EPRA International Journal of
Economic and Business Review

Online Journal

ISSN : 2347 - 9671

ASSESSING THE PERFORMANCES OF COFFEE HAND IN GLOVE COMMUNITIES IN ETHIOPIA

Muhabie Mekonnen*

*Lecturer, Department of Cooperatives, Mizan Tepi University, Mizan Teferi, Ethiopia.
E-mail: muhabiemekonnen@yahoo.com.

ABSTRACT

In coffee commerce, cooperatives are intended to play an innermost function in efforts to evolve the sector. Although, evolving countries cooperatives are not much more to play the parts development as anticipated. Therefore, this study is aimed at considering the presentation grade of coffee cooperatives in Yirgacheffe woreda of Ethiopia. The outcome of the investigation displays that coffee cooperatives in the study locality are going ahead in reinforcing their capital and in turn assisting their constituents even though distinct obstacles dispute them.

KEY WORDS: Cooperatives, Coffee, Performance, Yirgacheffe

INTRODUCTION

Cooperative undertakings play a productive role in supporting coffee farmers by supplying the cost data, capital, and transport that small-scale ranchers often lack. Although, many persons do not know much about cooperative, its means and function in financial development, and how it is advised in the world as a Third part of the finances, an alternative and countervailing power to both private business and public part undertakings.

Cooperatives can help to overwhelm some of the barriers to poor people's access to markets by developing finances of scale; unfastening up access to data through better market systems; pooling resources and improving one-by-one bargaining power through collective action. Nevertheless, cooperatives face challenges in the pattern of over-control and guideline by government; limited get access to to credit; incompetence to scale up their undertakings; and incompetence to penetrate markets.

In supplement, a cooperative as a representative of coffee farmers can be a more powerful negotiator than a one-by-one farmer in the international market (Kodama, 2007). But some constituents of cooperatives have a know-how of selling their produce to other trading passages. This might be initiated by the dissatisfaction of constituents with services rendered to them by their cooperatives. Coffee cooperatives are effective at supplying trading services to their members: the positive and important influence of membership on cost discloses that cooperatives do assist their anticipated purpose on commercialization through better market possibilities, higher bargaining power or decreased transaction charges (Bernard et al., 2007). The actual volume of purchase, although, is restricted due to financial constraints.

STUDY OBJECTIVE

The objective of the study is to measure the performance of coffee cooperatives in the study area.

METHODOLOGY AND SAMPLING

For conducting the study lesser data were assembled from societal and woreda advancement Office articles. The assembled data were again summarized and inferred utilizing statistical methods of investigation such as; ratios, percentages, frequencies, means and benchmark deviations. The economic performance of the cooperatives was considered utilizing present, liability to equity, anecdotes payable to sales and profitability ratios founded on cooperatives audited economic declarations. In addition, simple descriptive advances were extended to assess operational performances of the societies other than financial facets.

As to selection of study flats, amidst seven coffee cooperative societies (Aramo, Edido, Haru, Koke, Dumerso, Hafursa and Konga), found in the Woreda, only five societies i.e. Konga, Hafursa, Koke, Dumerso and Haru have been chosen for the study purpose by taking into account the time and financial shortages and the remoteness of the unselected Coffee Cooperative Societies.

RESULTS AND DISCUSSIONS

The presentation evaluation of the cooperatives was characterized and characterized both quantitatively and qualitatively to assess the society's progress towards achieving predetermined goals by recognizing key indicators of organizational performances. As described by Karl (2001), Kaplan and Norton's balanced score business card approach function from the perspective that more than financial facts and figures is required to measure presentation and that nonfinancial facts and figures should be encompassed to adequately consider presentation. They suggest that any presentation measurement structure should permit managers to inquire into the following inquiries: How do we gaze to our shareholders? (Financial perspective), what must we excel at? (Internal business perspective), How do our customers glimpse us? (Customer viewpoint) and How can we continue to advance and conceive value? (Innovation and learning perspective). Although, the balanced scorecard is flawed, as it does not allow for one of the most important inquiries of all: What are our competitors doing? (The competitor perspective). Therefore here, sample cooperatives performance will be investigated from the above five perspectives.

FINANCIAL PERFORMANCE

Economic performances of the societies were assessed utilizing economic ratio investigation procedures which endow the cooperatives internally to evaluate issues such as the effectiveness of procedures, worker presentation and credit principles and externally to assess potential investments and the credit worthiness of borrowers, amidst other things. The outcome of the financial declaration ratio analysis was presented below.

