Influence of Member Participation on Dairy Cooperative Development in Kiambu County, Kenya

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ABSTRACT

Participation is defined as the process by which Dairy Cooperatives members exert their influence on the scope, operation, and direction as well as activities of their respective cooperatives. Consequently, members' participation affects the sustainability of projects and vice versa. However, the development of dairy cooperatives faces numerous challenges emanating from member participation. The purpose of this study was to investigate how member participation affects the development of dairy cooperatives in Kiambu County. Based on the Resource-Based Theory and Social Capital, this study used a descriptive research design. The target population for this study was the 59,635 registered members of the Dairy Cooperative, and the sample size consisted of 398 respondents chosen by stratified random sampling. Questionnaires with Likert-type statements on a 5-point scale were used to collect data. We used both descriptive and inferential statistics. In addition to Pearson correlation, other tests like central tendency (mean), frequencies, percentages, and standard deviation were applied in this instance. The results demonstrate that the growth of dairy cooperatives was significantly influenced by membership involvement (r=.398, p<0.001). These results support the hypothesis that higher member subscription fees had an impact on cooperative project success. Increasing member engagement would boost support for the dairy cooperatives' development initiatives, enhancing their sustainability. This would further advance their growth. To improve member support for projects, the study suggests that member engagement be reinforced and integrated into all dairy cooperative management procedures.

Keywords: Development of Dairy Cooperatives, Kiambu County, Kenya, Member’s Participation

I. INTRODUCTION

Kenya boasts the strongest cooperative movement in Africa, characterized by substantial financial liquidity and a large membership base. The country's savings credit and cooperative (Sacco) movement are valued at over KES 1 trillion, placing it at the forefront of cooperative achievements in Africa. Government records indicate that Saccos directly employ more than 500,000 individuals, with an additional 1.5 million Kenyans benefiting indirectly. According to the 2015 statistical report by the World Council of Credit Unions (WOCCU), Kenya leads in the Sacco movement in Africa, boasting over five million members.

Kenya's cooperatives contribute significantly to the economy, providing over 61% of the total savings mobilized and 68% of the loans advanced by the cooperative movement in Africa. Recognizing the pivotal role of cooperatives, the government established the Sacco Societies Regulatory Authority (SASRA) in 2009 to oversee deposit-taking cooperatives, as outlined in the Sacco Societies Act 2008. Presently, SASRA regulates about 174 cooperatives holding KES 305.3 billion in deposits from 3.6 million members. Despite this regulation, over 30 million Kenyans rely on the cooperative movement for loans.

Cooperatives contribute to employment generation and government revenue through taxes. They support enterprise development and self-employment by offering affordable credit to small and medium enterprises (SMEs) (KUSCCO, 2019). The Ministry of Cooperative Development and Marketing's 2008 report underscores Kenya's rich history in cooperative development, characterized by strong growth and a significant contribution to the overall economic expansion. Cooperatives are recognized by the government as major contributors to national development, with a presence in various sectors such as agriculture, transport, education, manufacturing, and service industries.

Out of Kenya's approximately 49 million population (Republic of Kenya, 2019), it is projected that 63% will directly or indirectly participate in cooperative-based enterprises (GoK, 2019). The cooperative movement is expected to play a vital role in achieving the Jubilee government's "Big 4" agenda, focusing on food security, manufacturing (employment creation), security (wealth creation), and universal health support.

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Kenya currently boasts around 12,000 registered cooperative societies with a membership exceeding 6.5 million, mobilizing domestic savings estimated at over KES 130 billion. Reports from various sources, including the Republic of Kenya (2007), the International Monetary Fund (2007), and the Kenya High Commission in the United Kingdom (2007), indicate that the cooperative movement has directly employed over 500,000 people and provided opportunities for self-employment to about 63% of Kenya's population.

However, the development of dairy cooperatives faces numerous challenges, emphasizing the necessity for studies aimed at examining the factors influencing such development. This study specifically focuses on the impact of members' participation in the development of dairy cooperatives in Kiambu County, Kenya.

