

**MEMBER OWNERSHIP AND DEMOCRATIC SUSTAINABILITY IN
PRIMARY AGRICULTURAL MARKETING CO-OPERATIVE SOCIETIES
IN TANZANIA: A CASE STUDY OF BUKOBA AND MOSHI DISTRICTS**

BY

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**A THESIS SUBMITTED IN FULFILMENT OF THE REQUIREMENTS FOR
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ABSTRACT

In Tanzania, member ownership in primary Agricultural Marketing Co-operative Societies (AMCOS) is imperative to ensure democratic sustainability. Various efforts have been made to ensure primary AMCOS are governed by democratic practices which are based on member owned practices. But such democratic sustainability is still far from being realised. The general objective of this study was to analyse member ownership factors that influence AMCS practice in Tanzania to attain democratic sustainability of these member owned institutions. The specific objectives were to: examine members' participation in decision making, examine the accountability of the board and management to members, determine internal and external interfaces which promote co-operative sustainability and determine members' views on factors for AMCOS sustainability. A cross-sectional design was used whereby 400 AMCOS members were selected from ten primary AMCOS of Bukoba and Moshi Districts from September 2015 to February 2016. The study used primary data which were collected through a household survey, focus group discussions and key informant interviews, while documentary review was utilized to collect secondary data. The findings revealed that, on members' participation in decision making, members were found not fulfilling their membership legal obligations, which conflicts with ownership status. The rights of members to engage in decision making were found to be limited. About accountability of the board and management to members, they were more accountable to the Union in Bukoba District primary AMCOS as compared to Moshi District where they were more accountable to members. The findings on AMCOS sustainability revealed that understanding of the members on the roles of board and functions of managers was low. Furthermore, members' views on chances of democratic sustainability revealed that the democratic sustainability would happen for years to come and AMCOS

members had a good hope in their organisations. The study concludes that the democratic practice systems that entail accountability in primary AMCOS are the factors that make members to own their institutions. Also, the study concludes that absence of managerial accountability to members guided by policies, laws and regulations is an important component limiting members' ownership of AMCOS; these governing instruments are not adhered to by members, Boards, managers, government and other co-operative stakeholders. Also, members' views on projecting democratic governance availability indicated a future hope for existence of a sustainable AMCOS; the study concludes that employing tangible strategies for primary AMCOS democratic sustainability is important in order to build existence of sustainable member owned society. Among other things, the study recommends education to be provided to members so that they can increase their level of ownership capacities when participating in different decision making sessions. The study also recommends that the democratic sustainability of primary AMCOS will be achieved if members participate fully in creating solutions to their challenges and become part of strategic implementation; this will increase co-operative society ownership which is governed by members.

DECLARATION

I, **Gratian Cronery Rwekaza**, do hereby declare to the Senate of Sokoine University of Agriculture that this thesis is my own original work done within the period of registration and that it has neither been submitted nor being concurrently submitted in any other institution.

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DEDICATION

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ABBREVIATIONS

AMCOS	Agricultural Marketing Co-operative Societies
ASDP	Agricultural Sector Development Programme
ASDS	Agricultural Sector Development Strategy
BC	Before Christ
BCU	Bukoba Co-operative Union
BDCB	Bukoba District Coffee Board
CEO	Chief Executive Officer
COASCO	Co-operative Auditing and Supervision Company
CRMP	Co-operative Reforms and Modernization Programme
DAICO	Department of Agriculture, Irrigation and Co-operatives
DTI	Department of Industry and Trade
FDI	Foreign Direct Investment
FGDs	Focus Group Discussions
FGP	Farm Gate Price
G32	Giant 32
ICA	International Co-operative Alliance
ICT	Internet Computing Technology
ILO	International Labour Organization
IOFs	Investor Oriented Firms
IP	Intellectual Property
ISS	Index Summated Scale
KAEMP	Kagera Agriculture and Environment Management Programme
KCBL	Kilimanjaro Co-operative Bank Limited
KNCI	Kilimanjaro New Co-operative Initiative
KNCU	Kilimanjaro Native Co-operative Union
KNPA	Kilimanjaro Native Planters Associations
MEMCOP	Member Empowerment in Co-operatives
MoCU	Moshi Co-operative University
MRA	Multiple Response Analysis
MUCCoBS	Moshi University College of Co-operative and Business Studies
NA	Not Applicable
NCBA	Co-operative Business Association
NGA	Native Growers Associations
NGCs	New Generation Co-operatives
NGOs	Non-Governmental Organisations
NIE	New Institutional Economics
NMB	National Microfinance Bank
PhD	Doctor of Philosophy
PORALGE	President's Office Regional Administration and Local Government
R&D	Research and Development
SCCULT	Savings and Credit Co-operative Union League of Tanzania
SIDO	Small Industries Development Organization
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
TACRI	Tanzania Coffee Research Institute
TBS	Tanzania Bureau of Standards
TCB	Tanzania Coffee Board
TCDC	Tanzania Co-operative Development Commission
TCDF	Tanzania Coffee Development Fund

TFC	Tanzania Federation of Co-operatives
TIB	Tanzania Investment Bank
TRA	Tanzania Revenue Authority
TTCA	Tanzania Tobacco Co-operative Apex
TZS	Tanzanian Shilling
UN	United Nations
US	United States
USD	United States Dollar
VAT	Value Added Tax
WERECU	Western Region Co-operative Union

CHAPTER ONE

1.0 INTRODUCTION

Co-operatives as self-help organisations require a member ownership mechanism that mainstreams democratic practices which are sustainable. This chapter presents the background to co-operatives development through a deductive a strategy. It also describes the statement of the problem. Moreover, it describes the situation of co-operatives in Tanzania and efforts made to develop the co-operative sector. It also describes the study significance, delimitations and organisation of this thesis.

1.1 Background to the Study

Globally, the importance of a co-operative as a member owned social and economic institution is recognized; the emphasis is placed more on importance of building institutions that are owned by members at the grassroots level (ICA and ILO, 2014; Qiao *et al.*, 2012; Zheng *et al.*, 2012; Chambo and Dyamet, 2011; Ravensburg, 2009; Maghimbi, 2006). Co-operative democracy plays a key social function in the co-operative organization that helps to enhance economic relations that govern member owned firms. Ideally, co-operatives ensure a balanced development of the financial-economics and social needs of member's (Baka, 2013). Accordingly, Ravensburg (2009) noted that co-operatives as member owned and democratically controlled institutions play major roles of stabilizing and enhancing members' financial growth. He noted that co-operative member ownership and democracy have proven to be highly effective as a mechanism to empower citizens over the course of nearly 150 years in several Western European countries, North America, Asian tigers, India and in some African countries.

The International Co-operative Alliance (ICA, 2005) and International Labour Organization 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 and ILO, 2014; ILO, 2002). The ownership component in co-operative governance is a key aspect for having a democratic institution. According to Sacchetti and Tortia (2012) and Odera (2012), in co-operative organisation, a member has the triple functions which are member owner, member controller and member user. This demonstrates that members are key shareholders in governing co-operative organizations. Therefore, the ownership of co-operatives is through a democratic process as indicated by ICA (1995) on co-operative principles and values.

ICA (1995) provides seven co-operative identities and principles; one of them (the second one) is democratic member control. According to this principle, co-operatives are democratic organizations controlled by their members who actively participate in setting their policies and making decisions. The elected representatives or employed are accountable to the members who are the owners of the co-operative society. The democratic member control and ownership in co-operatives is manifested through the use of annual general meetings and representation by elected members (Anderson and Henahan, 2005). According to Munkner (1993), this has been the global setting on how co-operative enterprises are managed. Another principle, the fourth one, is about autonomy and independence whereby co-operatives are autonomous, self-help organizations controlled by their members. When co-operatives enter into agreements with other organizations including governments and other stakeholders, the members should maintain their co-operative’s autonomy.

The aspects of defining ownership and democratic control in co-operatives have been a global debate especially on co-operative democratic governance (Banturaki, 2012; Kaleshu, 2012; Fahlbeck, 2007; Roe, 2003). Essentially, a co-operative is a user-owned and user-controlled business which distributes benefits equitably on the basis of use or patronage (Wanyama, 2009). This indicates that a co-operative is a member owned enterprise which requires a democratic decision making mechanism to accommodate the majority's consensus of sharing the co-operative benefits. The co-operative theory provides that working together, through democratic processes, is done to assist the realization of higher returns than what individuals would decide to market independently (Österberg *et al.*, 2007). This brings the necessity of the formation of a co-operative.

Co-operatives self-regulation has attracted global focus whereby members' democratic control and ownership play major roles in governing the co-operatives (Jussila *et al.*, 2012). Rwekaza (2012) and Chambo (2007) agree that, in most countries, co-operative movements expect government action on regulation, while the focus of the world is towards self-regulations which calls for member owned regulation of their co-operatives. In co-operatives which are member owned, members understand their rights through their democratically established legal framework (Chambo, 2011).

The democratic sustainability in co-operatives is striving to build future aspirations of members using a democratic system which is built on member owned decisions to meet the needs of the present generation without compromising the ability of future generations' needs (Fahlbeck, 2007).) The democratic sustainability of members in co-operatives is still lacking due to absence of effective members' participation and

control in making co-operative decisions. When a co-operative lacks democracy it affects the ownership status of members and *vice versa*.

Co-operatives originated in Europe and spread to other industrializing countries during the late 19th century as a self-help method to counter extreme conditions of poverty (Roe, 2003; Hoyt, 1989). However, one development that probably had the greatest singular impact on determining agricultural co-operatives with unique operating principles was the formation in 1844 of the Rochdale Society of Equitable Pioneers Ltd. This was a consumer co-operative established in Rochdale, England, by a group of workers representing various traders who formulated a set of basic operating rules based on a two-year study of co-operatives, including some that had not been successful. The co-operatives' objectives were to address members' needs for better housing, employment, food, education and other social requirements. In these establishments, members' needs were addressed through the established principles and values that directed member service attainment using democratic processes.

According to Maghimbi (2010), Chambo (2007), and Ingalsbe and Groves (1989); the development of co-operatives in Europe and America over time has been shaped by many factors and influences; the factors have been grouped into three main types, which are interrelated: Firstly, economic conditions caused by war, depression, technology and government economic policy; secondly farmer organizations including quality of their leadership, their motivation and enthusiasm to promote co-operatives, power to influence public policy; and thirdly public policies made based on government interests, legislative initiatives, and judicial interpretation. Crop (2002) contends that, in the United States (US), agricultural co-operatives became

strong in the 1980s when AMCOS became a significant force in agriculture and from that time democracy and member participation have become noticeable; AMCOS play an increasing role in influencing national agricultural policies.

In the third world countries, despite the fact that there are co-operative principles, values and ethics provided by ICA (1995), for most co-operatives the ownership and democracy are still in the hands of free riders (Sizya, 2001). These are members who are not interested in co-operative members' objectives; they rather use co-operatives as stepping stones to achieve their personal missions. In examining the ownership in third world countries co-operatives, the position of ownership is based on historical imprints (Develtere *et al.*, 2008). It is based on the imposed nature of co-operatives that was adopted from the colonialists. The colonial co-operatives were established not for members, but to serve the interests of the colonialists (Wanyama, 2009). In these co-operatives, members' democracy and ownership were side-lined in the processes of co-operative governance and co-operative development.

In developing countries, the attempts to organize farmers in co-operatives that are member owned whose decision use democratic systems have been facing democratic practice challenges, although co-operatives have the potential to supply farm inputs and market farm products that are important for agricultural development (Auka and Mwangi, 2013; Nuwagaba, 2012; Hoyt, 1989). According to Akwabi-Ameyaw (1997), in Africa, farmer co-operatives face the challenge of member participation and absence of leadership accountability to members (that is moral hazard) leading to financial irregularities.

In Africa, co-operatives, especially primary AMCOS, have not fully developed strategies to tap ownership and democracy to their members (Birchall, 2011; Gardebreek, 2010). What the countries have are haphazard policies, which do not really reflect the importance of member ownership and co-operative institutional democracy to enhance co-operative sustainability growth of African AMCOS. National programmes have been developed with the aim of increasing member driven strategies and participative activities by means of reforms, but these have proven to be not feasible or are disappointing (Kaleshu, 2012; Lucky, 2011). There are numerous management long-term training programmes that have been developed to strengthen marketing, and managerial skills, but these do not constitute member ownership capacity and democratic practices on decision power required from members. According to Pinto (2011), Mhando (2005) and Baffes (2005), the decision has remained to be controlled by the co-operative unions and state machinery through ministry and co-operative departments in most agricultural co-operatives.

In Tanzania, co-operatives were initially initiated by coffee growers in 1925 when the Kilimanjaro Native Planters Associations (KNPA) in Kilimanjaro Region and the Native Growers Associations (NGA) in Bukoba were formed in the 1930s to market their coffee (Seimu, 2017; Birchall and Simmons, 2010). The ownership of those associations was in the hands of members who formulated them to evade colonial exploitation on coffee marketing. KNPA was registered as Kilimanjaro Native Co-operative Union (KNCU) in 1933 under Co-operative Legislation of 1932, and KNCU did not change its name despite the policy and legal reforms. The ownership of co-operatives as well as democratic process was practised following the co-operative legislation which was made by the colonial government. Therefore, it did not provide much room to exercise democratic rights to co-operative members.

Similarly, with effect of Native Coffee Ordinance (Control and Marketing) (1937), Bukoba District Coffee Board (BDCB) was formed under General Notice No. 329 of April 1941; it was made to regulate co-operatives on marketing coffee whereby the democratic practice to members was controlled by the board. In 1950, the Bukoba Native Co-operative Union was formed and registered as Bukoba Co-operative Union (BCU) that had the same status on members exercising their democratic rights of ownership which was practised under colonial laws. Other co-operative societies were established including Ngoni-Matengo Co-operative Marketing Union in 1936 and Bugufi Coffee Co-operative Society in 1936 in Ngara (Seimu, 2017; Kihemba, 1977; Bomani, 1960). In 1950, Bukoba Co-operative Union (BCU) was registered in the current Kagera Region (then called Western Lake Region). However, in 1968, the Co-operative Act directed all the co-operatives in each region to have one co-operative Union, which contravened the International Co-operative Alliance (ICA) principles of democratic practice. With that Co-operative Act (1968), the government regional political boundary was extended to dictate the welfare of co-operative societies; member democratic decisions in determining who should be a member were dictated by the government basing on regional administrative boundaries.

In 1974, Western Region Co-operative Union (WERECU) was formed (Seimu, 2015; Maghimbi, 2007). Moreover, the village Act of 1975 designated a village as a co-operative entity, but this was contrary to co-operative principles on member democratic participation whereby each member in a village with 18 years was a co-operative member (Meghji and Tarimo, 1992). The Villagisation Policy implemented destructed the community settlement whereby people lost their farms due to shifting of residences to socialist (*ujamaa*) village in the early 1970's; this limited members capacity and right to exercise rights of land ownership whereby crops of primary

AMCOS members were grown. Similarly, members were forced, as long as the citizens were at least 18 years old, to become members of a co-operative society (Seimu, 2015; Rwekaza and Nko, 2012; Maghimbi, 2007; Maghimbi, 2010; Kimario, 1992). As from 1968 when the Co-operative Act directed all the co-operatives to be established basing on regional administration until 1975, co-operatives became giants and more powerful to the extent that they were competing with the government in terms of service delivery, and they had more citizens acceptance. The high co-operative capacity and competition with the Government led to banning of the co-operative Unions in Tanzania in 1976 (Seimu, 2015; Maghimbi, 2010; Mhando, 2005; Kimario, 1992). In 1976, WERECU and KNCU were abolished, and their assets and operations were taken by coffee boards. This further indicates more government intervening co-operatives and more government control over co-operatives that contravened member ownership and democratic right.