Table1. Financial Ratios for Coffee Cooperative Societies

Name of Cooperatives	CR= $\frac{Current\ Asset}{Current\ Liability}$		DER = $\frac{\text{Total debt}}{\text{Total shareholders' equity}}$		APSR = $[\frac{\text{Accounts Payables}}{\text{Net Sales}}]$x 100		NPM = $[\frac{\text{Net Income}}{\text{Net Sales}}]$x 100	
	CR_{2009}	**CR_{2010}**	**DER_{2009}**	**DER_{2010}**	**$APSR_{2009}$**	**$APSR_{2010}$**	**NPM_{2009}**	**NPM_{2010}**
Konga	2.86	3.53	1.89	1.87	86%	79%	34%	37%
Hafursa	1.74	2.01	1.96	1.98	91%	87%	28%	25.6%
Koke	1.37	1.19	1.93	1.89	89%	85%	22.7%	23.4%
Dumerso	1.26	1.40	1.97	1.94	98%	98%	18%	21%
Haru	0.83	1.16	1.99	1.95	96%	93%	16.3%	19%
Average	**1.61**	**1.86**	**1.95**	**1.93**	**92%**	**88.4%**	**23.8%**	**25.2%**

Source: Yirgacheffe Marketing and Cooperative Office, 2011

1. Liquidity Ratios

The proficiency of cooperatives to meet both its short term and long-term obligations has been assessed using Current Ratio. Generally, the larger the present ratio, the better will be the proficiency of the cooperative to persuade its obligations. Is there an illusion number that characterizes good or awful? Not really. Although, the satisfactory rate of present ratio that is accepted by most financial organizations as an obligation for allocating loan is 2.00. Accordingly, the table above displays that the average present ratios of societies were underneath the smallest requirement (2.00) though there was a progression from 2009 to 2010 with respective signify ratios of 1.61 and 1.86. Except Konga (in 2009 & 10) and Hafursa (in 2010), the rest societies were accomplishing underneath the industry benchmark. More expressly, to meet br1.00 of their present liabilities; Konga, Hafursa, Koke, Dumerso and Haru cooperatives had br 2.86, 1.74, 1.37, 1.26 and 0.83 of present assets in 2009 and br 3.53, 2.01, 1.19, 1.40 and 1.16 in 2010 respectively.

2. Financial Leverage Management Ratio

Utilizing liability to Equity ratio, the experiment cooperatives percentage of assets as funded by liability and then shareholders' equity have been investigated in this theme. As a ground rule, the higher the outcome, significance the higher leverage, can lead to boost development in profits when compared to not leveraging. On mean, sample cooperatives had br 1.95 and 1.93 of Debt and only br1.00 in Equity to rendezvous their obligations in 2009 and 2010 respectively. In financing debts, Konga pursued by Koke were better since their debt to equity percentages were less than other ones, meaning they were accomplishing well in their capital accumulations having DER standards of (1.89 and 1.87) and (1.93 and 1.89) in 2009 and 2010 respectively. In a nutshell, this ratio disclosed that most of the finances of all CCSs in the study locality come from creditors than their own accounts. Annual enhancement was kept between 2009 and 10.

3. Efficiency Ratio

To assess how well the cooperatives are using their resources anecdotes Payables to Sales Ratios has been selected among many effectiveness ratios. According to table 1 above the mean result of APSR depicts that 92% (in 2009) and 88.4% (in 2010) of cooperative sales were being funded by their suppliers. This suggests that at times of the coffee transaction (purchases and sales) cooperatives face a severe lack of its own finance to pay constituent suppliers and the employed capital of them could be financed by their suppliers. Most of the time, members of cooperatives supply their coffee on account cornerstone either at their costs or with a hope to appeal incentives supplied by cooperatives. These inducements could be added payments other than the charges currently bound and dividends.

Relatively, Dumerso (98% of APSR in both years) was highly dependent on suppliers fund unlike that of Konga ($APSR_{2009}$= 86% and $APSR_{2010}$=79%) and Koke ($APSR_{2009}$=89% and $APSR_{2010}$=85%), which were comparatively more dependent on their own financial sources.