1.1 Statement of the Problem

Based on existing statistics, the Cooperative Movement in Kenya is estimated to make a substantial contribution, constituting approximately 47% of the GDP and 34% of national savings. Empirical evidence also indicates that around 63% of the Kenyan population depends on cooperatives for their livelihoods, either directly or indirectly. According to WOCCU (2010), the cooperative movement reported revenue of approximately Ksh.50 Billion in 2011, highlighting its significant economic potential as a developmental pillar for the country. However, sustaining the growth of agricultural cooperatives in Kenya has become a subject of debate, as an increasing number of cooperatives face insolvency, posing a threat to the overall economy (GoK, 2013).

A study commissioned by the Ministry of Cooperative Development and Marketing in 2012, as reported by the Government of Kenya (GoK, 2012), examined a sample of 220 cooperatives. The findings revealed that only 3.63% of these cooperatives were deemed sustainable, with 35% having an average sustainability score and a concerning 78% considered unsustainable. The assessment was based on three criteria: the presence of a business plan (50%), degree of representation (20%), and management effectiveness (30%). The challenges facing the sustained development of agricultural cooperatives in Kenya have been attributed to leadership's management skills, technology adoption, stakeholder involvement, and access to finance (GoK, 2012; WOCCU, 2010; Munkner, 2015; Birchall, 2011).

The researcher, in light of these concerns, initiated an investigation to ascertain the determinants influencing the development of dairy cooperatives in Kenya, with a specific focus on Kiambu County. One central question addressed in this study is whether members' participation serves as a driving force for the development of dairy cooperatives in Kenya. The research aims to delve deeper into this aspect to provide insights into the factors shaping the trajectory of dairy cooperatives in the country.

1.2 Objective of the Study

The study sought to determine how the participation of members affects the development of Dairy Cooperatives in Kiambu County.

II. LITERATURE REVIEW

2.1 Theoretical Review of Literature

The cooperative society's progress heavily relies on the synergy among its members, a crucial factor for the developmental advancement of a community or group. Social capital, stemming from members' relationships within social groups, often contributes, perhaps unknowingly, to the achievement of both individual and collective goals. This dynamic is instrumental in fostering cooperation, unity, trust, and a shared bond among members. The theoretical framework adopted here encompasses two key dimensions: firstly, how cooperatives generate internal social capital and disseminate it within their immediate surroundings, and secondly, how the presence of social capital facilitates the establishment and growth of cooperatives. These theories also encompass various aspects of social capital, including the type of social networking, relationships, and interactions, which involve the rules, regulations, and norms governing social actions, fostering a common bond among members and deriving benefits from these interactions (Anderson, Locker, & Nugent, 2002).

The foundation of this study lies in the social capital theory, rooted in the broader concept of social capital, which encompasses attitudes, relationships, institutions, and values shaping interactions among individuals and contributing to both economic and social development. According to Basargekar (2009), social capital is defined as
"the abilities of people to work together towards resolving community or social issues and promoting equitable access to the benefits of development." Glaeser, Laibson, and Sacerdote (2002) propose that "social capital can be regarded as a tool for economic development among people, influencing both their environment and community." This influence can be either positive or negative, based on collective actions taken for the mutual benefit of a group or community. Additionally, it is emphasized that individuals do not generate social capital and, therefore, are not the primary unit of analysis when employing social capital theory to measure occurrences.

Basargeker (2010) reckons that the theory focuses also on collective responsibility thus enhancing better participation by members in a society or a community. The theory surmises that when people act or function in a group like in a cooperative society, there is a trickle-down effect on the economic and social development of the group, individuals in the group, and the community. This development can either be a financial condition or physical progress such as a material acquisition. This is important because economic development does not take place without expansion in physical material achievement and financial possessions.