Furthermore, in 1982, a Co-operative Act was established to respond to economic decline as a result of Uganda-Tanzania war damages. Co-operatives were brought back but members' assets and documents were lost. Using co-operatives as a socio-economic mitigation, WERECU was re-established under the new name of Kagera Co-operative Union (KCU), which was registered in 1986 with 178 primary societies that had about 75,000 members (Seimu, 2017). In Kilimanjaro, apart from AMCOS being affiliated to KNCU, some primary AMCOS operated through a network to conduct their activities (Rwekaza and Mhihi, 2016; Birchall and Simmons, 2010). The prominent AMCOS network that existed was Kilimanjaro New Co-operative Initiative (KNCI) which was established in 2010. It was formed due to the increase of member participation in deciding their primary AMCOS coffee business marketing operation in reaction to the failure of KNCU. KNCI is a Joint venture

which was famously known as G32 with its members being primary AMCOS marketing coffee in Moshi District; members of KNCI are also members of KNCU. The member democratic process of making independent decisions established another secondary tier after the failure of the existing KNCU (Sumelius *et al.*, 2016); the establishment of KNCI indicates more member ownership in decision making and exercise of democratic rights. The KNCI members were sporadic since some primary AMCOS sometimes sold their coffee to private buyers and used KNCU or exported coffee directly without using KNCI. With all these changes in co-operatives, member ownership and democratic practice were facing challenges.

The co-operative democratic situation in Tanzania was discussed by Urio (2011) and Kahama (2002) who argued that the co-operative democratic practices in the Tanzanian legal framework is affected by Co-operative Policy, Acts, Rules and Regulations that provided the system of governance where members use agents to govern their institutions. Meghji and Tarimo (1992) confirm that Tanzania is among the third world countries where the co-operative legal framework makes it difficult for co-operative members to realize their ownership rights in governing their co-operatives with consistency and purpose for which they were established. The Tanzanian co-operative legal framework has passed through different changes in different time periods as from independence to date. Among these changes are the Co-operative Act of 1968, the Co-operative Act of 1974, the Co-operative Act No. 14 of 1982, the Co-operative Act No. 15 of 1991, the Co-operative Act No. 20 of 2003 and the Co-operative Act No. 6 of 2013 (Wakuru 2016). These changes did not reflect members' ownership of their co-operatives as expected. However, another change was experienced in the change of co-operative department in different ministries from the colonial era up to date, and these changes have caused co-

operatives to lose common understanding on which ministry should be responsible for developing the co-operatives sector.

Ownership of agricultural marketing co-operatives in Tanzania is reflected in the formation of co-operative societies during the annual general meeting and during selling of agricultural produce. In such conditions it will be difficult for primary co-operatives to attain democratic sustainability (Wanyama, 2009). Rwekaza (2012) describes the aspect of member ownership in a primary AMCOS as a situation whereby members continue to be affected by decision making processes because members have little control over their primary AMCOS governance. Members have remained members by service whose right is on residual price of their produce sold. The democratic practice in the primary AMCOS is affected by the situation of absence and limited awareness of rights and responsibility of members to demand for accountability from board of directors and co-operative staff.

There have been a number of studies done on member ownership for co-operative development (Likwata and Venkatakrishnan, 2014; Dale *et al.*, 2013; Maghimbi, 2010; Österberg *et al.*, 2007; Garnevskaja and Shadbolt, 2007) and ownership models (Costa, *et al.*, 2013; Birchall and Simmons, 2010; Leiponen and Byman, 2009; Ortmann and King, 2007). However, studies that address member ownership in the governance of primary agricultural co-operatives using the democratic practices in Tanzania are inadequate. Available information does not specifically address how the AMCOS's member ownership have an impact on the democratic sustainability) of these co-operative societies. Similarly, co-operatives experience absence of democratic governance that leads to absence of member ownership in the co-operative institutional governance. The study on which this thesis is based aimed to

assess the democratic control and member ownership for AMCOS sustainability in Bukoba and Moshi.

1.2 Statement of the Problem

Theoretically, ownership of primary Agricultural Marketing Co-operative Societies (AMCOS) should play a major role to ensure democratic sustainability. Members in the primary AMCOS are the principal owners, whereby member ownership is practised based on democratic processes established in the co-operative legal framework. ICA (1995) provides co-operative principles which perpetuate co-operative democratic practices using member owned strategies that entail a democratic process. Basing on ICA principles, Tanzania Co-operative Policy 2002 and Tanzania Co-operative Society Act 2013 stipulate that co-operatives shall operate within legal frameworks and policies that provide how best the primary AMCOS should be governed. However, absence of member ownership which is manifested through democratic practice has been constraining primary AMCOS sustainability; members have not realised their ownership rights.

Diverse efforts have been made to ensure primary AMCOS embark on member ownership by enhancing democratic practices; efforts such as implementation of Member Empowerment in Co-operatives (MEMCOP) (2000-2005) aimed at empowering members to have a voice in co-operative decisions. Also, there was an attempt to implement Co-operative Reforms and Modernization Programme (CRMP) (2005-2010) (that remained a blueprint under the Ministry of Agriculture and Co-Operative Development) which aimed “to initiate a comprehensive transformation of co-operatives to become organizations which are member owned and controlled competitively, viably, sustainably and with capability of fulfilling member economic

social needs”. Also, Tanzania Co-operative Development Commission (TCDC) was establishment with the aim to increase viable co-operative institutions which are member owned and democratically governed. Furthermore, the establishment of KNCI which is a result of members’ effort to respond to the failure of KNCU in managing primary AMCOS crop business was established. With these strategies and programmes in place, still the ownership and democratic practice among primary AMCOS in Tanzania has not been realised as expected. On the other hand, there is lack of empirical knowledge on the practice of member ownership and democratic sustainability. Therefore, the study on which this thesis is based aimed at examining member ownership and democratic control in primary Agricultural Marketing Co-operative Societies (AMCOS) in Tanzania, basing on primary AMCOS of Bukoba and Moshi Districts.

1.3 Study Objectives

1.3.1 General objective

The general objective was to assess member ownership factors that influence democratic practice for the sustainability of primary Agricultural Marketing Co-operatives Societies (AMCOS) in Tanzania.

1.3.2 Specific study objectives

1. To examine members’ democratic participation in decision making in AMCOS.
2. To examine the accountability of the board and management to members in AMCOS.
3. To determine internal and external interfaces which promote AMCOS sustainability.

4. To assess members' views on factors determining democratic control in AMCOS.

1.4 Research Questions

The study was guided by the following research questions:

1. What factors hinder democratic participation in decision making in primary AMCOS?
2. What mechanisms facilitate the accountability of the board and management to members in primary AMCOS?
3. To what extent does internal and external interface promote primary AMCOS sustainability?
4. What factors explain success or failure of member ownership in enhancing democratic sustainability in primary AMCOS?

1.5 Significance of the Study

Member ownership and democratic sustainability in primary agricultural marketing co-operatives in Tanzania has scantily been addressed by literature; this thesis contributes to the existing empirical information on member ownership and democratic sustainability of primary co-operatives. Ideally, primary co-operatives have to be owned by members who are the principal owners, and these owners have to govern these institutions democratically and such governance should be sustainable. The Principal Agency Theory that explains members to delegate the governance of their primary AMCOS leads to absence of member ownership since members do not have capacity to manage the agents. This thesis fills in this gap by providing empirical evidence on areas of member ownership and democratic practice factors that add to the body of knowledge and empirical literature. Also, the study findings presented in this thesis are of great significance to academicians, policy

makers and policy analysts for understanding of member ownership and democratic control/practice in AMCOS.

The study also contributes to the theories that were used in this study, particularly the Principal Agency Theory, Stewardship theory, Stakeholder theory and Contingency Theory. All these theories assume that members in co-operative societies have met the legal requirement to allow shareholder commitments to their co-operative societies. The thesis has developed understanding on the applicability of these theories in the Primary AMCOS by enhancing areas of member ownership and democratic practice in enhancing institutional sustainability. These theories guided the study in such a way that primary AMCOS to operate member legal fulfilment is among the key components to allow shareholder (members) to practise their democratic rights and build sustainable primary AMCOS.

As the Government of Tanzania proceeds with Agricultural Sector Development Programme (ASDP) (2005-2025) that was a result of Tanzania Agricultural Sector Development Strategy (ASDS) (2001), the findings reported in this thesis add a significant contribution in the implementation of the programme. Primary AMCOS will benefit from the strategic options that are in agricultural development agenda by increasing capacity of ownership in their co-operative societies. The strategy indicates that the agricultural sector, by 2025, shall be modernized, commercially highly productive and profitable, and utilize natural resources in a sustainable manner. Member ownership in primary AMCOS and ASDP are closely related based on ASDP functional roles that also benefit members of primary AMCOS. The ASDP strategic issues which include strengthening the institutional framework, creating a favourable environment for commercial activities, clarifying public and private

sector roles in improving support services, strengthening marketing efficiency for inputs and outputs, and mainstreaming planning for agricultural development in other sectors can also be guided by this study. Primary AMCOS that deal with grassroots farmers can use the co-operative model to utilize all these strategic issues since co-operatives are democratic institutions which are managed by members.

The study is in line with the Tanzania Development Vision 2015, especially on the four components of high quality livelihood, good governance, a well-educated and learned society and a strong competitive economy. The development vision that the country inspires will become possible through the use of co-operative societies that are based on member owned systems and that are governed democratically.

1.6 Delimitations of the Study

The thesis is based analysing of member ownership factors in primary Agricultural Marketing Co-operatives Societies (AMCOS) that influence the practice of democratic control of these member owned institutions. Ownership and democracy is used as a component of institutional governance. These institutional governance concepts were examined basing on the primary co-operative practice and in the Tanzanian context.

The primary co-operatives studied were those dealing with coffee business marketing in Bukoba and Moshi Districts, and the selected primary AMCOS were rural based. The selection of these primary AMCOS was based on the fact that they were members of the Unions where data of their existence were obtained. Therefore, co-operative departments in Bukoba and Moshi District were used to reach the studied primary AMCOS.

In analysing the practice of member ownership and democratic control in these AMCOS, Principal Agency Theory was used as it fits to the modality of their business operation. These include members being the principal owners and board being the agent. However, other theories that were used were due to extension of understanding of different variables such as ownership, participation, accountability and democratic practice of members in their primary AMCOS.

The study was conducted in two districts that are Bukoba in Kagera Region and Moshi in Kilimanjaro Region. These two districts are mainly inhabited by the Haya ethnic group in Bukoba District and the Chagga ethnic group in Moshi District. However, the study was not comparing Primary AMCOS ownership and democratic sustainability by looking into these two dominant ethnic groups rather into the practice of ownership and democratic control of primary AMCOS. The inclusion of the ethnic groups in the studied areas was for validation of the information.

The studied primary AMCOS operated their businesses through their Unions and marketing members' produce. The Unions included KCU in Bukoba District and KNCU and KNCI in Moshi Districts. The study was based on assessing member ownership and democratic practice at the primary AMCOS. The study did not intend to assess ownership, democratic practice and the performance of their presided Unions where primary AMCOS studied were the members.

1.7 Organisation of this Thesis

The thesis is organized in five chapters each addressing a specific aspect of the study. The first chapter presents the background to the study covering the problem

statement, objectives and justification of the study. The second chapter provides a review of literature specifically, co-operative definition, democracy and democratic sustainability, co-operative theory and member ownership as well as Agricultural Marketing Co-operative Societies. On the other hand, the chapter presents theoretical literature review and empirical literature from previous related studies on different variables of member ownership and democratic sustainability in AMCOS. Furthermore, the chapter presents the conceptual framework that defines different variables that were used in the study. The third chapter presents the methodology, including the description of the study area, sampling design, data collection tools, and data analysis techniques used. Also, reliability and validity of the data are presented as well as research ethics. The fourth chapter presents the findings and discussion on members' participation in decision making, accountability of the board and management to members. Also, internal and external interfaces which promote co-operative sustainability and members' views on factors for AMCOS sustainability are presented. This chapter is followed by chapter five which presents the conclusions and recommendations which emanated from the findings of the study.

CHAPTER TWO

2.0 LITERATURE REVIEW

This chapter presents literature review sections. The first section (2.1) comprises definitions of key terms whereby the key concepts are defined conceptually. Also, the section presents the theoretical literature review where by the Principal Agency Theory (PCA) was the dominant theory used in this thesis. On the other hand, empirical literature review; studies related to member ownership and democratic sustainability are analysed based on the extent to which they explain the existing knowledge in the context of member ownership and democratic practice. Lastly, the conceptual framework that presents the relationships between member ownership and democratic sustainability are presented in this chapter.

2.1 Definitions of Key Terms

2.1.1 Co-operative theoretical definitions

Cooperation and co-operative theory was described by Groves (1985) that, co-operation is viewed as an association of a number of persons for their common benefits, collective action in pursuit of common well-being. Cooperation implies doing things together that can't be accomplished very well alone. Cooperation also implies that nothing is really impossible if people pool efforts and resources together to accomplish a certain task, there since their togetherness helps in doing what cannot be done individually (Adu, 2014; Wanyama, 2009). The cooperation theory gives the basis for co-operative theory; the co-operative theory added the component of universal co-operative principle and ethical values (Birchall and Simmons, 2010; NCBA, 2005). The study used cooperation as a system of working together whereby

people pool together their efforts to solve socio-economic problems that seem to affect the community goal attainment.

According to sociologists, a co-operative is an instrument for establishing social harmony through removal of class struggle (Osterberg and Hakelius, 2007). Economists are of the opinion that co-operative is a means of countering the exploitation of weaker sections by conferring on them a better economic status (Nakkiran, 2006; Cornforth, 2004). According to Jussila *et al.* (2012), in a legal sense, co-operation signifies special privileges and concessions conferred by law on its members. The major policy decision is based on one-member, one-vote principle, regardless of each member's investment in the co-operative. In attaining surplus, co-operatives return surplus income to members in proportion to their use or patronage, not proportionate to investment or ownership share (Cornforth, 2004). The study adopted the definition of a co-operative by ICA (1995) that a co-operative is "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" as the meaning provides cuts across all the prerequisites of the co-operative concept.

2.1.2 Democracy and democratic sustainability in co-operatives

Different writers have constructed their thought about democracy and citizen democracy. According to Manfred (2005), democracy as a thought started more than 2400 (BC) years in ancient Greece. The word "democracy" means "rule by the people"; while this definition tells us that the democratic citizens govern their nation basing on majority decisions. It explains how members of a certain institutions make decision regarding majority welfare. According to Keefer (2005) and Dryzek (2000),

democracy requires that each individual be free to participate in the political community's self-government. With that, co-operative societies were expected to empower members in exercising their democratic rights vested in their governing by-laws. According to Meyer (2011), the overall concept of modern democracy has three principal parts: "democracy, "constitutionalism," and "liberalism." With these components, members of the primary AMCOS have the rights to exercise their ownership through these parameters to apply their democratic decisions.

According to Meyer (2011), democracy entails components such as constitutionalism, popular sovereignty, the people in a democracy, democracy and equality, the common good, majority rule and minority rights, democracy and human rights, democracy and representation. These bring the meaning and different concepts embedded in democracy and most of the democratic items are used in agricultural marketing co-operatives and other forms of co-operatives. The concept of democracy also is defined in the UN (2005) report where some of the elements were presented in the UN General Assembly report; these were separation and balance of power, respect for the rule of law, accountability and transparency. The study used democracy as a system where by institutional decisions are made by the owners (members) and the decision is made based on majority rights.

Furthermore, sustainability has been defined by different scholars on different development perspectives. Harris (2003) defines sustainability on environment and development as a new paradigm in 1987. The presentation was in the World Commission on Environment and Development. He/she sought to address the problem of conflicts between environment and development goals by formulating a definition of sustainable development. He/she defined sustainable development as

development which meets the needs of the present without compromising the ability of future generations to meet their own needs. In that, primary AMCOS need to plan their development agenda based on members' needs without adversely affecting the future members in attaining their needs. Also, the economic perspective point of view of neo-classical economic theory, according to Harris (2003), sustainability is defined in terms of the maximization of welfare over time. Most economists have further simplified the definition by identifying the maximization of welfare with the maximization of utility derived from consumption. Anand and Sen (1996) likewise presented the standard economic theory where by efficient resource allocation should have the positive effect on maximizing utility from consumption. Basing on the economist definition of sustainability, primary AMCOS business management was based on looking for sustaining members' economic welfare by ensuring the future members' needs are attained.