4. Profitability Ratios

In alignment to investigate the proficiency of cooperatives to generate the financial return needed to restore assets, meet increases in service claims, and reimburse member-owners, the simplest and broadly used profitability ratio called snare Profit Margin was implemented.

The result of the computation (table 1) proves that averagely cooperatives make 0.238 and 0.252 cents on every br1. 00 of Sale in 2009 and 2010 fiscal years respectively. In earning net profit, Konga and Hafursa lead the rest societies with respective NPM values of 34% and 28% in 2009 and 37% and 25.6% in 2010. Conversely, Haru was the least profitable society (NPM_{2009} = 16.3% and NPM_{2010} =19%). Moreover, except Hafursa all selected coffee societies show an improvement of profit earning potential from 2009 to 2010.

INTERNAL BUSINESS PERFORMANCES

1. Membership and Capital in Cooperatives

Most of coffee cooperatives in the Woreda established in 1975 throughout the Dergue regime as multipurpose cooperatives to accomplish the governmental agendas in one hand and to advance the poor ranchers' livelihood of the other. In outlook of the fact that cooperatives were coordinated and operated in undemocratic manners (political interference and misuse of cooperative resources), constituents were not much convinced to accept cooperatives. However, after the downfall of Dergue constituents display interest to connect the societies. It is consistent with the tabulated data described in Table 2 i.e. the percentage change in the number of constituents from cooperatives establishment to reorganization under Proc. No. 147/98 was so important and it anecdotes 679.5% on mean excluding Dumerso humanity since groundwork year facts and figures was not properly renowned. This means if one literally splits up the percentage to the number of years passed in between establishment and re-organization of cooperatives i.e. 679.5/24, the yearly average boost of the number of constituents could be 28.31%. In a alike manner, the latest of thirteen or fourteen years of members facts and figures from its reorganization still now depicts an expanding percentage change (64.82% on average) except Hafursa as it displays a 71.22% decrement of the preceding enumerate due to the decrease in constituents believe in their managements and the loss incurred by the cooperative. Since Dumerso establishment data are unavailable. Mostly the reasons for a boost in the number of constituents through time was indicated as perception creation campaigns among the members every year and by furthering the cost of making i.e. 0.5/1 Birr overhead other investors for the coffee provided by the farmer- constituents. The other foremost causes for the boost in the number of constituents could be additional advantages such as bonus and infrastructural expansion which is not supplied by other traders.

In twenty-four or five years of business life (1975 to 1998/99) experiment cooperatives display a substantial increase in capital formation. As stated in Table2, the percentage change in capital from a cooperative association to association period examines like, Konga (868.07%), Hafursa (2677.58%), Koke (644.06%), and Haru (38971.07%). Relatively Haru shows the amazing capital formation. But for Dumerso facts and figures is unavailable. From 1998/99 to 2011 the identical tendency (increasing at an increasing rate) was repeated among cooperative capital formation. The percentage change from 1998/99 to 2011 was Konga (2958.93%), Hafursa (1513.64%), and Koke (4346.69%). Regardless, for Dumerso and Haru data was not discovered.

Table2. Membership and Capital Composition of Sample Cooperatives

NO	Name of CCSs	Particulars	Number of Members				Capital		Remarks
			Male	Female	Total	% change	Amount	% change	
1	Konga	Establishment	202	5	207	0	120,200.20	0	Established in 1975
		Re- Organization	2,015	160	2,175	467.63	1,163,625.00	868.07	Re- Organization year was in 1998
		Current Time	2,166	174	2,340	79.71	4,720,262.58	2958.93	The membership data was in 24/11/11 The capital data was in 14/07/10
2	Hafursa	Establishment	266	12	278	0	75,318.71	0	Established in 1975
		Re- Organization	1003	76	1079	288.13	2,092,034.72	2677.58	Re- Organization year is in 1998
		Current Time	773	108	881	-71.22	*3,232,093.02*	1513.64	The membership and capital data was on the date of 24/11/11
3	Koke	Establishment	172	2	174	0	58,980.00	0	Established in 1975
		Re- Organization	1000	43	1043	499.43	438,846.87	644.06	Re- Organization year was in 1999
		Current Time	966	97	1093	28.74	3,002,527	4346.69	The membership and capital data was on the date of 24/11/11
4	Dumerso	Establishment	NA	NA	NA		NA		Established in 1975
		Re- Organization	127	9	136		NA		Re- Organization year was in 2003
		Current Time	301	16	317		30,318		The membership data (in 24/11/11). The capital data (in 16/09/2008)
5	Haru	Establishment	50	0	50	0	79,500	0	Established in 1975
		Re- Organization	740	42	782	1464	3,106,1499.47	3897 1.07	Re- Organization year was in 1998
		Current Time	**762**	**63**	**825**	**86**	**NA**	**NA**	**The membership data (in 24/11/11) The capital data (in 19/09/2008)**