Glaeser et al. (2002) opine that the theory recognizes a healthy social and civil environment, which should help the social group to act and meet their personal, and group interest without which economic development capabilities will not be accomplished. The attention of this theory is to use the social network, association, and relationship for the social and economic development of individuals, the group, and the community. The application of the social capital theory to the role of cooperative societies in development is to evaluate the contribution of the cooperatives to members’ standard of living which examines household income, resources, business profitability, and enterprise asset conditions and is expected to lead to social, financial and physical rewards.

Henry and Schimmel (2011) in conclusion suggest that cooperatives are meant to meet members’ financial, economic and social needs. In the context of this current study, members’ needs and interests ought to be put into consideration. The economic needs can be met through the financial gains while the members can derive the physical benefits from interactions, and finally, the social needs related to social benefits. The social, financial, and physical contribution of the cooperative to the members may include easy access to loans, the ability to accumulate savings, and the acquisition of physical assets like land, livestock, and houses among others. Financial benefit or capital benefit accrues in a cooperative due to improved interpersonal relations while trust and the common bond can increase efficiency and reduce the costs of the transaction, thus creating financial capital which lacks in other types of institutions like banks.

2.2 Empirical Review

Participation within Dairy Cooperatives is characterized as the process through which members exert their influence on the scope, operations, direction, and activities of their respective cooperatives. The International Cooperative Alliance (ICA) defines cooperation as a union where members unite as individuals to fulfill their social, economic, and cultural needs. Emphasizing service over profits, cooperatives, guided by founding principles, aim to provide members with goods and services at the least cost. Beyond economic considerations, cooperatives are seen as social institutions that educate members in economic management (Selvaraj, 2000).

Davis (1969) characterizes participation as both the mental and emotional involvement of an individual in a group situation, encouraging contributions to objectives and shared responsibilities. The United Nations (UNO) in 1979 describes participation as the distribution by people of the rewards of growth, active input in development, and involvement in decision-making at various societal levels. The United Nations Development Programme (UNDP) in 1993 defines participation as the active involvement of people in commercial, public, traditional, and administrative processes that affect their lives.

Selvaraj (2000) emphasizes, in the context of the new millennium, that free-thinking members are the backbone of effective cooperative functioning. These well-informed members, versed in cooperative principles and philosophy, actively engage in the cooperative's affairs, contributing to its advancement. Such members ensure active participation in business and decision-making processes, preventing financial indiscretions and conflicts of interest. This, in turn, ensures the definite development of the cooperative. Conversely, members who are ill-informed, lethargic, sedentary, non-participative, and indifferent pose challenges. They are vulnerable to manipulation by external elements in society, as noted by Foster and Viswanathan (1996).

Gray and Kraenzle (1998) states that participation is the measure of appearance at meetings, serving on committees, serving as an elected official, and finally participating in recruiting other farmers to become members.
Consequently, Cooperative institutions, which are devolved economic and autonomous units, can fulfill real economic activities by empowering individual members to pool their wealth for production on feasible scales. This is truer in the rural areas where production units are small in size (especially land), the members are various in number, and are physically scattered by nature and so no viable commercial activity can be practiced unless the individual efforts are established based on principles of self-help service and impulse mutual aid (Vishwanatha, 1994). Clark (1991) in their research acknowledged the indispensable elements for safeguarding the active contribution of farmers’ groups. These were; minute identical group, auxiliary income generation activities, formal credit, group promoters, training to group members, group savings, ready access to extension service, participatory monitoring and evaluation; and lastly group self-sufficiency. Mukherjee (1998) observed that the level of contribution tends to oscillate with time, at times it’s high but ultimately finds a balance and steadies. Rehman and Rehman (1998) found that there are many factors determining the nature of participation of members in the development programmes of a Cooperative among them; willingness, desirability, the representative nature of participants in the Cooperative, and the asset distribution pattern among the participants among many more others.