Sustainability has also been defined by ecological writers such as Harris *et al.* (2001) and Reed (1997) Holling (1986, 1973) based on the resilience and stability of ecosystems. Unlike economists, whose definitions provide no upper bound on economic growth, ecologists are accustomed to the idea of limits. The sustainability is defined in terms of natural systems that exist with subject to the unyielding laws of thermodynamics, and the science of population. As population grows, production increases to cover the increasing demand of population. With that, members of the primary AMCOS, in order to be sustainable, were expected to grow as increasing demand in the production sector increases. In an ecological perspective sustainability must involve limits on population and consumption levels. Similarly, the social perspective defines sustainability basing on social the component of development as an essential part of the new paradigm (Holmberg, 1992). According to Anand and

Sen (1996), sustainability is defined based on “human development approach”; the issue of basic needs and equity is well grounded in the history of development economic theory. With that presentation primary, AMCOS are supposed to ensure basic needs and aspirations of the members are accessible as it is stipulated in the AMCOS objectives.

According to Wanyama *et al.* (2009), co-operative democratic sustainability is based on addressing the future well-being of members by using democratic systems of decision making and ensuring that member owned institutions are in place. In the principle of sustainable development, an aspect of intergenerational equity has become a cornerstone that is defined as the development that meets the needs of the present generation without compromising the ability of future generation to meet their needs (Fahlbeck, 2007). Birchall and Simmons (2004) describe that sustainability is when institutions faced intergenerational by externalities, in that context, the co-operative should try to achieve economic growth in such a way that it does not adversely affect future generations.

For the purpose of this study, democratic sustainability of AMCOS is a system of co-operative governance that meets member aspirations using democratic processes which are member owned to meet the present and future member’s needs. Thus, co-operatives are obliged to ensure members obtain these democratic aspects on their efforts to meet member’s objectives attainment.

2.1.3 Co-operative member ownership

A co-operative is a member owned firm initiated and governed by members. Co-operatives are differentiated based on different models. Since many years a co-

operative was used as an engine to unite the marginalised from oppression in the industrial capitalist firms (Trewin, 2004). These co-operatives operate with the use of theory guide as from Rochdale Pioneers in Manchester in 1844 with support of Robert Owen (Ortmann *et al.*, 2006). These principles were evolving and changing up to 1995 when ICA convention comes with seven co-operative principles (ICA, 1995). Hence, these principles, values and ethics are used by different co-operative organisational models in different states.

The traditional co-operative used ICA principles without taking into account the changing demand in business operations and management. In agricultural marketing co-operatives emerged different attributes that emerged in both traditional co-operatives and new generation co-operatives. In these entire member owned firms, the ownership right were reserved to members who controlled the co-operative using democratic process (Costa *et al.*, 2013). Entrepreneurial co-operatives emerged as new generation co-operatives model that shifted in organizational models for agricultural co-operatives. The new generation co-operative shifted the traditional model co-operative business to entrepreneurial models of operation (Kaleshu, 2012; Cornforth, 2004; Chaddad and Cook, 2003). The changes in the global markets and capital acquisition necessitate the existence of new forms of co-operative enterprises that trigger the establishment of new generation co-operatives as propagated by Chaddad and Cook (2003). Hence, it is understandable that the concept of co-operative models has now become quite popular (Tairo, 2012; Nakkiran, 2006) Muenkner and Shah, 1993). With the current debate, co-operatives are used as an engine for community empowerment; the rural communities which are popular in agriculture, the agricultural marketing co-operatives are the dominant.

The agricultural marketing co-operatives generally are organized in a sense that co-operative members are the legal owners of their business. The board of directors or the manager does not have controlling authority over the co-operative (Chambo and Mathew, 2011). The members usually plan and form a co-operative and then benefit from it, their actions determine whether or not the co-operative will be profitable (Msonganzila, 2013; Dubell, 1981). Members of a co-operative have specific powers under the law and also have powers that are outlined in the co-operatives bylaws and articles of incorporation; they have responsibilities, some moral and others legal documents guiding them (Chambo and Mathew, 2011; Birchall and Simmons, 2010). According to Chaddad *et al.* (2003) and Oran (1998), members' ownership powers in the co-operative are vested in; adopting the constitution or bylaws, making agreements and amending them later, electing and recalling directors, approving changes in capital structure, increasing or decreasing capitalization, approving loans under special circumstances, adopting marketing contracts, pooling practices and contracts between members and the co-operative. Wanyama *et al.* (2009) and Shaw (2006) presented that officers and co-operative agents run the co-operative business according to bylaws and contracts, able to hold directors and officers is liable for any damage to the members and elect competent committee to examine the records and audit the books periodically, examining the annual reports.

2.1.4 Agricultural Marketing Co-operative Societies (AMCOS)

Primary agricultural co-operatives are farmer organisations organised to meet members' needs in the agricultural sector. These members owned firms were promoted in the rural areas (but not always). However, the current scenario has emergence of agricultural co-operatives in urban centres (Develtere, 2008). All these members' organisations, organised voluntarily to meet members' needs and

aspirations in the agricultural sector were referred to as Agricultural Marketing Co-operative Societies (AMCOS) (Msonganzila, 2013; Wanyama, 2008; Pollet, 2008). AMCOS form the foundation of the co-operative structure engaged in promotion, production and collection of cash and food crops. Members govern co-operatives by annual general meetings; the members provide the control rights to the boards (Birchall and Simmons, 2010). The agriculture marketing co-operative is governed by the members using board members who are delegated with the control authority, but ownership remained to members (Sacchett and Tortia, 2013). The board has the duty to manage the daily work of a co-operative and supervise management staffs who are employed by them. For the purpose of this study, the study adopted the definition provided by the Tanzania Co-operative Society Act (2013) that defines a co-operative society as a society registered under this Act and includes a primary society, a secondary society, apex and federation. With those facts, AMCOS means a co-operative society in agricultural sector dealing with collecting and selling member produce using co-operative models at primary the level.

2.2 Theoretical Literature Review

There are theories and principles that were applied to this study to understand member ownership and co-operative society democratic sustainability practices. These theories include Principal Agent Theory, Stewardship theory, Stakeholder theory and Contingency Theory. These theories were applied to inform the study on member ownership and democratic sustainability in decision making in the AMCOS. The Principal Agent Theory was the dominant theory in the firm and community governance. The theory assumes that the owners of an enterprise (the Principal) on their dual course of managing the firms will require members to delegate the governance of that firm to few people to manage on their behalf. Therefore, the

governance of an enterprise is given to the management who becomes shareholder's agents (Berle and Means, 1932). According to Adu (2014) co-operatives' members are the principal owners whose right of ownership is vested to them. Due to cost reduction that emanates from increase in members the number of members that makes them not to manage their co-operatives; delegating the management to the agents (management) to manage the co-operatives on their behalf becomes inevitable. The owners or shareholders of co-operative face a problem that managers are likely to act in their own interests rather than in the interest of shareholders (Ortmann and King, 2007; Royer, 1999; Keasey *et al.*, 1997). In co-operatives such problem of management to take control of institutional ownership rights contravenes member exercise of their democratic practice (Maghimbi, 2010, Chambo, 2008). The rights of members remain in the general meetings where members demonstrate their democratic rights through voting to choose leaders and to pass the presented items before the meeting.

The principal (members) elects the board which lead the institution and delegates their power of management to the experts who becomes members' agents (the management). Members claim their ownership and democratic exercise of the institutional governance where by their aim is to get better service while the agent is looking for organisational objectives which are expanding capital base and to increase more investment. Principal-agent problems arise because the objectives of the agent are usually not the same as those of the principal, and thus the agent may not always best represent the interests of the principal (Kaleshu, 2013; Sykuta and Chaddad, 1999 Alchian and Demsetz, 1972). Richards *et al.* (1998) provided the argument that, managers faces two pressure forces; pressure from shareholders with the threat of takeover, as well as board in monitoring to keep managers aligned with

this organizational goal. This suggests that co-operative board is the most important means which members (principal) use to control managerial (agent) behaviour, but at the same time these board members have to operate basing on the influence of the management members who are the experts in the organizational governance.

The theory was used in assessing member ownership and decision making in AMCOS ownership power and democratic rights. The principal agency relationship becomes an important aspect when studying co-operative institutions. Members who are the owners are the ones who discuss and pass institutional decisions using democratic processes established; while management (agent) members are responsible for the daily activities of the co-operative society. However, the challenge comes on member's knowledge to control the managers who are experts in institutional governance, and manage the existing conflicting interest of agent who are for organisational performance and members who are for obtaining social economic needs. On the other hand, the members in a co-operative society to lack control of the agents due to absence of experience and knowledge in governing co-operative businesses, this in turn limits the sustainability attainment of the primary AMCOS.

In order to address the challenges of the Principal Agent theory, the Stewardship theory which is based on human relations perspective and believes in opposite assumptions to principal agency theory was applied. According to Muth and Donaldson (1998), the Stewardship theory assumes that managers perform better and act as effective stewards in managing institutional resources. In that assumption, management (the agent) and shareholders (members) are partners. The theory presents the main function of the Board members (who are the representatives of

members) is not to ensure managerial compliance with shareholders (members) interests, but to improve organizational performance to bring benefits to the owners. The theory was used in determining the primary AMCOS management and Board accountability to members.

Sacchett and Tortia (2013) and Muth and Donaldson (1998) postulate, that the Stewardship theory analyses the Board role being to work with management to improve strategy and add value on decisions made by managers. In this context, it is not surprising that management ideas and practices should be applied to governance. Hernández *et al.* (2013) and Chris (2004) present the assumption to this theory that; Board members should be selected on the basis of their expertise so that they can add value to organization's decisions and that Boards and managers should receive proper induction and training, and they should know how to operate effectively as a team. The theory challenges in its applications is that co-operative societies have no guarantee that those members elected to the Board will have the skills the Board needs to be effective. The education as well as training to impart skills to Board and managers who will work to attain members' needs is not apparent.

The Principal Agent Theory, in its application to members (owners) does not have much capacity to manage the agent (the management); that requires a multiple dynamics of dealing with the members' weaknesses and institutions that can manage the co-operative societies through established legal frameworks. The Stakeholder theory becomes appropriate as co-operative deals with multiple activities that require support from different institutions, and these stakeholders are business partner in providing sports too co-operative societies. According to Hung (1998), the theory is applied in governing different organizations based on the premise that societies are

responsible to a range of dynamic category of individuals who are the owners (stakeholders) in society other than organization's owners standing alone. In that theory the underlying assumption is that incorporating different stakeholders in a board is more likely to respond to broader socio-economic interests than narrow interests of one group. The theory was used in assessing the implications of Membership rights in the primary AMCOS on assessing member ownership and how the democratic practice in decision making processes can be attained.

Under stakeholder's theory, parties such as government, NGO financial banks, co-operative trainers and promoters, auditors, regulators and membership in co-operative movement are stakeholders that can make member ownership and democratic practice apparent in the primary AMCOS. On one hand, members in primary AMCOS and co-operative in general were promoted differently across different geographical environments that in turn differ with stakeholders' interests in their promotion strategies. On the other hand, the co-operative stakeholders do not take owners (members) as the key stakeholders in discussing different affairs that affect co-operative institutional sustainability; members of the co-operatives are sidelined in different decision making agenda.

The underlying challenge is the involvement of ordinary members in the boards; members are more likely to lack the knowledge and expertise to effectively challenge management proposals and decisions (Ngaruko and Lwezaula, 2013; Chris, 2004). Also, the power and decision-making in co-operatives are concentrated in few hands (the policy makers). According to Anderson (2005), Co-operative performance, has for a long time, been characterized by a lack of participation and a sense of involvement. Statutory governing bodies in primary AMCOS (board of directors and

board committees) exist to review past performance and to endorse management decisions rather than to challenge policies and strategies governing co-operatives.

The democratic sustainability in agricultural co-operatives is seasonal due to seasonality of crops. Members exercise their democratic practice during selling of produce and at the annual general meetings; this is due to seasonality of crops. The democratic permanence would become a solution if agricultural co-operatives were engaged in crops that are permanent in nature. Co-operatives operate their businesses in an environment that requires immediate action to grab the available opportunities (Danda and Bamanyisa, 2011; Sykuta and Chaddad, 1999). The co-operative business markers are affected by price fluctuation due to change in business economics of demand and supply (Wanyama *et al.* (2009). According to Naseem *et al.* (2011), the agricultural marketing co-operatives to survive doing co-operative business aiming at meeting members' needs and aspirations; the application of the Contingency Theory becomes importance.

Mpunga (2016), Donaldson (2001) and Jacobson (1992) propound that the Contingency Theory requires the use of available opportunities in exploiting local and international markets by using demand and supply chains. The theory that assumes that market choice decision is not rational and predictable; instead, choice is determined by interplay between business management behaviour and prevailing situations at a time. However, the consumer changes in preference and availability of substitute products may affect the market potential for the primary agricultural marketing co-operative to remain competitive. Since business markets are determined by some variables such as production quantities and qualities as well as sustaining production, agricultural products need to meet these prerequisites.

Members' (producers') opinions on how best they can remain in co-operative business are important in creating a sustainable solution to their institution.

2.3 Empirical Literature Review

Different studies have been done to show how member ownership mechanism can be used to sustain co-operative democratic sustainability. Based on these study objectives, debates and studies were documented on the aspects of member participation and decision making, accountability of board and management to members, interfaces which promote co-operative sustainability and members' views on factors for AMCOS sustainability. In all these debates member ownership mechanisms in different aspects on co-operative democratic sustainability was presented and discussed.

2.3.1 Studies on member participation and decision making in co-operatives

Member participation in co-operatives plays key functions in developing institutional ownership and decision making aspects. According to Osterberg *et al.* (2007), members' perception of their participation in the governance of co-operatives is determined by trust and commitment. Members' participation is important in defining organizational democracy. Enhancing members' participation is critical because it is a key to business success of any co-operative society. In competitive economy, members' participation has come under limelight due to stiff competition where by co-operatives are trying to take competitive advantages through the human factor and members (Adu, 2014; Ukpere, 2010). The Rockdale pioneers of 1884 established the consumer co-operative as a result of unfair treatment caused by the industrial capitalists. The model was developed using a participatory framework that entails the use of democratic processes to enhance ownership (Maghimbi, 2010;

Bruynis *et al.*, 2001). Co-operative movements in many African countries, agricultural co-operatives focus more on product marketing than investing in member democratic participation that increases member ownership characters (Ortmann and King, 2006). This has made co-operative especially AMCOS members, to be faced with absence of membership capacity in managing their societies.

The strength of a co-operative depends upon its ability to make members participate in mobilizing its resources in a participatory manner by engaging members to enjoy the market share and achieve economic growth. According to Chambo (2008), this is done by maintaining member commitment, developing member satisfaction and retaining members. The democratic participation to members is a result of commitment where by members are more likely to support their co-operatives by participating in all co-operative activities (Azadi and Karami, 2010). These co-operative businesses, like any other social organisation participation, dynamics can lead to success or failure to achieve the set objectives.

According to Ngaruko and Lwezaula (2013) and Naseem *et al.* (2011), for co-operatives to stay competitive and deliver acceptable financial and social returns to members who are the owners, co-operatives managers must know how to promote members' needs by cementing on member participation. Anania and Rwekaza (2016) contend that, in co-operatives, the degree of member participation is determined by various members' attributes in the governance of the co-operatives. These categories of member attributes are: satisfaction with the profitability of farm operations, age, and experience from board work.