Source: Coffee Cooperatives Coordination Office, 2011

2. Share Capital and Registration Fees of Sample Cooperatives

Accountants and managements of cooperatives and lesser facts and figures of the societies demonstrate that until now all societies did not issue added shares than the initial one. Even there is a problem of making members pay the share worth properly. If the cooperatives pursue the right method postulated in the by-laws, the currently handed out portions at times of establishment will not be adequate for the last thirty-five or six years (1975 to 2011) but they do. This suggests that there is a problem of management of portions. Except Konga, the remaining cooperatives' cost of one share was alike throughout establishment (br 10) and at present (br 100). Although, Konga sold each share for bar 12 and bar 107 throughout the establishment and present time respectively as it was economically better society. The price of shares is very resolute randomly not by applying the basic formula of share value = Capital/ No. of constituents. The greatest and minimum figures of portions to be bought by an individual member were 10 and 1 respectively. Here the societies incorrectly understood the by-laws declaration that says greatest shareholding by each constituent is restricted to 10% of paid up share. Although, they change 10% to 10 shares. Registration fees very resolute by all cooperatives were less than 10 br.

Table 3. Share Capital and Registration Fees of Sample Cooperatives

Name of CCSs	Amount of authorized shares	Sold	Unsold	Price of one share		Number of shares to be purchased by a member		Registration Fee	
				At Time Of Establish.	At Present	Max	Min	At time of Establish.	At present
Konga	15,000	11,040	3,960	12	107	10	1	2	6
Hafursa	2,000	1,068	932	10	100	10	1	2	5
Koke	4,000	3,096	904	10	100	10	1	2	6
Dumerso	N/A	N/A	N/A	10	100	10	1	2	10
Haru	6,000	1,081	4,919	10	100	10	1	1	2

Source: Yirgacheffe Marketing and Cooperative Office, 2011

3. Borrowings

As it is conspicuous for all, cooperatives face a problem of a lack of investment since their bases are very feeble and formed by poor peoples. Thus, at the time of conducting their business they face a problem of money if to run the procedure or fee for its employees. At the end, their only choice could be to go to lending economic intermediaries and its partnering associations i.e. Banks, Cooperative Unions, and Microfinance Institutions even though these institutions did not permit the required allowance. This was mostly due to three important causes; the need of collaterals to be supplied by cooperatives, incapability to pay the previous liabilities and mostly cooperatives in that woreda were not audited by external auditors. As statistics of the societies displays only 1/4th of the required allowance was consigned by financing intermediaries. Mostly the objectives of borrowings could be to buy fresh cherry (coffee), repaired assets, evolve tasks and for expansion and communal involvement reasons.

Typically, the sample cooperatives were obliged investment was located from financial Bank of Ethiopia, Development Bank of Ethiopia, Yirgacheffe Coffee Farmers Cooperative Union (YCFCU), Leta Micro Finance, and country investment. In addition, Abyssinia, soaked, and Dashen banks were cooperating in moving fair trade premiums. As demonstrated in Table 4 gigantic allowance of cash was circulated between borrowers (financial intermediaries) and scrounging organizations, cooperatives.

Table 4. Borrowings of Sample Cooperatives

Year	Name of Cooperative Society											
	Konga		Hafursa		Koke		Dumerso			Haru		
	Creditors/Amount		Creditors/Amount		Creditors/Amount		Creditors/Amount			Creditors/Amount		
	CBE	YCFCU	DBE	YCFCU	CBE	YCFCU	CBE	YCFCU	Leta Micro Finance	CBE	YCFCU	Rural Finance
2005	2,416,330	NA	NA	NA	1,400,000	150,000	840,000	100,000	-	597,200	100,000	-
2006	NA	NA	NA	NA	-	1,241,600	1,054,500	1,054,500	-	-	625,000	-
2007	NA	NA	NA	NA	-	754,865.80	981,920	981,920	-	-	675,000	-
2008	NA	NA	3,000,000	NA	2,605,367	38,022	618,000	618,000	-	-	529,000	500,000
2009	2,482,320	-	3,000,000	NA	1,991,592	259,750	-	-	-	-	505,091	-
2010	3,215,837	1,951,497.10	3,000,000	NA	2,630,000	2,630,000	1,876,526.02	1,820,526.02	56,000	-	-	-
2011	3,704,288	2,900,000	3,985,000	1,817,229.75	3,288,845	969,919.78	1,738,000	1,738,000	-	-	2,194,872.95	-

