. It was guided by the principle agent theory that explains the relationship between members and management. The study was based on the evidence from the primary AMCOs of Bukoba and Moshi districts. 400 members were involved in the household survey. Further, key informant interviews and focus group discussion were employed. The findings show that members were not following the established procedures for acquiring memberships. Also, internal democracy was higher in Moshi District primary AMCOs compared to those in Bukoba. Further, the democratic practice in primary AMCOs was exercised more at joining the AMCOs and in electing board members. On the other hand, not all primary AMCOs members were selling their produce in the primary AMCOs. The Board and Managers should involve members in decision making as the co-operative members are the principle owners of the co-operative society thus requiring that they practice their democratic rights in order to own decisions made.*

**Keywords:** *Democratic decision making, member participation, primary agricultural marketing co-operatives*

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## **INTRODUCTION**

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 & Dyamet, 2011). The International Co-operative Alliance (ICA)

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\*Corresponding author: Gratian C. Rwekaza, Moshi Co-operative University, Moshi, Tanzania. Email: [gratiancronery@gmail.com](mailto:gratiancronery@gmail.com)

(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”. ICA (1995) provides seven co-operative identities and principles; the second of these is democratic member control. Co-operatives are democratic organizations controlled by their members who actively participate in setting their policies and making decisions. 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). According to Huang *et al.*, (2015) and Chambo and Dyamet (2011) provided the argument that, in co-operatives, members understand their rights which enable them to own their institutions through democratically established legal frameworks

In Tanzania, co-operatives were 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 government closed KNPA and established the integration of co-operatives model with chieftainships to take control of co-operatives. 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 countries where the co-operative legal framework makes it difficult for co-operative members to realize their ownership rights and participation in governing their co-operatives with consistency and purpose for which they were established. The Tanzania co-operative legal framework has undergone changes

since independence but to date members do not hold the stake in decisions to change. Among these changes, is the 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-operative members and stakeholders 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, was developed following the outcome and the aftermath of the government revival program 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 (Anania and Rwekaza, 2018). 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, the enactment of the Co-operative Societies Act of 2013 was enacted to repeal the Co-operative Society Act 2003. 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 AMCOs.

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 they 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.

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. 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 best participate on deciding ownership of their co-operatives is not 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 participation process recommendations and 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 Program (2005-2010) (the program 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 participation 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 basing on evidence from Bukoba and Moshi districts. Specifically, the paper examines: membership and member participative obligation fulfilment, primary AMCOs member participation on internal democracy, member's engagement in co-operative business, member ownership and decision making in the primary AMCOs, primary AMCOs member access to democratic rights. The study was guided by Principle Agency Theory which avers 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). These relations between members (principle) and management (agents) can affect attainment of member's democratic decisions in the cooperative societies.

#### **METHODOLOGY**

Bukoba and Moshi Districts found in Kagera and Kilimanjaro respectively in Tanzania were the study sites. It is in these areas where the milestone on cooperation and co-operative establishment in Tanzania can be found all the way back to 1920s (Kihemba *et al.*, 1977). Similarly, the consideration that one type of cash crop (coffee) is marketed by both district co-operatives in different geographical environments provide a comparative analysis of independent and dependent variables. The number of primary AMCOs dealing with coffee in the two

districts was 50 in Bukoba District and 39 in Moshi District. In Bukoba District, the studied AMCOs were as follows: in Kiyamtwaru Division, Kagege Primary Co-operative Society and Mweyanjale Primary Co-operative Society were studied. In Bugabo Division Buma Primary Co-operative Society and Kobunshwi Primary Co-operative Society were included while in Kihanja Division Izimbya Co-operative Primary Society was sampled. 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 Mwikwa 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.

A cross-sectional design was used whereby data were collected once and were used as a basis for generalization. Members' participation in decision 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. The design provided deeper examination of member ownership and a democratic system in primary co-operatives. A 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 since 1994 when the new register was updated. 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):

$$n_0 = \frac{Z^2 pq}{e^2} \quad n = \frac{Z^2 (0.5 \times 0.50)}{(0.05)^2} = \frac{4 \times 0.25}{0.0025} = \frac{1}{0.0025} = 400$$

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. These data collection methods suit the nature of the study and elicit data that are reliable and valid to study member ownership and democratic sustainability. 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 opinions, comments and ideas from each statement made by respondents during Focus Group discussions and during key informant interviews were categorized. 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 and minimum and maximum values of individual variables were computed using

SPSS and Excel software. Chi-square analysis, t-tests, F-tests were also run. 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 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.