Chambo and Dyamet (2011) argued that, the participation of members in co-operatives is measured in terms of members' commitment towards co-operatives and members' trust in the board of directors. Member participation in a co-operative becomes evident in the component of commitment and trust towards directors when institutional operations become profitable as member continue to participate in co-operative. According to Develtere (2008) and Osterberg *et al.* (2007) the question of age of members, serving the institution becomes important, and it is associated with trust towards directors. On the other hand, Brirchall (2011) and Yacob *et al.* (2015), provide another argument that trust was mostly used as a key indicator for co-operative development, and the ownership of institution basing on the same becomes factors for measuring member participation in co-operatives. Members as the principal owners, the degree of their participation is important in determining the level of their democratic involvement in their co-operative societies.

Seimu (2015) presented the argument that member participation legal framework in Tanzania has a long history back from colonial establishment; co-operatives, members were not part of colonialist discussion who promoted co-operatives so as to get access to cash crops; thus the participation neglected to take members on board. According to Seimu (2015) and Wangwe (2004) the registration of KNCU (1933) and BCU (1950) was a result of colonial control over coffee among the coffee growers. The power relations in co-operatives were in the hands of colonial policies that were under colonial government. The Chagga rule of 1934 was initiated by Kilimanjaro natives as effort to get out of exploitation of the colonial policies in co-operatives. Despite its establishment, the Chagga rule failed due to contradiction with the colonial government directives (Seimu, 2015). Other ordinance were established which departed from member democratic participation that included: the Native

Ordinance and Deference Ordinance (1937), orders of 1939 and 1940, the African Agricultural Product Ordinance (1949) (Seimu, 2015; Bwana and Mwakujonga, 2013; Kimario, 1992). The colonial co-operatives never attained their autonomy as they became part of the government machinery in exploiting small scale growers.

Maghimbi (2010) argues that, in Tanzania, member participation in co-operatives reported a success in the pre-abolition era (i.e. before 1976). Co-operatives suffered many setbacks in the post-abolition period (the period after 1982) (Bwana and Mwakujonga, 2013; Maghimbi, 2010). The participation of members dropping status leads to the poor performance of co-operatives in the 1980s and 1990s that limited the role of co-operatives in poverty reduction and national development (Mbogoro (2014). In Tanzania, the absence of members' participation has also been found in the co-operative movement where by members do not hold a stake in the decision making machinery. According to Chambo *et al.* (2007), considerable effort have been made in education and training. The participation of members in the co-operative movement in Tanzania is affected by the current co-operative policy and laws which eliminate members who are the consumers of these policies and laws from the time of their formulation process. According to Likwata and Venkatakrishnan (2014), the AMCOS are governed on the assumption that co-operatives as member owned firms are expected to play an important role in marketing members' produce. Based on that discussion, primary AMCOS are performing better in terms of the production related services though members do not hold the mandate of participating in managing their produce prices.

2.3.2 Studies on accountability of board and management to members

The accountability of board and managers to institutional owners (members) is an important component in building co-operative democratic sustainability. Dale *et al.*

(2013) put forward that co-operative principle mainstream the component of bringing institutions to the owners. Such an action brings management and board members to be accountable to the owners. Also according to Bovens, (2007), socio-ecological economic reveals that the UN was correct to place its hope in the co-operative model as an engine of sustainability. Basing on that contention the accountability of board and management to members is inevitable.

Further to the above, Mukherjee (2004) opines that there is a clear and direct relationship between sustainability and how co-operatives describe themselves in terms of bringing members on board to be owners. The linkages of social dimensions of sustainability rely on how members manage the board and managers. Similarly, Maghimbi (2006) demonstrates that co-operatives embed sustainability in their operating models and values. According to Garnevska and Shadbolt (2007), the successful factors for development of farmer co-operatives in Northwest China as it was firstly appeared in the 1920s the component of member ownership became an important factor in its development. Member ownership in co-operatives is attributed to the presence of institutional accountability. According to Wen-Yi *et al.* (2009) and Garnevska and Shadbolt (2007), co-operative development has been strongly influenced by the external environment and political approaches to co-operative promotion that emphasizes on member owned legal frameworks. Anderson and Henehan (2005) argue that, in the primary AMCOS, farmer co-operatives were set up by following principles where by farmers play a dominant role amongst its members with the key purpose of serving members in their common interests.

Accountability of the board and managers to members in co-operatives progress has not been uniform across different socio-cultural environments due to differences in

farmer education levels and varying economic and social situations. Despite the fact that the legal framework provides sections that require members and board to be accountable to managers, it is still not clear how to develop and operate co-operatives successfully especially on areas that mainstream member ownership due to knowledge on members in understanding the policies and laws. Therefore, identifying the factors that could contribute to the successful development of co-operatives would help the promotion of farmer co-operatives. Kaleshu (2013) and Chambo (2008) put forward that, co-operative enterprises to able to make members hold management accountable in sustaining co-operatives; the following factors need to be in place. These are; to have a stable legal environment, to have a strong base on dedicated initiator and leader and government financial and technical support to be apparent in co-operatives. Also, farmer participation in co-operative activities together with appropriate external support from professional and Non-Governmental Organisations (NGOs) is important as they are the key players for successful development of agricultural co-operatives.

Costa *et al.* (2013) argue that accountability of board and management to members is determined by ownership structure basing on the separation of ownership and control. Some co-operative ownership structures are based on large corporations and other organizations such as large professional partnerships, financial mutual benefits and non-profits. With those determinants of ownership structure, the separation gives rise to control and influence accountability problems in co-operatives. Basing on the argument provided by Chaddad and Cook (2003) and Anderson and Henehan (2005), the power distribution, decision management and control rights in AMCOS are determinants of ownership structure; the ownership rights in agricultural co-operatives as economic organizations was seen as collective ownership. The farmers

have strong incentives to create co-operative enterprise which are vibrant to address markets failure by developing market power and asymmetric information. Also, according to Chemiat (2014) and Kaleshu (2013) the board, which is the representative of members has the responsibility of monitoring the manager and this significantly affects the delegation of formal control rights. That is, the intensity of monitoring by the Board has a positive marginal effect on the decision of owners to delegate formal control rights.

Co-operative owners acquire information about the activities and performance of the organization in two predominant ways: by electing members to be Board of directors and by directing monitoring in ordinary and extraordinary general meetings (Nwankwo *et al.*, 2012; Maghimbi, 2006). However, monitoring by owners in general meetings does not have a significant impact. Kherallah and Kirsten (2002) contend that organizational complexity appears to have a significant effect on the decision to separate control and decision management. In different co-operatives there is a probability of separation of the decision-making processes which is positively associated with the Board having formal authority to appoint and dismiss the managers. According to Chambo (2007) and Wangwe (2004), the Board has formal control rights; there is a positive marginal effect on the separation between control and management decision making. In primary AMCOS there are presences of limits where powers are vested to the co-operative Unions and financial intermediary in co-operatives that are not financially independent. Similarly, government has much power of enforcing decisions through policies, laws, directives and leaders' statements to the co-operatives than members who are the owners.

2.3.3 Studies on interfaces which promote co-operative sustainability

Co-operatives as a member owned firms, operates their service delivery to members and non-members. Such service delivery is influenced by internal and external environments. Qiao *et al.* (2012) argue that the governance structure based on investor oriented co-operatives (termed as new generation co-operatives) and traditional co-operatives are forms governance structure which are different, but both dictate the status of members' participation decision. Chaddad and Cook (2003) Szabó (2002) argue that the ownership structures of investor oriented co-operatives have higher value added efficiency despite the fact that owners (members) might have low ownership powers if the shares concentrate on few investors. According to Szabó (2002) and Zeithaml and Bitner (2000) argued that, co-operatives operates in an environment characterized by imperfect development and low quality of management skills in some small agricultural co-operatives they may have to limit the membership within a local region or within a single product to keep the homogeneity of members. Also, members in agricultural co-operatives of the new generation co-operatives organize farmers in a relatively tight which is likely to enable are higher prices by ensuring product volume and quality of members.

Leiponen and Byma (2009) looked into co-operatives in an aspect of co-operative innovation. The innovation leads co-operative to benefit from opportunities available at the environment which surrounds the co-operative business. Co-operatives can be viewed on the way management and board members, who are the innovators in their capacity, generate benefits from their investments based on knowledge creation (Becht *et al.*, 2003; McColl-Kennedy and Schneider, 2000). The environment that governs co-operatives of today is based on how members who are the owners can generate products and services based on the use of Intellectual property strategies as

key incentives for innovation in determining factors that promote primary co-operative sustainability (Deressa and Kanagaraj, 2015; Hernández *et al.*, 2013; Leiponen and Byma (2009). Member ownership in generating strategies that are capable of creating the society competitive advantage in the business enhances the co-operative capacity to sustain its business.

The external environment in co-operative business requires members to be oriented on patents for developing business sustainability that will enhance member ownership. Co-operative democracy does not mean member participation and engagement in co-operative business without member protection as an important mechanism for trade secrets. According to Lario *et al.* (2014) and Chambo and Dyamet (2011) most small firms and particularly small firms that engage in co-operative innovation activities with external partners, emphasize speed to market members products and services as the most important protection mechanism. Co-operative activities greatly influence the choice of intellectual property strategy co-operative organisation as a mechanism to remain in business. According to Chaddad and Cook (2003), the easiest strategy that small co-operatives adopt is business branding that differentiates products and services. All these strategy are aimed at increasing member benefits portfolio since these are member owned institutions, thus, increasing owner's benefits becomes important.

Birchall and Simmons (2010) looked into co-operative reform processes as an internal mechanism to develop the co-operative sector in Tanzania. The reforms' processes were in line with finding a mechanism for empowering the members and sustain co-operatives on addressing different challenges that constrained the co-operative sector. URT (2005) and Birchall and Simmons (2010) discuss co-operative

environmental reforms basing on the internal and external capacities which are members focused using their questions: why do co-operative sectors need reforming; what is the co-operative reform process; and why has reform succeeded in some countries but not others. All these require empowerment to be done based on developing co-operative capacities in enhancing member ownership using the engine of democracy. The environment that governed co-operative development and promotion in most African countries, Tanzania being among them, had different co-operative reforms models based on colonial models of administration. The promotion models were either democratic whereby other colonial governments took a dictatorship model of co-operative promotion. In that, member ownership and democratic practices were practised differently.

The Tanzania small co-operatives sector has grown up being promoted by government officials and highly regulated. According to Chambo (2011), these models of co-operatives which are highly regulated were termed as officialised co-operatives. The officialised co-operatives are those co-operatives where by the owners have no control; rather they are controlled following the bureaucratic system of the government. In agricultural co-operatives, Tanzania was organized basing in cash crops for export such as coffee, cotton, tobacco and later on cashew nuts. In all these promoted crops marketed by co-operatives, members owned produce but not the institution, the democratic decision making was in the hands of the government.

Similarly, Wakuru, (2016) and Rwekaza and Mhihi (2016) posit that in Tanzania, members of co-operatives were also affected by corruption among co-operative institutions that were implemented by board and managers by 1966 there were rising complaints, and a Presidential commission of enquiry was set up to investigate

charges of nepotism and corruption. The Commission urged the government to expand co-operative education, strengthen control over the movement, and increase the powers of the Registrar to fire incompetent and corrupt leaders. All these were enacted in a law passed in 1968 (the Tanzania Co-operative Act). According to Seimu (2015) and Birchall and Simmons (2010) 1976, President Julius Kambarage Nyerere declared that co-operatives could not cope with his 'quick march to socialism', as they were capitalist organizations. All co-operative Unions were dissolved and replaced with crop authorities that were required to do marketing directly from the villages. The dissolving of the Unions led to failure of comparative sustainability due to increase in state control over the co-operative that hijacks members from their society ownership.

However, the Unions went into resistance; the Unions failed to die a natural death and had to be forcibly closed by the police. The decision to abolish them was not accepted by many officers in government and, after a crisis in rural production that was blamed on the poor performance of the crop boards, in 1984, Nyerere changed his mind (Mpunga, 2016; Maghimbi, 2010). The Unions were re-established, but only 'to served primarily political interests' as a mass organization under the direction of the ruling party. Liberalization brought a sustained attempt by international agencies to reassert the distinctive nature of co-operatives as member-owned businesses. In Tanzania, according to Birchall and Simmons (2010) the impact of liberalization was devastating to the co-operative sector. Co-operatives were in a weak position at the start of the trade reform process, and had no breathing space to adjust, and so private traders took over much of their business. They had inherited structures and attitudes that put little emphasis on membership, and they lacked

professional management. Some primary societies began to operate as agents of private traders and rent out facilities to them.

Mbogoro (2014), Bwana and Mwakujonga (2013) and Birchall and Simmons (2010) present that the reform process began in the 1990s, and was given impetus and direction by three development agenda at the international level. First, in 1995 the ICA new identity statement and a new set of principles emphasizing on the autonomy and independence of co-operatives (ICA, 2014); this was the international lead that co-operative promoters had been waiting for. Second, in 2001, the United Nations produced new guidelines aimed at providing a supportive environment (UN 2001): this was for supporting the internal and external co-operative business management to sustain the economic challenges. Third, in 2002, the International Labour Conference adopted a Recommendation (No. 193) on the promotion of co-operatives (2002). Like the UN Guidelines, it drew explicitly on the work done by the ICA to reformulate the co-operative principles. It declared that promoting co-operatives as 'tools' of development is wrong; assistance has to be given to their members to create income-generating activities, gain access to markets and improve their own social and economic well-being while respecting their autonomy. On the other hand, co-operatives were ill-prepared to adjust to a competitive market and the lifting of government regulations; many failed, some of them being corrupted, while a few became truly member-controlled.

Sumelius *et al.* (2013) contend that co-operatives be looked into on policy issues and policy recommendations for developing and promoting inclusive people-centered co-operative businesses business model that can promote co-operative sustainability in coffee cotton and tobacco co-operatives. Sumelius *et al.* (2013) and Nugusse *et al.*

(2013) contend that, in crop production and marketing through co-operative, some co-operatives, specifically the Unions do not seem to be succeeding in enabling members (the owners) to enjoy the benefits expected from their co-operative business. This is results from co-operative policies and regulations that direct co-operatives to act according to government directives than member owned decisions. Basing on the legal framework, the Co-operative Societies Act 2013 of the United Republic of Tanzania recognizes the two structures only; the primary society at the local level and the federation at the national level. According to Develtere *et al.* (2008) this allows greater flexibility and space for primary societies to exercise freedom and autonomy of making choices on business development for their members.

On the other hand, the existence of a policy implementation framework that was based on programme such as MEMCOP and CRMP co-operatives can exploit opportunities offered by the government for achieving their own business objectives. Scholars such as Maghimbi (2006), Mpunga (2016) and Chambo and Dyamet (2011) indicated that the Tanzanian co-operatives from the primary level, Union and federation were called to increase their international linkages to advance members' benefits. A study done by Sumelius *et al.* (2013) recommends that primary AMCOS members require empowerment strategies on areas of member business development; primary societies need the freedom of associations to make decisions emanating from members has capacity to develop co-operative actions that can empower farmers to seek opportunities to address business risks. Also, gaining access to financial services encounters more economic opportunities and improves the democratization processes and helps the system that delivers and disseminates information to primary societies to improve. If these mechanisms be in place primary

co-operatives can address members' needs and sustain democratic mechanisms for decision making.

2.3.4 Studies on members' views on factors for AMCOS sustainability

Members' views on deciding on the fate of their co-operative institutions are an important aspect as it explains their contribution in creating institutional decisions. Members' views are characterized by the extent to which member participate in developing decisions through the established mechanisms in the co-operative governance. Zheng *et al.* (2012) assessed the determinants of participation in agricultural co-operatives in China and found that educational attainment, risk comfort level, farm expansion, operational costs, geographic location and crop types are significant factors that influence producers' perception on their co-operatives, as well as their participation behaviour. From that, assessment, members have an important role in developing strategies that sustain members' participation in their co-operative societies by participating in developing alternative strategies for institutional sustainability.