III. RESEARCH METHODOLOGY

3.1 Research Design

This study employed a descriptive survey design to investigate the factors influencing the development of Dairy Cooperatives in Kenya, specifically focusing on Dairy Cooperatives in Kiambu County. The choice of this design was based on its suitability for determining and reporting the current state of affairs, describing data, and capturing the characteristics of the population and phenomenon under investigation. Descriptive survey designs are particularly well-suited for studies that aim to answer questions related to "who, what, when, where, and how," as emphasized by Cooper and Schindler (2003). The focus of this study aligns with the descriptive study approach, seeking to provide a comprehensive understanding of the factors shaping the development of Dairy Cooperatives in the specified context.

3.2 Target Population

The target population for the study was 59,635 Dairy Cooperative members in Kiambu County (Kiambu County, 2018). This was partly done due to the fact that Kiambu dairy cooperatives lead in milk production in Kenya (Kenya Dairy Board, 2018). The sample population was 398 members. The targeted population of the study was collated from the various Sub-Counties.

3.3 Sampling Design and Procedures

Using stratified sampling techniques, this study sampled 398 persons from the target population of 59,635 using the simplified sampling formula stipulated by Taro Yamane (Yamane, 1967) at a 0.05 level of precision. As a result, 398 respondents were sampled. Questionnaires that contained open and closed-ended questions and also the Likert-scale type of questions were administered by the interviewer to collect primary data on the factors affecting the development of Dairy Cooperatives in Kenya.

3.4 Data Analysis

The researcher used quantitative and qualitative data in this research study. As such, quantitative analysis was done using the descriptive statistics aided by the use of SPSS (data analysis application), and qualitative data analysis involved the explanation of information obtained via discussions and explanations of the study findings. In this case, tests such as central tendency (mean), frequencies, percentages, and standard deviation were carried out. A correlation was also carried out to test the relationship between the predictor and response variables.

IV. FINDINGS & DISCUSSIONS

4.1 Members’ Participation

The study delved into examining the impact of members' participation on the development of Dairy
Cooperatives in Kiambu County. Notably, the majority of respondents expressed agreement with the presented statements, with a weighted mean of 4 for the first statement and a strong agreement (weighted mean of 5) for all subsequent statements. Over half of the respondents (52.7%) concurred that member participation was crucial before making investments. Additionally, a significant majority (66.2%) strongly agreed that members had a voice in the Cooperative and its activities, directly influencing its development projects. This aligns with the assertion of Gray and Kraenzle (1998), emphasizing the importance of member participation in project implementation within organizations.

A substantial portion of respondents (63.5%) also strongly agreed that considerations regarding the financial expectations of members needed to be taken into account before making development decisions. This finding is consistent with the perspective of Umamaheswari and Kumar (2014), who highlight the importance of seeking members' opinions and expectations before making investment decisions. Furthermore, an overwhelming majority (99.1%) strongly agreed that members were encouraged to transact and consume products offered by the Cooperative, a pivotal aspect for achieving the firm's development goals as suggested by Foster and Viswanathan (1996).

Finally, a majority of respondents (70.1%) strongly agreed that if members did not support an investment project, its sustainability was not guaranteed. This observation resonates with the findings of Francesconi and Heerink (2010), who emphasize the reciprocal relationship between members' participation and the sustainability of projects. In essence, these results underscore the significant role that members' active involvement plays in shaping the trajectory and success of Dairy Cooperative development projects.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Members’ Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement</td>
<td>1</td>
</tr>
<tr>
<td>a) The participation of members is vital before investments are made.</td>
<td>0.9</td>
</tr>
<tr>
<td>b) Members have a voice in the Cooperative and its activities and affect its development projects</td>
<td>0.0</td>
</tr>
<tr>
<td>c) Considerations about the financial expectations of members has to be made before development decisions are made</td>
<td>0.0</td>
</tr>
<tr>
<td>d) Members are encouraged to transact/consume products offered by the Cooperative</td>
<td>0.0</td>
</tr>
<tr>
<td>e) If members do not support an investment project, its sustainability is not be guaranteed</td>
<td>0.3</td>
</tr>
</tbody>
</table>

When asked about the ways in which members' participation affects the development of the Dairy Cooperative, respondents provided various insightful suggestions. One prominent theme was that members' participation significantly increased the pool of ideas available to the cooperative, thereby positively influencing the quality of decision-making. This aligns with the notion that involving members in project decisions results in increased buy-in, as noted by Francesconi and Wouterse (2011), consequently impacting the success of these projects.