Source: Coffee Cooperatives Coordination Office, 2011

RECOMMENDATIONS

Founded upon the outcome of the study, the following recommendations are forwarded.

- Creditors, the major suppliers of cooperative investment, have to provide the required allowance of credit at the right time and location.
- GOs and NGOs have to extend their economic carries to the cooperatives more than other times as cooperatives function becomes magnified
- The advancement office of the woreda has furthermore play credit provision facilitation functions overhead the promotional, manpower teaching and carrying out of researches for Coffee Cooperative Societies.
- The cooperatives themselves on their hand have to enlarge their enterprise procedures geographically and capacity of transacting and correctly handles the share capital equity.
- May be in the long run if cooperative banks established, it will determine financial problems

CONCLUSION

Coffee Cooperatives discovered to be one of the most effective but disputed rural-centered organisations which are cooperative in advancing the economic inhabits of their members through endowing patrons to generate earnings, employed under their societies, benefited from bonus and fair-trade premium (converted in to infrastructural facilities), trading their make in a better market for reasonable charges and advancing the production and productivity of little holder ranchers which at the end influences on a bit increment of their assets. regardless, there is still much more to be finished in the future in alignment to maximize the cooperatives' financial promise to make a distinction on constituents' livelihood. To this end, all available assets of cooperatives will have to be mobilized and deployed without any further delay.

The presentation analysis of the cooperatives signify that all the experiment cooperatives were: accomplishing underneath the lenders anticipations or below the commerce standard, highly dependent on creditors' finance, the sales of cooperatives were more (>85%) funded by the suppliers, and they were money-making in the last two accounting periods but the profitability need to be boost more than this to lift its economic capacity and to satisfy cooperative members.

1. *Bezabih, E., 2009. Cooperatives a Path to Social and Economic Empowerment in Ethiopia. [Pdf]. ILO Publications, CoopAFRICA Working Paper No. 9. Available at: http://www.ilo.org/public/english/employment/ent/coop/africa/download/wpno9cooperativesinethiopia.pdf [Accessed on November, 2011].*

2. *Coffee Cooperative Societies Coordination Offices, 2011. Payroll Journal Entries for Wages and Salaries. June, 2011; Yirgacheffe, Ethiopia.*

3. *Demeke, T., 2007. Performance of Coffee Marketing Cooperatives and Members' Satisfaction in Dale District, Southern Ethiopia. MSc Thesis. Ethiopia: Haramaya University.*

4. *Edward, F.M., nd. The Role of Cooperatives in Development. .[Pdf]. Cooperatives Commission, MTTI, Uganda. Available at: http://www.mtti.go. The%20Role%20of%20Cooperatives%20in%20Development.pdf [Accessed on February, 2012].*

5. *Federal Cooperative Agency (FCA), 2008a. Cooperative-Annual Magazine – July 2008, Federal Cooperative Agency, Addis Ababa.*

6. *Kodama, Y., 2007. New Role of Cooperatives in Ethiopia: The Case of Ethiopian Coffee farmers Cooperatives. African Study Monographs, Institute of Developing Economies, IDE-JETRO Series, Suppl.35: 87-108. Available at: htt://jambo.africa.kyoto-u.ac.jp/kiroku/asm suppl/abstracts/pdf/ASM s35/4KODAMA.pdf [Accessed on April, 2012].*

7. *Yirgacheffe Coffee Farmers Cooperative Union, 2010. Broacher on YCFCU and Yirgacheffe Coffee Cooperatives and Small-holder Producers. [Broacher] January 2010 ed. YCFCU.*

8. *Yirgacheffe Woreda Marketing and Cooperative Office, 2011. Annual Report of the Cooperative Department. Yirgacheffe, Ethiopia*