Members' participation in providing their inputs on different decision making bodies is closely related to their perception of professional co-operatives managerial duties and functions. Members' educational attainment is an important factor critical for participation in creating co-operative decisions (Wilson *et al.*, 2008; Dawit, 2005). The influence of formal education level in primary agricultural co-operative has a great connection to the model of member capacities' in creating the co-operative agenda (Deressa and Kanagaraj, 2015). Educational level is a key area for policy improvement in expanding opportunity exploitation by expanding their productivity levels. In addition, promoting better education for agricultural co-operative members

using institutional owners (members and board), co-operative stakeholders, ministry responsible for co-operatives and co-operative regulators were called for to increase its efforts in promoting and publicizing the benefits of participation in co-operatives in more effective ways.

Ortman and King (2006) pointed out that members in the agricultural co-operatives were denied information on limited access to factors of production, credit and information. Since member's education is limited, their capacity to contribute their views as the owners becomes to be not apparent in their co-operative societies. Information is important in developing AMCOS sustainability since they contain basic aspect of institution services which are expected to be received by members. The sustainability of the co-operative societies in the current debate is largely concerned with how co-operative societies from primary to federation abide by New Institutional Economics theory (NIE) (Megressal *et al.*, 2013; Hernández *et al.*, 2013; Ortman and King, 2006). In the NIE theory, variables such as transaction cost economics, agency theory, and property rights are important components in developing members' capacity to customise their ownership rights. Members' views in developing institutional sustainability were affected by absence of applicability of the NIE to the co-operative organization. Due to the inherent problems on institutional governance of traditional co-operatives that covers the majority of agricultural co-operatives, members had no stakes in the co-operative decision making structures.

Due to such problems of not taking members' views on board, free-rider members took that advantage to collude for co-operative decisions that created financial and social benefits to be in hands of few members (Chambo and Dyamet, 2011; Chambo

et al.,2007). This affected member ownership in creating decisions that could develop their co-operative societies. Preko *et al.* (2014), Ortman and King (2006) and Chaddad and Cook (2003) suggest a life cycle for co-operatives (formation, growth, reorganization or exit) as they adapt to a changing economic environment characterized by technological change, industrialization of agriculture and growing individualism. These changes were expected to promote co-operative needs to take on board members' views by mainstreaming democratic decisions inherited in the co-operative principles and theories. Members' voice has capacities to improve viability of business activities, and thus have a significant potential to contribute towards reducing poverty, enhancing empowerment, and creating jobs (Ndiege *et al.*, 2013; Develtere *et al.*, 2008). Similarly, understanding members' views on the causes of co-operative failures is important to avoid similar occurrences in the future. Assessing members' views on poor management, lack of training, conflict among members, and lack of funds appears to be an important contributory factor limiting co-operative sustainability.

Members of poor-performing co-operatives appears to have failed to clearly understand the purpose of a co-operative, how it functions, and what the members' rights are (Maghimbi, 2010; Costa *et al.*, 2013). This could stem from their lack of education, training, and information, which appears to be the causative factor that limits institutional sustainability. According to Chris (2004) and Naseem *et al.* (2011) exorbitant increase in managerial costs associated with diverse factors, members of the primary agricultural co-operatives need to provide complex solutions to issues relating to high transaction costs, low levels of education and literacy in co-operative management, lack of market information, insecure property rights, poor road and communication infrastructures and long distances to main roads. These potential complaints can be viewed in the side of members on how they

create solutions to create a sustainable future co-operative using democratic mechanism of meetings and other established procedures.

According to Anania and Rwekaza (2016), in agricultural marketing co-operatives the determinants of success are based on assessing members' views in the operations of produce, specifically on business marketing, institutional economies and financial management components. When members are informed and know their institutions, they create integrated solutions that in turn build co-operative sustainability. On the same, ICA (2014) and URT (2005) propose that members' views are potential assets in determining managerial implementation of factors such as: leadership, member participation, communication, equality, members' commitment, education, size of co-operative and skilled leaders and management. Azadi and Karami (2010) and Ortman and King (2006) presented on debate in co-operative societies that, members are not capable of building viable decisions in their views on deciding the economic development of the institutions; these were on the issues of financial stability, adhering to accounting standards, co-operation with other institutions, volume of business and diversification, location and quality of produce. Members' views in developing sustainable co-operatives are expected in building sustainable access to inputs, and quality assurance, developing credit to members, regular inspection and given technical assistance to boost productivity and better quality produce assurance practices at individual levels.

2.4 Knowledge Gap

Different studies tried to explain and discuss different variables relating to member ownership factors; but they did not connect member ownership variables and institutional democratic sustainability. A study by Osterberg *et al.* (2007) was based

on membership as owners considering evaluation on age and experience alone as these are the bases for co-operative sustainability assessment. The study had limited assessment on democratic practice, and measuring on how the co-operative society could remain vibrant sustaining the future members' requirements. Maghimbi (2010) studied the co-operative reforms basing on policy and programme for co-operative development; the aspects of democratic practice and member ownership in co-operatives especially in primary AMCOS were neglected while ownership and democracy make up a comprehensive component in co-operative growth.

On the other hand, Likwata and Venkatakrishnan (2014) studied the performance of agricultural marketing co-operative societies. The study did not take into account the assessment of member owned strategies that would contribute in alleviating institutional challenges. Since primary AMCOS is a member owned firm, mainstreaming members in decision making and decision implementation would be the best strategies for crop marketing on the studied areas. Also using four primary AMCOS in one district is not sufficient for data generalization. The cross tabulation across individual primary AMCOS and across district of different geographical location and social economic differences would be the best strategies to draw conclusion. Also, the question of democratic decision making as a tool for crop marketing process and price determination was not considered. Similarly, the sustainability of cashew nut business using primary AMCOS model was not the overriding discussion in the study as it would bring the mechanism on how these primary AMCOS could have a longer lasting in sustaining cashew business.

Seimu (2015) presented a discussion on the growth and development of coffee and cotton marketing co-operatives in Tanzania (1932-1982). However, the study did not

capture issues that mainstream how co-operatives could be democratically sustainable with member owned strategies on the current economic challenges. Also, the democratic process which should be undertaken for co-operatives to be autonomous was not addressed. The time frame for the study was based on the analysis of the co-operative development between 1932-1982 that cannot bring conclusion that address today's co-operative challenges on member participation ownership and democratic practices. Dale *et al.* (2013) conducted a study on Co-operatives and Sustainability: An investigation into the relationship whether the co-operative principles represent sustainability and how different co-operative institutions were practising these co-operative principles. However, the research lacks the focus as the co-operative principle are applied differently across countries depending on factors such as government policy, political ideology, level of technology, difference in socio-economic status among one society and another one. The study did not take on board member ownership aspects in holding the co-operative sustainability. Rather, it was bases on website information as a basis for judgment.

Garnevska and Shadbolt (2007) made a discussion by assessing factors for successful development of farmer co-operatives. However, the research did not capitalize on internal

factors that lead to co-operative success on developing governance and accountability; rather it concentrated on external factors alone. The member ownership as an endogenous factor was neglected. Also, the democratic practice that gives member decision power did not hold the discussion in the study, hence the sustainability of co-operatives cannot be attained by the use of exogenous variables and ignore the endogenous factors. Costa *et al.* (2013) carried out a research in assessing the determinants of ownership structure in agricultural co-operatives.

However, the study did not consider the democratic systems that can make determinants of ownership structure in the agricultural marketing co-operative societies. Also the control and ownership sustainability was neglected; that made the study limited for assessment as to whether the ownership structure would continue to exist or not.

Leiponen and Byma (2009) conducted a research on co-operative innovation addressing member ownership in having intellectual property (IP). However, the study did not capitalize on strategies that can be used to small firm co-operatives to address policy questions regarding the functionality of the existing system of intellectual property rights. Also, member ownership in the developing strategies for the use of IP was not addressed. Birchall and Simmons (2010) presented an argument on the study in co-operative reform process in Tanzania. However, the study was more historical based on providing the current member owned strategies on what reforms are needed. The study was more based on empirical literature (documentary review) than interviewing members interview in acquiring data from the grassroots to grasp members' views on the required reforms. Also the study did not end up with recommendations on what was need to be done co-operative reforms that would provide a sustainable member owned enterprise.

Sumelius *et al.* (2013) made debates on a study based on dairy co-operatives, coffee and financial co-operatives in Tanzania. The study was based on Co-operative Societies Act in Tanzania which is repealed and replaced by the Co-operative Societies Act of 2013 where by some facts of the research remain redundant. Furthermore, primary AMCOS were not well represented since few AMCOS were used; most of the data and conclusion were drawn from the Union. The data were

more collected from the board and managers where by ordinary members were not part of the unit of analysis that could increase exaggeration and the study losing the voice of the majority of institutional owners. Rwekaza (2016) conducted a study in Tanzania (Moshi District) assessing the determinants of success in agricultural marketing co-operatives in Tanzania. However, the study did not capture member democratic involvement in different activities which members performed in order to alleviate the challenges and propose of the successful factors. Also, the use of case study cannot substantiate the challenges and successful factors as they all have similar characteristics (they are from one division in a district, they are close to each other) where other co-operatives from different geographical location cold bring different findings. Furthermore, data were based more on the experience of the researcher than getting opinions from the members of primary societies.

The study on which this thesis was based directed at studying member ownership and democratic sustainability in primary agricultural marketing co-operative societies (AMCOS) in Tanzania. Methodologically, the study was comparative study based on evidence from two districts of Bukoba and Moshi. Similarly, this study was based on theories which are principal gent theory supported by other managerial theories and co-operative principles. Member ownership was assessed based on: share participation, access to services, asset ownership and control, accountability to members, participative formulation of by-laws and policy and member co-operative education. Also, other variables were leadership succession planning and constitutional review and review process. In these variables the ownership was determined on the extent to which members became part and parcel of the decision making processes using the established democratic process.

2.5 Conceptual Framework

The conceptual framework of this study is built on the two group variables which are member ownership indicators that were the independent variables and democratic sustainability being the dependent variable.

The sustainability of co-operatives depends on how members hold the stake in the co-operative enterprise (ICA, 2014; Maghimbi, 2010; ICA, 1995; Akwabi-Ameyaw, 1997). That calls for the components of member ownership to capitalise the co-operative business management since members were vested with three component of member owners, member users and member controls basing on democratic processes (Ngaruko and Lwezaula, 2013; Chambo and Dyamet, 2011; Bovens, 2007). The decrease in member ownership reduces the democratic sustainability of the co-operative and vice versa. Member ownership as a factor for democratic sustainability had an impact on the democratic sustainability of the AMCOS

According to ICA (1995), co-operative principles, principles number two and three and four talk about: democratic member control, member economic participation and autonomy and independence respectively. In these principles, members as the owners have a key role in ensuring their ownership is feasible in implementing these principles in the co-operative societies. Similarly, on the Principal Agent Theory, as propagated by Berle and Means (1932), members are the principal owners and the management are the agents. In that discussion members being the owners, create a significant role in understanding the extent of decision making status in the primary AMCOS; in that co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions.

Member ownership parameters in co-operatives are provided in the Co-operative Society Act (2013) whereby the ownership is exercised by the democratic practices using meetings and through the use of board of directors (Deressa and Kanagaraj, 2015; Rwekaza and Mhihi, 2016; Maghimbi, 2010; Chambo and Dyamet, 2011; Develtere, 2008; Fama and Jensen, 1983). Member ownership variables such as member democratic participation aspects are presented in the Co-operative Societies Act of 2013. As amended several times, they are also provided in the Principal Agent Theory where the role of the principle is stipulated to be the principal owners with the due function of participating in developing institutional direction. These variables were drawn from those parameters and in some previous researchers and they included: membership obligation fulfilment, membership and services, internal democracy and engagement in business. Others were; democratic decision making process, democratic rights, participation in governing instruments and member participation in complaints governance

On the other hand, the ownership of members was assessed based on the extent to which board and management were accountable to the members.

Bovens (2007) and Jos and Tompkins (2004), provide a discussion on accountability and argue that, accountability is a virtue because it provides legitimacy to leaders in organisations when managing institutions that they were given such as responsibility to do it on behalf of the owners. Similarly, Romzek (2000) argued that the owners of the institutions (Agriculture Primary Co-operative Societies) trust is so fragile that requires the component of accountability in the sense of transparency, responsiveness, and answerability which are meant to assure public confidence and bridge the gap in the owners expectation and what transpires in their institution.

Basing on a World Economic and Social Survey (2013), Jos and Tompkins (2007) and Boven (2004), accountability is based on four major catchy dimensions which are; transparency, participation, evaluation, complaints and response mechanisms. These are also referred to by Lloyd *et al.* (2007) as standards for accountable behaviour. Basing on that, accountability is a mechanism of control and engaging shareholders in creating a dialogue for interaction and generates ownership of decisions to enhance sustainability of their institutions. Similarly, Chambo and Dyamet (2011) argue that the co-operative leaders, especially board and managers, change positions once they are chosen and become members' bosses. From that debate the variable indicators of accountability that were drawn from the literature were: decision compliance, decision making process, membership rights, information dissemination and succession planning.

The ownership of members was also determined in terms of their abilities in controlling the internal and external interfaces that affect primary co-operatives with that aim of enhancing primary AMCOS sustainability. Co-operative Societies Act, Section 51, 52, 53, 54 and 56 provide roles and functions of AMCOS board and managers in the primary AMCOS to be: preparing and issuing by-laws to members' influence in enforcing laws to managers, providing loans to AMCOS members and preparing contracts of the AMCOS and mobilising members to sell produce through AMCOS. Basing on these roles, the Act explains the internal factors which can lead a co-operative to manage its functions in a sustainable manner. On the other hand, the Co-operative Policy 2002 requires the co-operative societies to be competitive so as to bring significant returns to its members (the owners). Co-operatives are exposed to the external environment which needs the enabling environment for developing its sustainability. ILO (2014) presents co-operative institutions (for that matter primary AMCOS) that have the role to provide emphasis on members' understanding through

co-operative education and training as it assists members to understand all aspects in their co-operative businesses for institutional sustainability. According to Birchall (2011), Dleveltere *et al.* (2008) and Hendrikse (2004), co-operative business enterprise operates in an environment that is characterised by many players. These players' have their role functions such as training, auditing, regulation, promotion, taking advantage of markets for their business and others as the business markets are open. Basing on those discussions the variable indicators for the internal and external interfaces adopted were; understanding of roles board and managers, understanding assets governing instruments, capitalisation, price determination power and the role of government and auditing.

The co-operative democratic sustainability which was the dependent variable was based on addressing the future wellbeing (social-economic) of members in ensuring the governance of primary AMCOS demonstrates democratic practices in reaching institutional decisions. Fahlbeck (2007) argues that the principle of sustainable development where co-operative societies are based is characterised by meeting the needs of the present generation without compromising the ability of future generations to meet their needs. The component of democratic practice which sustains the institution becomes inevitable in the co-operative societies. From these debates variables were generated which were: availability of leadership succession planning; application of co-operative policy; act; rules and regulation; member based control mechanisms; member owned policy and by-laws; presence of structure relations. Other variables were: provision of feedback to members; transparency; accountability of board and employee; active member participation in meetings; participative decision making process and adequate frequency and quorum meeting attendance. These variables have the base from members' democratic participation in

decision making, accountability of the board and management to members and members' abilities on controlling internal and external interfaces in co-operative sustainability. In these variables, the question of democratic sustainability was measured.

On attaining the democratic sustainability, the primary AMCOS can be influenced by the intervening variables such as members' registration status whereby the membership dropped tremendously. In some primary co-operatives the updating of the members registers was not done timely; that might cause difficulties in determining legal members, and who is not a member might be difficult to record due to delays in updating membership register. Also, the nature of the crop which is coffee, whereby the harvest is once a year, and that is the time when members meet to discuss the co-operative business leads to seasonality of democratic practice; members could be meeting regularly. With the absence of intervening variables, it is expected that democratic sustainability is expected to be feasible in all variable indicators as presented in Figure 1.