Additionally, respondents highlighted that members' participation facilitated the voluntary contribution of expertise by some members. This voluntary sharing of knowledge and skills was seen as contributing to the overall performance enhancement of the cooperative. The willingness of members to adopt and support the firm's projects was also noted to increase when they were actively involved in making project decisions. This finding supports the idea put forth by Bhatnagar and Viswanathan (2000) that member involvement in decision-making processes strengthens the cooperative's development.

4.2 Development of Dairy Cooperatives

The study went on to investigate the extent of the development of Dairy Cooperatives in Kiambu County.
Regarding the development of dairy, cooperatives mixed results were obtained with means ranging from 2 (disagree) to 5 (strongly agree) obtained. To begin with, Most of the respondents strongly agreed (66.2%) that there were instances in which the high cost of finance stalled development projects before the conclusion. This is in line with Henry and Schimmel (2011) who points out that high cost affected the success of organizations’. The majority of the respondents also strongly approved (63.2%) that the Dairy Cooperative faced management-related challenges in implementing development projects. Also, 60.2% strongly agreed that sometimes, technology apathy affected the development of the Dairy Cooperatives. This corroborates the findings of Develtere, et al. (2008) who posits that managerial problems affected the success of Dairy cooperatives.

Almost half (49.1%) of the respondents agreed that their technology adoption was usually in time in order to be competitive. Another close to a third (35.6%), the highest number, agreed that their stakeholders/members were usually satisfied with the development projects they undertook. This could lead to further support and success of the projects as posited by Francesconi and Wouterse (2011). Another close to half (49.4%) agreed that high costs of technology hardware and software affected the development of the Dairy Cooperative.

When asked if their development projects were usually completed within the estimated budget costs, most of the respondents (35.6%) said that they were not sure. This was an indication of success in the implementation of the projects since timeliness was a key indicator of the success in projects (Hamisu, 2010). Also, most of the respondents pointed out that they were not sure (39.5%) that their development projects usually yielded the desired returns. This is in line with Avolio (2012) who posits that the success of projects is pegged on their ability to realize the expected outcomes. Lastly, more than half of the respondents (52.7%) disagree that there was evidence that their development projects were sustainable because they are undertaken based on qualitative market research. This shows that often, projects were undertaken without prior research on their suitability.

Table 2 Development of Dairy Cooperatives

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a)</strong> Our technology adoption is usually in time in order to be competitive</td>
<td>3.3</td>
<td>3.9</td>
<td>14.1</td>
<td>29.6</td>
<td>49.1</td>
<td>4</td>
</tr>
<tr>
<td><strong>b)</strong> Our development projects are usually completed within the estimated budget costs</td>
<td>5.4</td>
<td>16.2</td>
<td>35.6</td>
<td>22.8</td>
<td>20.1</td>
<td>3</td>
</tr>
<tr>
<td><strong>c)</strong> Our stakeholders/Members are usually satisfied with the development projects we undertake</td>
<td>6.6</td>
<td>16.2</td>
<td>11.4</td>
<td>30.2</td>
<td>35.6</td>
<td>4</td>
</tr>
<tr>
<td><strong>d)</strong> Our development projects usually yield the desired returns</td>
<td>25.4</td>
<td>39.5</td>
<td>3.3</td>
<td>16.5</td>
<td>15.3</td>
<td>3</td>
</tr>
<tr>
<td><strong>e)</strong> There is evidence that our development projects are sustainable because they are undertaken based on quality market research</td>
<td>26.0</td>
<td>52.7</td>
<td>0.9</td>
<td>13.5</td>
<td>6.9</td>
<td>2</td>
</tr>
<tr>
<td><strong>f)</strong> There are instances in which the high cost of finance stall development projects before conclusion</td>
<td>0.0</td>
<td>0.3</td>
<td>3.3</td>
<td>30.2</td>
<td>66.2</td>
<td>5</td>
</tr>
<tr>
<td><strong>g)</strong> The Cooperative faces management related challenges in implementing development projects</td>
<td>0.0</td>
<td>0.3</td>
<td>2.7</td>
<td>33.8</td>
<td>63.2</td>
<td>5</td>
</tr>
<tr>
<td><strong>h)</strong> Sometimes technology apathy affects the development of the Dairy Cooperative</td>
<td>0.0</td>
<td>0.3</td>
<td>6.3</td>
<td>33.2</td>
<td>60.2</td>
<td>5</td>
</tr>
<tr>
<td><strong>i)</strong> The high cost of technology hardware and software affects the development of the Dairy Cooperative</td>
<td>0.6</td>
<td>0.9</td>
<td>20.1</td>
<td>29.0</td>
<td>49.4</td>
<td>4</td>
</tr>
</tbody>
</table>