## **RESULTS AND DISCUSSION**

### **Membership and Member Participative Obligation Fulfilment**

The democratic practice in the primary AMCOs has a vital role in the decisions of 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 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. 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 application forms; 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 required to pay their membership obligations such as entry fees, purchase shares, and other statutory obligations. However, most of the co-operative societies sidestep 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 by assumptions that members do not know why they belong to the co-operatives beyond 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 was supported by the arguments given by two Key Informants 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*". (Moshi Co-operative University Professor)

*"... 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"*. (Kagera Assistant Co-operative Registrar)

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 which signify membership and ownership in the primary society. Huang, *et al*, (2015) and Ortmann and King (2007) argued that a free-rider problem emerges when property rights are untradeable, insecure, or unassigned to them; thus individuals may not bear the full cost of their actions or receive the full

benefits they create. This is 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 (Kinyuira, 2017; ICA Africa, 2017; Cook, 1995; Royer, 1999; Vitaliano, 1983). 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.

**Primary AMCOs Member Participation on Internal Democracy**

In assessing the internal democracy as a factor determining primary AMCOs ownership of decision making, a ten-statement index summated scale was used (Table 1). The findings show that the average score by district primary AMCOs members'

**Table 1:** Primary AMCOs internal democracy factor scores (n = 400)

Items indicating internal democracy	Moshi Distinct Primary AMCOs			Bukoba Distinct Primary AMCOs		
	t-score	p-value	Mean Difference	t-score	p-value	Mean Difference
Freedom to join and exit	99.836	0.000	1.92000	110.725	0.000	1.93500
Periodic election	115.236	0.000	1.94000	30.041	0.000	1.59500
Member, Board and management adherence to by-law	10.618	0.000	0.63500	5.099	0.000	0.17500
Members' participation in decisions	8.488	0.000	0.44500	4.286	0.000	0.13000
Transparency of information to members	30.577	0.000	1.12500	20.612	0.000	0.74500
Separation of power between management and board members	10.504	0.000	0.50500	8.036	0.000	0.24500
Availability of Leadership succession planning	4.047	0.000	0.10500	2.687	0.008	0.03500
Participation of members in AMCOs policy formulation	4.769	0.000	0.14500	2.687	0.008	0.03500
Participation of members in AMCOs policy implementation	5.974	0.000	0.21000	3.062	0.003	0.04500
Members' participation in projecting future markets	8.135	0.000	0.35500			
<b>Internal democracy score</b>	<b>52.307</b>	<b>0.000</b>	<b>7.38500</b>	<b>47.237</b>	<b>0.000</b>	<b>4.94000</b>

respondents over the maximum of 20 had a mean difference of 7.38 in Moshi District as compared to 4.94 in Bukoba District. On the general assessment in both districts, the findings mean that the prevalence of internal democracy was higher in Moshi District (7.38) than in Bukoba District (4.94 out of 20, which were the expected maximum score). All the variables placed in the model were statistically significant with p-values of 0.000. The main reason for the difference was that members did not know how to demand for their rights from the management due to absence of co-operative management education and the low internal democracy had unfavourable impact on members' decisions when co-operative members were striving for sustainable democracy.

The factors that scored high were freedom to join and exit AMCOs (mean difference 1.92 and 1.94 in Moshi and Bukoba Districts respectively) and periodic election (mean difference 1.94 and 1.60 in Moshi and Bukoba Districts respectively), both at p-value 0.000. This implies that the democratic practice in primary AMCOs was more exercised on joining the AMCOs and in electing board members. 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 which eroded their democratic rights. 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 which leads to inability to manage their firms, thus cannot manage efficiently their co-operatives.

The internal democracy in co-operatives had been affected by the nature of co-operative governance and co-operative business operations. Witte (2014), Rwekaza and Nko (2012) and Chambo and Dyamet (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 politics centred on decision making that limits internal co-operative democracy. This is due to the fact that co-operatives are established basing on policies developed and passed by non-co-operators, especially political leaders who do not believe in co-operatives. Consequently, the co-operative internal democracy cannot be increased as members lack understanding of co-operatives' insight, and the drive is externally controlled, and establishment is officialised and automatic.