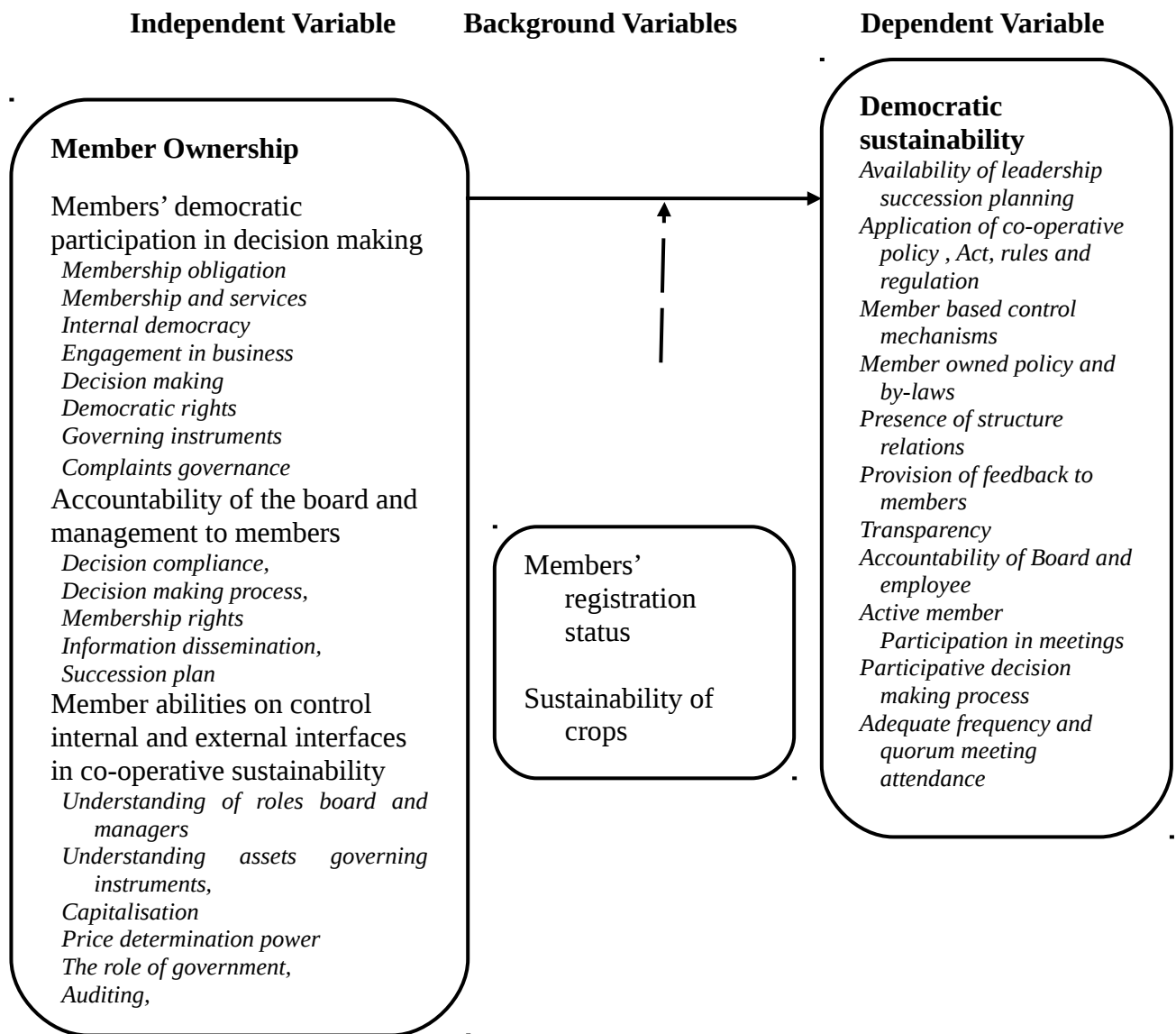


Figure 1 : Conceptual Framework showing relationships between Member

Ownership factors that lead to AMCOS democratic sustainability

The variables in the conceptual framework were derived from empirical literature, theories, and cooperative principles. The consideration of ownership in the cooperative societies and member democratic practices were the key driving aspects considered in this study.

CHAPTER THREE

3.0 METHODOLOGY

This chapter presents the methodology used for the research which this thesis is based. The chapter comprises different sections that explain the procedures involved in conducting the study. The chapter presents the study design which was cross-sectional, and study area were Bukoba and Moshi Districts in Kagera and Kilimanjaro Regions respectively. Also, the chapter presents sampling techniques which were both probability and non-probability techniques. It also presents the population and sample size, which were 400 respondents. The chapter presents also the multiple data collection techniques and analysis that were based on both qualitative and quantitative techniques using descriptive and inferential analyses. The same chapter also presents the data reliability and validity measurement procedures as well as research ethics and limitations of the study.

3.1 Area of Study

The study was conducted in Bukoba and Moshi Districts in Kagera and Kilimanjaro Regions respectively. Moshi District lies between latitude 3°20'5"South of the equator and between longitude 37°19'59" East of the Greenwich. Moshi District borders with Kenya in the north while in the south it borders with Mwanga and Simanjiro Districts. In the West, Moshi District borders with Hai District while in the West it borders with Rombo and Mwanga Districts (NBS and OCGS, 2014). The entire northern part of the district is covered by Mount Kilimanjaro. Moshi Rural District had an area of 1,300 km² with the population of 466,737 people and a population density of 358.9 per km² in 2012 (NBS and OCGS, 2014). The famous crops grown in Moshi District are coffee as a cash crop and banana that is both cash

and food crop grown on the upper lands of Mount Kilimanjaro. Other crops grown are maize, sunflower, beans, and horticultural crops grown in the lowland areas. Moshi District has a tropical wet and dry climate. The mountain zone experiences temperature below 0 to 15°C. It receives annual rainfall above 2000 millimetres. The highland zone lies between 1,100 and 1,800 metres above sea level and experiences temperatures of 15 to 25°C. The zone gets an annual rainfall of 1,250 to 2,000 millimetres (TMA, 2017).

Also, according to NBS and OCGS (2014), Bukoba District is found in the coordinates between latitudes 1°19'54" South and Longitudes 31°48'44" East. The Northern part of the district borders with Misenyi District while on the Southern part it borders with Muleba District. The eastern side borders with Lake Victoria while to the West it borders with Karagwe District. Bukoba District had a population of 418,493, with a population density of 97 per km² in 2012 census. The famous cash crops include coffee, beans, sorghum and millets, while the food crops include banana, potatoes, yams and cassava. Also, the area has plenty of horticultural crops. The temperature ranges from 18 to 33 degrees of centigrade. It receives an annual rainfall above 2500 millimetres (TMA, 2017). The climatic conditions of the two districts favour the growing of coffee which is marketed through co-operative societies.

These two districts have a long history way back in the 1920s on co-operation and co-operative establishment in Tanzania (Seimu, 2017; Maghimbi, 2010; Chambo, 2007; Sizya, 2001; Kihemba *et al.*, 1977). Also, the consideration of the nature of the crop (coffee) in both districts provides a comparative study from the same cash crop marketed by AMCOS in different geographical environments. The Bukoba primary AMCOS are more engaged in Robusta Coffee and small production of Mild Arabica,

unlike in Moshi District where primary AMCOS are engaged in Mild Arabica Coffee. The selected districts in Kagera and Kilimanjaro regions are presented in the map 1 below:

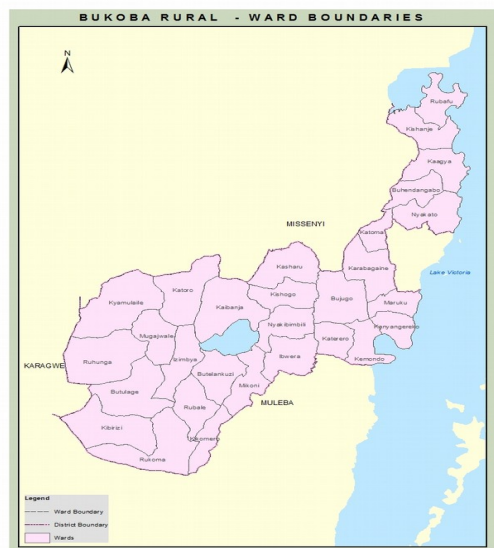
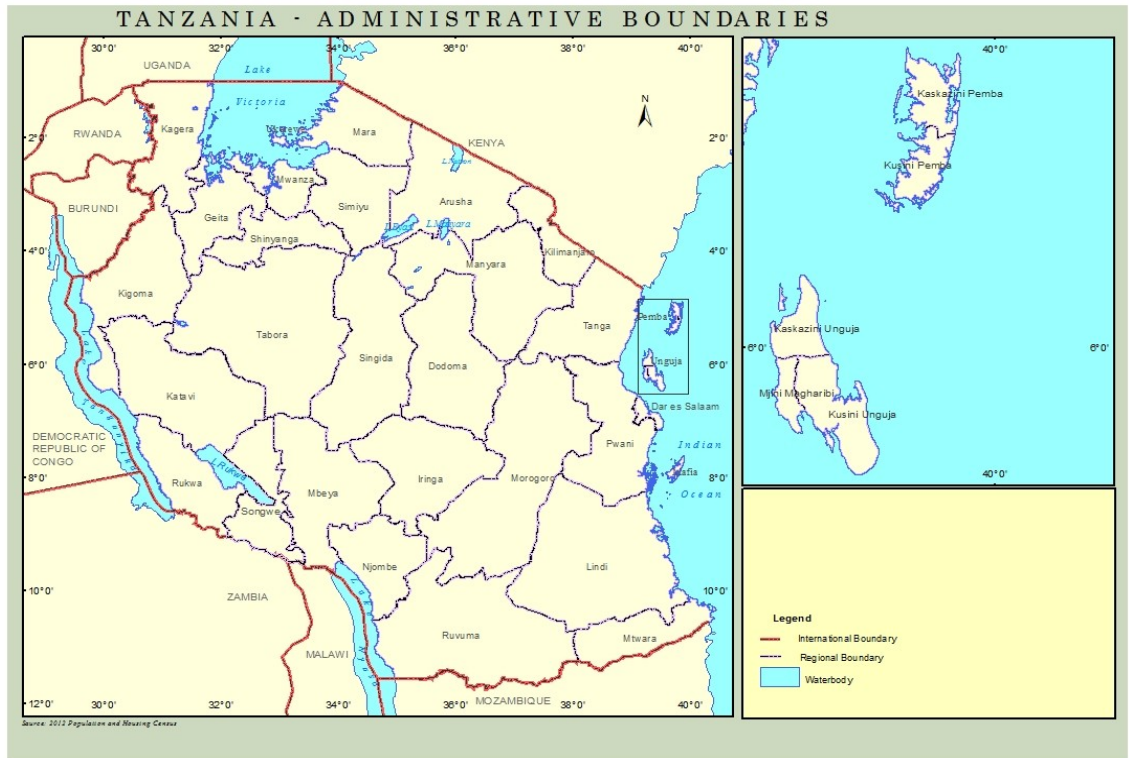


Figure 2 : Location Map of Bukoba (Rural) in Kagera and Moshi (Rural)

Kilimanjaro Region

(Source; Tanzania National Bureau of Statistics (NBS) Geographical Information System (GIS), 2017)

In Bukoba District, the dominant ethnic group is the Haya while in Kilimanjaro the dominant ethnic group is the Chagga. However, ethnic differences were not the leading factor in this study. These two areas are located in areas with high rainfalls throughout the year within mountainous equatorial climates where multiple crops (food and cash crops) favour the districts' economy to rely on agriculture. In the study areas, coffee primary co-operatives' members were used as a unit of analysis, and the selection was done by considering dispersion within districts to ensure inclusiveness of the studying units.

3.2 Research Design

A cross-sectional research design was used whereby data were collected once and used as a basis for generalisation. Member ownership and democratic sustainability concepts in the primary AMCOS of the studied areas could have similar characteristics that fitted in other primary AMCOS in Tanzania as well as other countries. Bukoba and Moshi Districts' AMCOS at primary level were examined by taking five primary societies and a comparative analysis of dependent and independent variable was done. The use of cross-sectional design allowed a comparative analysis across districts and across primary AMCOS. This increased the understanding of the associations on their levels of comparison and contrast between member ownership and democratic sustainability across Bukoba and Moshi Districts.

3.3 Population and Sample Size

The eligible population of the study was all members of the primary AMCOS of Bukoba and Moshi Districts. The number of the studied population had not been updated in the members register; the last updates had been done between 1992 and 1994. The existing members' registers had members who had ceased their membership for various reasons as per legal requirements stated in the Co-operative Act of 2013 and primary AMCOS by-laws, and the update had not yet been done up to the time of data collection (November, 2015 to February, 2016).

The sample size was determined following the formula developed by Cochran (1977) for unknown population size:

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

Where n_0 is the sample size, Z^2 is standard normal deviate, set at 1.96 approximately 2.0 which is equal to the desired confidence level of 95% selected for this study, p is the estimated proportion of an attribute that is present in the population (if not known 50% is used), q is $1-p$. The value for Z is found in statistical tables which contain the area under the normal curve and e is the desired level of precision or margin of error which is set at 0.05. Therefore, the sample size for the study was calculated as follows:

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

In selecting the number of respondents in each primary AMCOS, the sub-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. The 40 primary AMCOS members taken were over and above the minimum numbers prescribed by the Act to ensure inclusion of enough AMCOS members. Also, the selection of the 40 members in each primary AMCOS was justified on the basis of advice by Bailey (1994) that regardless of the population size, the minimum sample or sub-sample for a research in which statistical data analysis is to be done should not be less than 30. The minimum of 40 members in each primary AMCOS that were selected were even more than the minimum number recommended, which is good for statistical data analysis. The sample selection is presented in the Table 2 and indicates unit of analysis.

Table 1 : Sample selection details

District	Name of the AMCOS	Number selected
Bukoba	Kagege Primary Co-operative Society	40
	Mweyanjale Primary Co-operative Society	40
	Buma Primary co-operative society	40
	Kobunshwi Co-operative Primary Society	40
	Izimbya Co-operative Primary Society	40
Moshi	Kilema North Rural Co-operative Society	40
	Mwika North-East Co-operative Society	40
	Kiruwa Vunjo Rural Co-operative Society	40
	Kibosho Central Rural Co-operative Society	40
	Mawela Co-operative Society	40
Total		400

Therefore, 400 members were selected as the sample size from 10 primary AMCOS (five from each District of Bukoba and Moshi).

3.4 Sampling Techniques

The study used both probability and non-probability sampling techniques in order to have objectivity and respondents representing the population from which the data

were collected. Probability sampling was adopted so as to provide equal chances for every population element to be selected and to avoid bias, which might arise in the course of selection to get respondents. The sampling unit in this study was an individual member of primary AMCOS dealing with coffee production in Bukoba and Moshi Districts. Under probability sampling, simple random sampling was used in selecting the primary AMCOS that were studied. The selected primary AMCOS are presented in the Table 1.

Table 2 : Selected primary AMCOS by District list

District	Division	Primary AMCOS	Union Membership
Bukoba	Kyamtware	Kagege Primary Co-operative Society	KCU
		Mweyanjale Primary Co-operative Society	KCU
	Bugabo	Buma Primary Co-operative Society y	KCU
		Kobunshwi Primary Co-operative Society	KCU
Moshi	Kihanja	Izimbya Co-operative Primary Society	KCU
		West Vunjo	Kilema North Rural Co-operative Society
	East Vunjo	Kiruwa Vunjo Rural Co-operative Society	KNCU and KNCI
		Mwika North East Co-operative Society	KNCU and KNCI
	Kibosho	Kibosho Central Rural Co-operative Society	KNCU and KNCI
		Mawela Co-operative Society.	KNCU and KNCI

The number of primary AMCOS dealing with coffee was 50 in Bukoba District and 39 in Moshi District. These districts were the leading Primary AMCOS dealing with Coffee production in Kagera and Kilimanjaro Regions. Random sampling was applied basing on the AMCOS Register obtained from TCDC for each district. The study was based on assessing the democratic practice at the primary AMCOS. For the purpose of preciseness, equal numbers of primary AMCOS were selected, five in each district. Then, ten primary AMCOS were selected that were used as bases for

the study. The primary AMCOS were clustered basing on divisions for incorporating the area coverage and avoiding geographical biasness as presented in Table 1. A table of random numbers was prepared, and then random selection was made to choose five primary AMCOS from each district. Also, primary AMCOS were selected purposively to select those which were members in their respective unions. KCU had all their primary AMCOS being members while in Moshi District all members were members of KNCU but not all were members of KNCI. Members of KNCI were by service (the services were not limited to member education, facilitating in selling of coffee, technical support in coffee marketing and representation in external forums; their membership was fragile despite the reported status being 38 by numbers that sometimes fluctuated.