The responders were presented with the question, “in which other ways can you rate the success of the development of the Dairy Cooperative?” The responses obtained show that the performances of cooperatives were very divergent. While some cooperatives were doing well by expanding their client bases and opening new branches, others were not doing so well. This was attributable to market forces such as competition as well as internal challenges in the cooperative. If the cooperative was poorly managed, its efficiency was compromised. Loss of resources through corruption could also set in, leading to poor development. This agrees with Mwakajumulo (2011) as well as Maghimbi (2010) who posit that poor management led to embezzlement of funds. It was thus pertinent to have
managers with high integrity.

The respondents were also presented with the question, “In which ways can the development of Dairy Cooperatives be enhanced?” The responses obtained show that there were various ways in which this could be achieved. This included employing competent and experienced managers as recommended by Turner et al. (2001). The training was also necessary to enhance the capacity of the employees as posited by Clark (1991). There was a need to carry out thorough research before starting projects to understand their riskiness and put in place the requisite strategies to ensure that their success was ensured. Partnerships with microcredit were also recommended since they could avail of low-cost credit. Member participation should also be strengthened and embedded in all management processes of the Saccos to enhance their support of projects.

4.2 Correlation Analysis

Pearson correlation shows that there was a statistically significant relationship between member's participation (r=.398, p<0.001); and the development of dairy cooperatives.

Table 3

<table>
<thead>
<tr>
<th>Correlation</th>
<th>Technology Adoption</th>
<th>Managerial Skills &amp; Leadership</th>
<th>Access to Finance</th>
<th>Member's Participation</th>
<th>Development of Dairy Cooperatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of Dairy Cooperatives</td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.213</td>
<td>.771</td>
<td>1</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>Sig. (2-tailed)</td>
<td>.646**</td>
<td>.156*</td>
<td>.317**</td>
<td>.398**</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).

N=334

5.3 Conclusion

The study reveals a statistically significant relationship between members' participation and the development of dairy cooperatives (r=.398, p<0.001). This implies that as members' participation increases, there is a corresponding increase in their buy-in of the projects within dairy cooperatives, ultimately contributing to their sustainability and enhancing their overall development. Based on these findings, it is recommended that Dairy Cooperatives implement strategies to boost members' involvement in decision-making and operational processes whenever feasible. By doing so, cooperatives can foster a more engaged and committed membership, leading to the long-term success and growth of the dairy cooperative initiatives.

5.4 Recommendations

Anchored on the theoretical literature, empirical assessment, and research outcomes, the study recommends that member participation should also be strengthened and embedded in all management processes of the Dairy Cooperatives to enhance their support of projects. The study recommends the need for policies to be in place to strengthen research on the challenges facing Dairy Cooperatives development. The constitutions of the Dairy Cooperatives should be revised and member participation strengthened by a policy.

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