### **Members Engagement in Co-operative Business**

Most primary AMCOs members were not engaged at all in the primary AMCOs activities (62.0%, see Table 2). This implies that, members do not value to be engaged in AMCOs activities such as renovation, engaged in purchase new equipment and office facilities and other primary AMCOs activities. In the same vein, the findings indicated only 14.5% were highly engaged in the primary AMCOs activities (Table 2). This implies that few members and few primary AMCOs engaged members in their institutional activities. The absence of primary AMCOs member engagement in the activities of their institutions was associated with involving members in the decision-making issues. The aspect of engaging members in their primary AMCOs activities was supported by ICA (1995) that provides the co-operative principles, and principle number three is about "Member economic participation", which members were found not to abide by. That limited members' decision making and participation in their primary AMCOs on their process to attain their social and economic needs and aspirations. Similarly, an assessment was done to determine individual primary AMCOs members' engagement in their co-operative activities.

**Table 2:** AMCOs Member activities engagement and status of selling produce (n = 400)

Name of the primary AMCOs	Member engagement in primary AMCOs activities				Members status in selling produce	
	Not engaged at all %	Less engaged %	Highly engaged %	I don't know %	Yes (%)	No (%)
Kagege AMCOs	70.0	20.0	10.0	0.0	10.0	90.0
Mweyanjale AMCOs	55.0	32.5	12.5	0.0	10.0	90.0
Bumai AMCOs	52.5	27.5	12.5	7.5	10.0	90.0
Kobunshwi AMCOs	67.5	20.0	0.0	12.5	0.0	100.0
Lubale AMCOs	60.0	17.5	12.5	10.0	42.5	57.5
Kilema North AMCOs	62.5	22.5	7.5	7.5	52.5	47.5
Mwika North AMCOs	77.5	2.5	15.0	5.0	75.0	25.0
KiruwaVunjo North AMCOs	60.0	2.5	20.0	17.5	67.5	32.5
Kibosho Central AMCOs	55.0	0.0	35.0	10.0	95.0	5.0
Mawela AMCOs	60.0	17.5	20.0	2.5	67.5	32.5
<b>Total</b>	<b>62.0</b>	<b>16.2</b>	<b>14.5</b>	<b>7.2</b>	<b>43.0</b>	<b>57.0</b>

In assessing member engagement in the primary AMCOs activities by primary societies, the findings show that, in general, primary AMCOs members were not engaged in the primary AMCOs activities. When members participate, it increases their member democratic rights and chances for their AMCOs democratic sustainability; members' economic participation is lacking in the primary AMCOs studied. This was supported by an account which was given by Kilimanjaro Region Assistant Co-operative Registrar who was a key informant that:

*"... the problem with members' limited capacity to participate in the primary AMCOs activities in exercising their democratic rights rests on absence of education in co-operative business. Those with responsibility to provide capacity building on member engagement training were not committed enough to ensure members' access to that service. When members lack knowledge, their capacity to contribute to the co-operative business management agenda becomes limited".*

Member education is a key to extend member participation in co-operatives; primary AMCOs members do not participate fully in decision making since the governance of co-operative dimension is not at members' disposal. About primary AMCOs members' participation in selling

their produce, the findings show that not all primary AMCOs members were selling their produce in the primary AMCOs (on average 43%). The leading primary AMCOs on this were Moshi District with 71.5% of members who sold all their produce in the primary AMCOs compared with from Bukoba District that had 14.5%. This implies that coffee smuggling in Bukoba is caused by some members who are not selling their coffee produce in the primary AMCOs. This indicates that those members in Bukoba District primary AMCOs were not committed to their AMCOs as compared to those of Moshi District. However, in Moshi District primary AMCOs there are indicators of members not selling all their produce in primary AMCOs explained by 28.5%, that implies element of selling coffee to the private buyers instead of to their primary AMCOs. The participation of members in selling coffee at their AMCOs indicates higher commitment of their membership loyalty as well as sustaining their AMCOs. The above findings and quotation, generally, indicate that primary AMCOs members' behaviour was contrary to Hancock and Brault (2016) and Bruynis *et al.* (2001) who argues that co-operatives with sufficient business volume are more likely to satisfy their members' expectations, and this would be due to the fact that management and board

were trained on co-operative business which would increase members' satisfaction. However, in Bukoba District, coffee used to be smuggled to Uganda whenever the coffee price regulator could not manage coffee prices as well as putting regulations to prohibit coffee smuggling.