In selecting members, randomisation was done by using lists of members from primary AMCOS registers; members were identified basing on the villages where they were coming from. The lists were available in all villages where the primary AMCOS operated. Members were identified by the leaders of the primary AMCOS basing on the characteristics that were in the primary AMCOS registers and those who had sold coffee at their primary AMCOS not more than 3 years previously. The time given was due to the members' characteristics of leaving the primary AMCOS and remaining with their membership. On the other hand, it was done to exclude those who did not sell produce at primary AMCOS; rather they used private buyers, and this might not bring significant information regarding membership and democratic sustainability.

For non-probability sampling, purposive sampling technique was used to select key informants who were among the co-operative stakeholders in the institutions dealing

with co-operative undertakings. The list included institutions that had been involved in the co-operative movements such as KCU, KNCU, KNCI, TFC, District Co-operative Offices, Regional Assistant Co-operative Registrars, Tanzania Co-operative Development Commission (TCDC), Tanzania Coffee Board (TCB), Co-operative Auditing and Supervision Company (COASCO), Moshi Co-operative University (MoCU) and Tanzania Coffee Development Fund (TCDF). For Focus Group Discussions (FGDs), purposive sampling technique was used to select discussants constituting groups, but in the Unions FGDs involved Board Members and Managers. The number of discussants was 6 at KCU and KNCU respectively while at primary AMCOS they ranged from 6 to 8 including ordinary members, Board Members and Managers.

3.5 Types and Sources of Data

3.5.1 Types of data

Qualitative and quantitative data were collected. Qualitative and quantitative data were collected and described with regard to ownership and democratic rights of members in primary AMCOS in the surveyed areas. Qualitative and quantitative data were used to analyse constructs such as members' participation in decision making, accountability of board and management to members, internal and external interferences on co-operative sustainability and members' views on primary AMCOS sustainability. Qualitative data were collected through focus group discussion, key informant interviews whereby different issues relating to member ownership constructs were discussed. The qualitative data were arranged into themes and sub-themes so as to generate concrete meanings that supported (or otherwise) the qualitative data. Quantitative data were collected using a questionnaire; some of the items assessed included membership obligation, membership and services, power in

decision making, democratic rights, decision compliance, membership rights, information dissemination and succession plan. Also, other contracts which contributed to member ownership and democratic practice in the primary AMCOS were assessed. Qualitative data obtained from focus group discussions and key informant interviews were used to complement quantitative data obtained through the questionnaire.

3.5.2 Sources of data

The source of primary data was respondents from whom the data were collected through a structured questionnaire whereby primary AMCOS members were interviewed. Other primary data sources included focus group discussants and key informant interviewees. The focus group discussants included primary AMCOS, board members, management and ordinary members. On the other hand, key informants were from the board and management of Co-operative Unions and Tanzania Federation of Co-operative management. Secondary data were collected from different co-operative documents concerning members' ownership and democratic sustainability. The documents included Co-operative Act, Co-operative Regulations, AMCOS by-laws, Ministry reports, research reports, files and other related literature sources.

3.6 Data Collection Methods

The study made use of multiple data collection methods in order to have reliable data and supplement the weaknesses of one data collection tool compared to the others. Hence, triangulation was necessary in order to get more reliable data. The methods used for data collection were household survey, key informant interviews, FGDs and documentary review.

3.6.1 Household survey

This method was used to collect data by employing a structured questionnaire (Appendix 1) which contained a set of pre-coded close-ended questions and open ended questions developed in line with the specific objectives of the research. The questionnaire was used to collect information regarding member ownership and member participation in primary AMCOS. The households were visited, and members of the primary AMCOS were interviewed. The members of the primary AMCOS were drawn from lists that were prepared from the Primary AMCOS based on the methodology employed to acquire them. Most primary AMCOS operated basing on ward and villages that were under wards. Therefore, primary AMCOS members were followed in their villages after random selection was done using the lottery method. Primary AMCOS members were interviewed in their villages by the researcher and the assistant researcher. Data were checked for correctness every day by the researcher and the assistant researcher. To ensure each one was interviewed, the members' lists were revisited with the help of AMCOS leaders. The selected households were visited on appointments made, and the visits were done on the scheduled days, dates and hours. The household survey was done in November and December 2015 in Bukoba District while in Moshi Districts it was done in January and February 2016.

3.6.2 Key informants interview

Key informant interviews using an interview guide (Appendix 2) were conducted to collect primary data from managers of Tanzania Federation of Co-operatives (TFC), Tanzania Co-operative Development Commission (TCDC), Tanzania Coffee Board (TCB), Co-operative Audit and Supervision Company (COASCO). Also, lecturers at Moshi Co-operative University (MoCU) at the level of professor who were

conversant with the co-operative profession were interviewed. Semi-structured interviews were conducted with key informant interviewees for in-depth interviews that provided a room to investigate other emerging issues that were not captured using the structured questionnaire (Flick, 2009; Saunders *et al.* 2009). Eleven (11) key informant interviews were conducted. The interviews were done on appointment; key informants were visited in their offices. Note books were used to record all information pieces that were collected from the questions that were asked. The information that was gathered from key informants was coded, and used to supplement quantitative information which was also collected.

3.6.3 Focus group discussions

An FGD guide (Appendix 2) was used to collect data whereby thirteen (13) FGDs were conducted. FGDs were done with board members and managers of KCU and KNCU. Also, FGDs were done with board members, ordinary members and management whereby the groups constituted six (6) to eight (8) members. Using 6 to 8 discussants was in line with suggestions of Barbour (2011) and Bryman (2004) that 6 to 8 discussants is the optimal number for compositions of FGDs for the reasons that if too many discussants are taken some of them just keep silent, and if too few are involved they may not be able to discuss some difficult topics. In order to ensure all members of the discussion groups participated, an introduction was given relating the importance of the research and confidentiality of the information that was being collected. All the stakeholders during the FGDs were actively involved to participate in proving their contributions during the interviews. Gender balance was observed in conducting the FGDs whereby the formation of the discussion groups, the board management and members were asked to have both female and male discussant from the primary AMCOS. All questions prepared were asked and were given answers that

were important and useful in this research. At the primary AMCOS, the FGD composition included board members, management and ordinary members. Such composition was necessary to make a fair cross-examination of questions that were prepared and in arriving at precise responses that were agreed by the entire group discussion participants. The descriptions of numbers and categories of respondents involved in the FGD are presented in the Table 3.

Table 3 : Focus Group Discussion respondents

District	Name of the institution	Respondent Characteristics			Total
		Board Members	Management	Members	
Bukoba	Kagege Primary Co-operative Society	5	1	2	8
	Mweyanjale Primary Co-operative Society	4	1	3	8
	Buma primary co-operative society	4	1	1	6
	Kobushwi Co-operative Primary Society	4	1	2	7
	Izimbya Co-operative Primary Society	4	1	2	7
	Sub total	21	5	10	36
Moshi	Kilema North Rural Co-operative Society	4	1	1	6
	Mwika North East Co-operative Society	4	1	2	7
	Kiruwa Vunjo Rural Co-operative Society	3	1	2	6
	Kibosho Central Rural Co-operative Society	3	1	3	7
	Mawela Co-operative Society	5	1	2	8
	Sub total	19	5	10	34
Bukoba	Kagera Co-operative Union	5	1		6
Moshi	Kilimanjaro Native Co-operative Union	4	2		6
	Sub total	9	3		12
		Directors	Head of department	Head of section	
Dodoma	Tanzania Co-operative development commission	1	1	1	3
	Sub total	1	1	1	3
Total					85

In each primary AMCOS, an FGD was conducted. The aim was to get counterarguments of the information obtained from the members who were the unit of analysis. Also, FGD were conducted with KNCU and KCU and TCDC. A total of 13 FGD was conducted in the study. The FGD participants in each institution were selected basing on ensuring representation of different groups which were regarded to have important information. Including different groups was done in order to ensure cross-checking of information given by reducing bias that might arise if one group was not represented or over-represented in the discussions. In managing the discussions, the participants were introduced to research ethics on issues of confidentiality of information and informed that each member in the discussion had equal chances to participate. Also, members were told to respond to items that would not be true, if given by one of the FGD participants.

3.6.4 Documentary review

Documentary review was done through the use of documents available in the primary AMCOS, which included AMCOS Reports, AMCOS by-laws, primary AMCOS register books, letter files and other information available at the AMCOS offices. These were used to assess the status of primary AMCOS information on different variables relating to ownership status and democratic governance practices. Also, other documents reviewed were Tanzania Co-operative Policies and Tanzania Co-operative Societies Acts (2013, 2003, 1991, 1982, 1974 and 1968). These were used to check primary AMCOS if they abode by policy and legal requirements as provided in those documents reviewed. On the other hand, programme and project reports such as MEMCOP and CRMP were reviewed to check the changes in

Primary AMCOS on places where these programmes were implemented and possibilities for extension or review. Moreover, Ministry budgetary reports on information regarding promotion of the co-operative sector and development status were reviewed. Also, other documents such as research reports, journal papers and books were used to supplement and support information from the primary sources. In all these documents, the aspects of member ownership's influence on democratic sustainability in Primary Agricultural Marketing Co-operative Societies were the key elements reviewed.

3.7 Data Analysis and Presentation Procedures

Data were analysed qualitatively and quantitatively; the analysis was based on objectives whereby different models were chosen depending on the measured terms as indicated in Appendix 3. Qualitative analysis used content analysis whereby data recorded in field notes and voice recorders were transcribed and thereafter post coding was conducted through categorising opinions, comments and ideas from participants into themes basing on research objectives as recommended by Yin (2014) and Sekaran and Bougie (2010).

Quantitative data analysis was done using descriptive analysis whereby frequencies, mean, minimum and maximum values of individual variables were computed. Also, Multiple Response Analysis (MRA) was done to compare descriptively variable relations across primary AMCOS and districts. Chi-square analysis was done to determine associations between some variables recorded at the nominal and ordinal levels, including associations between districts where AMCOS were based and changes in AMCOS membership over the previous 10 years (Appendix 3). T-tests were used to compare inferentially averages of variables recorded at the scale

(interval and ratio) levels, including points scored on various scales that were used, like comparing points scored on levels of members' obligation fulfilment and voluntary contributions payments in Moshi and Bukoba Districts.

The t- test statistic formula was calculated as:

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{S_{x_1}^2 + S_{x_2}^2 - 2r_{x_1x_2} S_{x_1} S_{x_2}}{n - 1}}}$$

Where

X bar = Mean difference,

S² = Sample variance,

n = Sample size,

t = Score (n-1 degrees of freedom)

Also, t-test was used in comparing points scored on members' feelings on primary AMCOS ownership and on indicators of democratic participation of primary AMCOS. Chi-square analysis was done to determine associations between some variables recorded at the categorical (nominal and ordinal) levels, for example between strategies to increase internal funding sources and AMCOS capitalisation. T-tests were used to compare the two districts during the survey and 10 years later on points scored on levels of democratic sustainability in Moshi and Bukoba Districts.

For each of the inferential analyses (Chi-square and t-test), p-values were computed to determine levels of significance of the associations and differences, respectively, that were determined. In doing so, the three common levels of significance were taken into account; they are the highest level (at the 0.1%) where $0.000 \leq p \leq 0.001$, the intermediate level (at the 1%) level where $0.001 < p \leq 0.01$ and the lowest level (at the 5% level) where $0.01 < p \leq 0.05$ (Agresti and Finlay, 2009; Healey, 2005; Bryman, 2004). However, for interpretation, only the $p \leq 0.05$ was considered to be the cut off for testing the level of significance. Appendix 3 provides the detailed

presentation of each objective and its variable measurement as well as its underlined models and measurement scales by objective.

Chi Square Formula

$$\chi^2 = \sum \frac{(obs - exp)^2}{exp}$$

χ^2 = The value of the chi-square statistic

obs = The cell frequencies observed in the counting table

exp = the cell frequencies observed in the counting table

3.8 Reliability and Validity of the Data

To ensure data reliability, the use of Co-operative Act, Co-operative policy, Co-operative audited reports, Ministries reports, programme and project reports and Co-operative meeting minutes were used as sources of data. To ensure consistency of the information, the researcher used Bukoba and Moshi Districts to assess member ownerships in co-operatives in the study areas where data were collected. Their primary AMCOS were dealing with coffee business as the main co-operative crop. In order to ensure internal reliability so as to establish data consistency towards measuring constructs such as member ownership and democratic sustainability, split-half approach was used to study the two districts using an independent samples t-test. This approach for data internal consistencies was relevant since this study was a cross-sectional one. The use of a semi-structured questionnaire was done, which led to less factual errors that might occur during the study.

The validity of the data was determined by pilot-testing the instruments for data collection. The pretesting was done at Mawela Primary AMCOS of Moshi Rural District where 30 AMCOS members were interviewed. The instruments were found to lack issues of accountability, which were then added to the questionnaire. This

guaranteed content validity of the instruments to see whether they contained items that truly measured respondents' ownership and democratic sustainability. Moreover, to ensure if the questionnaire had items whose scores accurately predicted or forecast outcomes, the criterion validity approach was applied whereby variables on the status of primary AMCOS business and dispersion were considered. Members' age and activeness were also considered in measuring member ownership and democratic sustainability. In order to find out if the items in the questionnaire measured key constructs such as democratic sustainability and member ownership, construct validity approach was used whereby the review of member ownership and democratic sustainability theories in co-operatives was considered as well as considering study objectives and variables in the conceptual framework. Moreover, convergent validity was applied to find out if the items in the questionnaire captured information that agreed with other related measures.

Validity of the data was assured by triangulation whereby multiple data collection and analysis methods were used (Healey, 2005). Instruments such as questionnaire and interview guide were used (Appendix 1 and 2). Also, methods such as household survey, documentary review and FGD were used in data collection. For ensuring trust of respondents, an introduction about the purpose of the research and ensuring confidentiality were introduced to the respondents, as well as showing the introduction letter to show the authority of the permission to interrogate the respondents.

3.9 Research Ethics

Before conducting the research on which the PhD thesis is based, the researcher got approval from the Moshi Co-operative University (MoCU) in terms of an

introductory letter from the University to Kilimanjaro and Kagera Regional Offices which also gave him permission for data collection in Moshi and Bukoba Districts. Also, other letters of introduction from Moshi Co-operative University were given to Co-operative Audit and Supervision Company (COASCO), Kagera and Kilimanjaro, Tanzania Co-operative Development Commission (TCDC), Tanzania Federation of Co-operatives (TFC), Tanzania Coffee Board (TCB), G32, Kilimanjaro Native Co-operative Union (KNCU), Kagera Co-operative Union (KCU) and Tanzania Coffee Development Fund (TCDF). The researcher and assistant researcher introduced themselves to the respondents to build mutual understanding of the purpose of the study and information required. Participants in the research were informed about the purpose of the research and the types of data needed. They were assured of the confidentiality of the information they would give to the researcher and hence the researcher was able to obtain the information required for the study. Moreover, all secondary sources used have been cited properly according to IPA format.

3.10. Limitations of the Study

During the entire study, the research encountered some limitations. These included; respondents' behaviour, economic activities schedules, climatic conditions during data collection and financial problems. However, these challenges were solved in order to ensure research objectives were reached.