### 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. An assessment was done to determine whether members understood their institution and its property. The ownership feelings differed as per districts, AMCOs and as per primary society. 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 association between feelings of primary AMCOs ownership and district where the primary AMCOs worked was statistically significant ( $p < 0.001$ ,  $\chi^2 = 142.239$ , Table 3). This implies that Bukoba District primary AMCOs were owned by the Union and members at the primary society viewed that their institutions do not belong to them. These facts limit the democratic practices of members since they belong to the institutions that is not owned by them but, rather, by the Union. The ownership was low in Bukoba District AMCOs because they were under the Union while in Moshi District Primary AMCOs are more independent as they had options of being under KNCI and KCU.

**Table 3:** Members feelings on primary AMCOs ownership (n = 400)

Category	Name of the primary AMCOs	Primary AMCOs ownership feelings	
		Yes (%)	No (%)
<b>Union</b>			
KCU	Kagege AMCOs	22.5	77.5
KCU	Mweyanjale AMCOs	42.5	57.5
KCU	Bumai AMCOs	42.5	57.5
KCU	Kobunshwi AMCOs	20.0	80.0
KCU	Lubale AMCOs	45.0	55.0
KNCU	Kilema North AMCOs	77.5	22.5
KNCU and KNCI	Mwika North AMCOs	97.5	2.5
KNCU and KNCI	KiruwaVunjo North	100.0	0.0
KNCU and KNCI	Kibosho Central AMCOs	87.5	12.5
KNCU and KNCI	Mawela AMCOs	97.5	2.5
<b>All Districts</b>		<b>63.2</b>	<b>36.8</b>
Bukoba	$\chi^2 142.239$	34.5	65.5
Moshi	Sig (p-value) 0.000	92.0	8.0
<b>All</b>		<b>63.2</b>	<b>36.8</b>

When examining individual primary AMCOs it was found that KiruwaVunjo North (100%), Mwika North AMCOs (97.5%) and Mawela AMCOs (97.5%) had the highest percentage of members feeling to be the owners of their primary AMCOs (Table 3). This implies that in some primary AMCOs in Moshi District, members owned their institutions with higher per cent; this indicated high extent of member ownership. 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 controlled primary societies to date. The reason was that the Union was a mandatory tier, and it had more powers over the primary societies. 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. This implies that the primary societies were regarded as buying posts of the Union. The findings from an 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. The information from FGD with KCU 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. This is due to the fact that other assets were not known to members as they were known to the management. Similarly, the management did not report these assets in the meetings.

ICA Africa (2017), ICA, (2017) and Chambo (2008, 2007) found that 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 has a higher stake. 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, and part two of the Act. With that type of organisation, primary society members in these primary AMCOs were found to have no feeling of ownership that affects member ownership and democratic practices.

Members' power in owning co-operative is by principle. ICA (1995) Principle number two requires members to own power to make decisions which are in line with their needs and aspirations. According to Shaw (2006) and Trewin (2004), 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 in primary AMCOs involved board and managers. 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 has created a hierarchy which subordinates primary societies and members rather than creating enabling environment of facilitating a network of working together as equals. On the same aspect, Danda and Bamanyisa (2011) argue that primary co-operative societies 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.

The common practice would be the Union to be responsible to the primary societies, whose members are the primary AMCOs. The problem is that the co-operatives inherited systems whereby the previous Co-operative Act of 1991 directed primary AMCOs to market their produce using the Union. Such practice had not been removed from the primary AMCOs members, and it made the Unions to hold power and mandate to manage the primary societies. On the other hand, primary AMCOs buy members' produce by providing payments on indicative prices. The moment members' coffee is bought by the primary AMCOs they transfer ownership of their produce and wait for the second payment, if any. Similarly, in most cases, Unions take the mandate to manage all the procedures to market produce and the primary society no

longer owns the produce marketing business. It was found that primary AMCOs sold their coffee in various markets through the Unions and coffee processors.

### Primary AMCOs Member Access to Democratic Rights

The primary AMCOs decision and democratic rights are vested in the annual general meetings. The Co-operative Act 2013 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”. An assessment was done to test whether member democratic rights in influencing decisions are exercised by members. The decision making and democratic practices of the primary AMCOs were examined closely as a 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 findings show that the average scores on members’ democratic participation

components in decision making systems by all the respondents over the maximum of 20 were 5.28 and 3.04 in Moshi and Bukoba District primary AMCOs respectively (Table 4). This implies that the prevalence of member participation in decision making was lower in Bukoba compared to Moshi. The low member participation in decision making had an impact on member democratic practice when co-operative members were striving for implementing new decisions and sustainable co-operative democracy. However, some variables in Bukoba District primary AMCOs had small statistical significance such as participation in influencing selling price (p-value = 0.083), approving dividend distribution (p-value=0.045) and designing AMCOs marketing strategies, (p-value=0.045). This is due to the fact that these primary AMCOs members do not make decisions on these aspects. This implies that the Union dictates member democracy in making decisions over these measured items; the Union (KCU) does on behalf of members.

From an FGD done in Bukoba District with primary AMCOs it was reported that the Union controlled the primary AMCOs, and the primary AMCOs were subject to the Union since it was their branch and the Union was their financial owner. Kagege AMCOs FGD reported the Union to effect all coffee deductions without members’

**Table 4:** Members' democratic participation in decision making systems (n = 400)

Primary AMCOs member Participation items	Moshi District			Bukoba District		
	t-score	p-value	Mean Difference	t-score	P-value	Mean Difference
Preparation and approval of budgets	5.684	0.000	0.18500	5.170	0.000	0.15000
Preparation and approval of by-laws and policies	4.322	0.000	0.14500	3.929	0.000	0.12000
Approve expenditure budgeting	19.461	0.000	1.15500	14.904	0.000	0.91000
Marketing of the collected produce	9.089	0.000	0.44500	5.254	0.000	0.20500
Rehabilitation of the AMCOs	11.505	0.000	0.54000	3.404	0.001	0.05528
Election of board members	80.546	0.000	1.91000	25.681	0.000	1.49000
Approving dividend distribution	3.870	0.000	0.07000	2.015	0.045	0.02000
AMCOs Policies formulation	7.710	0.000	0.23000	3.403	0.001	0.05500
Designing AMCOs marketing strategies	8.145	0.000	0.25000	2.015	0.045	0.02000
Participation in influencing selling price	9.316	0.000	0.35500	1.741	0.083	0.01500
<b>Member decision making involvements</b>	<b>38.327</b>	<b>0.000</b>	<b>5.28500</b>	<b>23.979</b>	<b>0.000</b>	<b>3.04000</b>

discussion and that had been the practice and primary societies could do nothing since the Union was the owner of the primary societies. This implies that, since the ownership belongs to the Union members do not see the importance to participate. FGD in Moshi District primary AMCOs responded that they had 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 members' board and management responded to be still under the Union control in decision making, and they did not know how they could be independent. This is due to the fact that the education and training on member empowerment in Moshi District was done on pilot areas and some primary AMCOs did not receive the training.

### **CONCLUSION**

Member participation in Primary AMCOs is not apparent since members are not engaged in the co-operative 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 co-operative democratic processes. The study concludes that, absence of members' knowledge in ensuring leaders abide by legal framework perpetuates ineffective member participation. The meetings in the primary AMCOs are not called as per the AMCOs by-laws and Co-operative Societies Act (2013) and access to meeting minutes was found to be a problem in the primary AMCOs. The study concludes that, since members are unable to hold management and board accountable on their decisions misconduct; member democratic practice won't be attained. Furthermore, the selling procedure in the AMCOs was found to be mismanaged, primary AMCOs were buying members produce than to collect and look for markets. The study concludes that, such practice leads to free-riders in primary AMCOs. The co-operative decision power in

Bukoba district primary AMCOs and some primary AMCOs in Moshi district is owned by the Union. This is due to the historical reasons that direct primary co-operative to be under the Union which still affect most of the primary co-operatives. The internal democracy in the primary AMCOs was found to be very low. Members low participation resulted due to absence of leadership commitment to effectively engage members which caused members to be detached from their cooperative societies.

### **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 engage members in co-operative decisions making; co-operatives members are the principle owners in the co-operative society hence they need to exercise their democratic right to decision making.
- Co-operative promoters need to embark on Co-operative education so that members understand 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 should be mainstreamed in areas where primary co-operatives are still under Union control.
- Primary AMCOs board and management should embark on democratic practices that encourage members to participate in all matters that need members' decision.
- AMCOs board and management should embark on collecting produce before selling; this can be done by either using the warehouse receipt system or by having SACCOs on the AMCOs which could lend 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.

- Finally, a study should be done to ascertain how Tanzania's primary AMCOs Democratic Decision Making and Member Participation is practiced in co-operative institutions within the co-operative movement from primary, secondary (i.e. Union, Network and Joint Venture) to Apex and federation level. Research along these lines will produce useful information on alternative approaches for improving member ownership and democratic participation in member-owned institutions.

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