During household survey the respondents sometimes were not found in their residences due to different reasons that were provided by those who were found in the households, or nearby reporters; that made the researcher to make appointments. This necessitated back and forth visits to the villages during data collection. Also, some respondents were reluctant to provide answers to some questions as the

questionnaire had 83 questions (Appendix 1) from the four objectives. This compelled the researcher to beg the respondents and make apology for the time spent so as to finish all the questions.

On the economic activity schedules, the data from members of primary AMCOS were collected in November and December 2015 in Bukoba District which is time for harvesting beans and collecting grasshoppers (*senene*) which are used as food for the Haya ethnic group) and production of sweet tomatoes. In Moshi District data collection was done in January and February 2016 which is the time when farms are prepared for production of maize, sunflower, beans and millet in some areas. This made the researcher to use appointments to meet the respondents; sometimes meetings with interviewees were held outside their homes for convenience, since it was the area where the researcher met the respondents.

The climatic conditions during data collection became a challenge since in all the time during data collection, that is November and December in Bukoba and February in Moshi District, it was a rainy season. This made roads slippery when the researcher was in the field during data collection. However, the use of motorcycle drivers, commonly known as *Bodaboda*, was useful to make the researcher reach the required households.

A financial problem arose as more money was required for transport, accommodation, stationery, paying assistant researchers and AMCOS board members who assisted the researcher during data collection. Also, funds were required for arranging FGDs at the primary AMCOS since most of the time the meetings were done during lunch hours, which called for buying some soft drinks

and bites for the participants. Researcher salary, family and friends contributed to finance the financial deficit.

CHAPTER FOUR

4.0 FINDINGS AND DISCUSSION

This chapter presents a discussion of the findings from the four objectives of the research, but it starts with the presentation of socio-demographic characteristics of the respondents. The respondents were interviewed by the use of a questionnaire (Appendix 1), and an individual person was the unit of analysis. These were members of primary AMCOS in the surveyed areas. Also, this chapter presents the findings of the objectives which were about members' democratic participation in decision making in AMCO, accountability of the board and management to members in AMCOS, internal and external interfaces which promote AMCOS sustainability and members' views on factors determining democratic control in AMCOS. The discussion follows the arrangement of sections in the questionnaire (Appendix 1), and the information from the members of primary AMCOS was backed by results from focus group discussions and key informant interviews. Furthermore, the information was also supported with counter arguments from empirical literature as well as theories.

4.1 Socio-Demographic Characteristics of the Respondents

The socio-demographic characteristics of the respondents were assessed in this study with the aim to understand the respondents' characteristics and their status of ownership in the primary AMCOS in terms of membership by age and sex as well as their activeness in the primary AMCOS business. The study did not use the socio-demographic characteristics to discuss the four objectives of the study. In this study, agricultural co-operatives dealing with coffee were studied. Members registered in these primary societies were found to differ from one primary society to another one.

However, a great discrepancy in terms of members' activeness was found between the registered members and active members in the co-operative society's registration. Some members were registered, but they were found not to participate in primary AMCOS activities, which were basically selling coffee through their primary AMCOS. Also, considering the respondents' sex categories; it was found that female respondents were few in the AMCOS registration compared to their female counterparts. This is due to the fact that traditionally coffee is a cash crop that is owned by men, while women own banana in the studied areas. In that case, active members were considered to be those who had been participating in the co-operative businesses in the previous five years from the time when the data were collected.

The results in Table 4 indicate that 10,625 members were registered in the ten primary AMCOS. The total members included 4,642 active members (43.7%) while the rest 5,983 (56.3%) were not active (that is they had never participated in primary AMCOS business for the previous five years from the time when the data were collected). This implies that primary AMCOS members were dormant in terms of engagement in their co-operatives. Also, when assessing active membership with respect to sex disaggregation, it was found that women represented only 10.5% while men represented 89.4%. This indicates that the primary AMCOS are more owned by men as compared to female counterparts. This can be due to land tenure and coffee ownership which in most of the families in the studied areas are male dominated. Comparatively, it was found that Moshi District represented more dropouts of members from 8,650 to 3,406 which was 60.6% dropout. This implies that change of land usage in Moshi District is higher than in Bukoba District, something which caused members of primary AMCOS in Moshi District to decrease in primary AMCOS engagement. On the other hand, the proportion of women drop out in Moshi

District was found to be very low (7.4 %) compared with that in Bukoba (18.5%). This implies that males continue to be dominant in Bukoba and that there is low participation of females in coffee business. The summary of registration status was as presented in Table 4.

Table 4 : The registration status of primary AMCOS studied

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

Data source: AMCOS Register Books (2016)

The findings presented in Table 4 indicate that, when comparing individual district primary AMCOS drop out status, Kibosho Central Rural Co-operative Society of Moshi District had more member drop out (Table 4) (71.4%) while Kobunshwi Co-operative Primary Society of Bukoba District had the highest member drop out in the district (52.5%). This implies that primary AMCOS were experiencing member drop out due to various reasons that had an implication on decreasing members who were the owners. A sustainable primary AMCOS needs to maintain membership growth in terms of numbers and participation. However, socio-economic circumstances caused member fluctuation by numbers. The general outlook showed that Moshi District primary AMCOS had more members who had left the coffee production business. This was caused by decrease in coffee farm sizes due to increase in population as well as farm inheritance, a characteristic which leads to decrease in coffee farm size. Hence, when members are not engaged in coffee business, the probability of dropping from the primary AMCOS becomes inevitable. Furthermore, the findings from the FGDs and observation of member registers indicated that primary AMCOS had not been updating members' registration in their members register books; the latest registration update had been done from 1990 to 1994. If member registers are not updated, the primary AMCOS may have members in the registers that do not fulfil legal requirements. The register books were found to have names of members who had passed away, members who had shifted to other places, members who had changed their businesses and members who did not have farms. Primary AMCOS by-laws require members to have all these prerequisites for membership.

In assessing the age of respondents and membership duration (with 400 respondents) in the studied areas, the respondents were found to have an average age of 59 years, with the minimum age of 30 years while the highest age was 92 years. This implies

that young generation in primary co-operatives are few; AMCOS members with the age below 45 years of age were very few. That can have implication in succession plan of ownership and democratic practice due to members ageing. The ages varied by district; Bukoba District Primary AMCOS members had an average age of 55 years, and in Moshi District primary AMCOS members had an average age of 62.8 years. This indicates that members with young ages are few in the primary AMCOS, something which indicates future decrease of members where primary AMCOS were found to be owned by old aged members. The main reasons as to why youth members were not part of primary AMCOS membership is the longevity of the coffee crop from planting to the time of starting harvesting, which takes three to five years as opposed to other crops such as beans, maize and vegetables which are mostly commonly grown by the majority; those fast maturing crops have become perfect substitutes for coffee.

4.2 Members' Democratic Participation in Decision Making in Primary AMCOS

The findings in this section address the first objective of the research on which this thesis is based. The first objective was to examine members' participation in decision making in the primary AMCOS. Co-operatives are democratic institutions that demonstrate democracy from their formation, governance and service delivery. The Co-operative Society Act 2013, Part IV Sections 41 to 50, presents the rights and liabilities of members that characterize what is supposed to be done by members and their reciprocation to the co-operative societies. In examining members' democratic participation, the issues assessed were: membership and member obligation fulfilment, membership and service, internal democracy, members' engagement in

co-operative business, member ownership and decision making, democratic rights, governing instruments and co-operative governance complaints.

The examination of democratic participation of members was based on how members made decisions on different aspects such as coffee marketing, investments, financial allocations and distributions which affect them as members and their co-operative societies. AMCOS, as a primary society, was assessed on how members fare in exercising their democratic decision making rights provided by ICA (1996) and the prevailing Co-operative Society Act 2013. Co-operative organizations at primary level had not been doing well, especially in the democratic governance exercise on decision making (Seleke and Lekorwe, 2010). Also, Danda and Bamanyisa (2011) and Emanu (2009) found that co-operatives exist between the growing roles and responsibilities that are affected by limited capacity available to manage co-operative societies. Similarly, the effort to develop effective internal governance systems and decision making process on effort to respond to priorities of market opportunities and change in government management limit co-operatives in attaining institutional democratic governance. However, Rwekaza and Mhihi (2016) and Chambo (2008) argue that, in co-operatives, investment is done by strengthening democratic systems which require empowering of members in creation enabling environment that makes member to participate in decision making. Members' participation in primary AMCOS requires a democratic system which encourages participatory approaches in decision making on member's co-operative businesses.

4.2.1 Membership and member obligation fulfilment

The democratic practice in the primary AMCOS has a vital role in the decisions of the members. The democratic practice rights are vested to members who are the

owners, and the democratic practice is more based on the rights and obligation of members which is practiced through primary AMCOS meetings. On the other hand, the democratic practice is attained through member representatives, where members choose among them to lead their institutions on their behalf; and these members' representatives are the board of the primary AMCOS. Since members are the owners of the primary AMCOSS assessing their membership becomes an important component in understanding their ownership and their democratic practice in their primary AMCOS.

In assessing respondents' membership, the findings show that all (100%) accepted that they were members of primary AMCOS. This implies that, all members were of the opinion that they have fulfilled all their members' legal requirements. Similarly, when the primary AMCOS members were asked whether they had applied for membership, it was found that only 6 (1.5%) of the respondents had applied for membership while the rest 364 of the respondents (98.5%) had not applied for membership. This implies that, members had not applied their membership that on the other hand contradicts with the legal requirement that requires members to apply for their membership. On the same issue of application for membership to AMCOS, the members who had not applied for membership were not the founders of their primary AMCOS whose co-operative by-laws required them not to apply for membership. Having members who had not applied for membership leads to primary AMCOS to have ghost members and the decision that might be reached is from the majority members who have not legally members.

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 to primary AMCOS does not always follow established procedures stipulated in the laws; that had been a practice, and no one had given emphasis to rectify membership process to abide by the laws and procedures.

Findings from a FGD with Tanzania Co-operative Development Commission (TCDC) staff showed that getting membership to co-operatives requires applicants to fill in forms for applying for it; thereafter, the applications are presented in an annual general meeting for discussion. Such discussion results in accepting or rejecting any of the applications. After that, members are supposed to pay their membership obligations such as shares, entry fee, and other statutory obligations. However, most of the co-operative societies did not abide by these procedures, but the law requires them to abide by guidelines. The discussants in an FGD with TCDC staff contended that most of co-operatives in Tanzania are affected by absence of member education in their effort to manage their co-operatives. Member education would make them know their obligations and how to manage their co-operatives. With that, TCDC staff thought that co-operatives are governed in the systems that members do not know why they belong to the co-operatives rather than selling their produce. Member education is a key for primary agricultural co-operatives to abide by co-operative legal requirements.

The research findings on assessing the available procedures for becoming members indicated that 92.5% had become members just by selling coffee in the primary AMCOS. This implies that members' in the primary AMCOS got their membership outside the established procedures. This was due to the reluctance of following the procedures stated in the AMCOS by-laws and in the Co-operative Societies Act. This is supported by the argument given by the Assistant registrar, Tanzania Co-operative Development Commission (TCDC), who was a Key Informant and said:

“... 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 circumstances of finding places where to sell their coffee, but they are not joining on their will”.
(12/10/2015)

Despite the fact that members join co-operative societies based on intention to look for markets of their produce, the institutional legal procedures need to be abode by. Findings from FGD with Kibosho Central AMCOS Board (members and management) revealed that the entry procedures for new members were selling of coffee, paying an entry fee of TZS 2000, and buying at least one out of 20 shares, a share costing TZS 5000. Basing on these descriptions and membership conditions, the procedures for becoming members are distorted since once these are paid, no more payment is made. This is due to members' reluctance to finish paying for shares. The Co-operative Societies Act 2013, Section 20 (2) (a-d), defines a member as “that member who has attained the minimum age of eighteen years and is of sound mind, that he undertakes a trade or occupation relevant to the society's object as defined in the by-laws, that he/she has a common need which the society seeks to

satisfy, that he is capable of paying fees and acquiring shares”. This was supported by an account given by Kagera Assistant Co-operative Registrar, who was a key informant that:

“Registration of members in the co-operative society as per Co-operative Society Act No. 15 of 1991 provides membership by succession, and new membership is by application, paying an entry fee and buying shares. Also, the co-operative society Acts of 2003 and 2013 provide the same. The problem of not following the legal requirement is due to the reluctance of board members and management”. (16/10/2015)

From the legal conditions provided above, the Co-operative Societies Act (2013) defines membership in primary AMCOS as being determined by members fulfilling their obligations. There are statutory obligations such as paying membership shares; in that, it signifies membership and ownership in the primary society. The findings (Table 5) indicate that those who had paid some shares represented 80.8% of the respondents. This implies that, members in Primary AMCOS join and pay some shares and assumed of being a legal member, this leads primary AMCOS to have members which are not legally members they make decisions as owners who don't have legal prerequisite for their membership. Similarly, those who had never paid any share were 16.8% unlike 2.5% who had paid all their shares. These share payment differences indicate that the primary AMCOS surveyed had no members who had legal prerequisites; therefore, legally they were owned by non-members.

From FGDs conducted in Moshi and Bukoba Districts, primary AMCOS boards, members and management; the participants indicated that most of the members had

paid 2 to 3 shares out of 5 shares. However, when shares were 10, members were found to pay 4 out of them. Members were found not to pay their shares due to the fact that even when they didn't pay all their shares, still they got all the primary AMCOS services. Having a share is a significant indication of membership in a co-operative society, and shares differentiate AMCOS owners from non-members.

Table 5 : Primary AMCOS Share price and payment status

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

The share payments presented in Table 5 indicate that most of the primary AMCOS were found to have paid the fewest shares, but Moshi District primary AMCOS led other AMCOS in payment of shares which were below the average number of shares paid. This implies that members got all services equally regardless of differences in shares and no enforcement measures were taken to finish share capital contribution. It was found that in Moshi District, Kibosho Central Rural Co-operative Society and

Mawela Co-operative Society were found to be the leading ones in members not paying shares, with 85%. This implies that, there are more primary AMCOS which do not base on fulfilling members share ownership where in primary AMCOS share payments indicates members ownership components and payment is bound by law.

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

The findings from FGD with TCDC staff revealed that absence of co-operative member education and governance knowledge to board and management caused members not to pay shares. Members, board and management lacked education on

the conditions and circumstances of share payment effects. However, TCDC staff said that they provided education occasionally using annual general meetings. That was not enough. However, insufficient funds allocated to the Department of Co-operatives from the Government budget allocation led to inability to reach most of the co-operatives. This was supported by the following explanation provided by Kagera Assistant Co-operative Registrar, who was a key informant and said:

“..... members were not paying statutory shares and other statutory payments due to reluctance of board and management; members’ reluctance had been a big issue. For those members who were not paying those statutory shares the law provides conditions with this statutory payment. With that, there should be nobody who does not pay, but negligence prevails”. (16/10/2015)

Paying statutory obligations signifies member ownership and member commitment to their co-operative societies. The Co-operative Societies Act (2013), Section 41 (1), contends that “a person shall not exercise the rights of a member unless he has paid 50% or more of the required shares, entrance fee and any other dues”. And section 41 (2) stipulates that “without prejudice to generality of subsection (1), the unpaid up shares shall be paid as may be presented in the by-laws of the society within a period of twenty four months from the date of payment of the initial shares”. Basing on this information, no member of a co-operative society had fulfilled the legal requirement, and no effort had been made to affect it from the data given by board management and members. This implies that, if members were not paying all their shares on the given time period. Their memberships are in danger of being ceased; this can lead to affect the sustainability of the primary AMCOS.

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

In assessing the factors that determine membership and existence of member ownership in primary AMCOS, assessing the process that determines primary AMCOS membership becomes inevitable. Membership in co-operatives is guided by principles, policies, acts and rules. Chambo and Mathew (2011) argue that co-operatives in Tanzania need to be guided by principles of good governance in managing membership. Despite of the argument raised, member registration process

and its governance are affected by challenges of the nature of co-operation itself, most agricultural co-operatives do not consider much the legal provisions guiding registration and membership. Birchall and Simmons (2010) and Danda and Bamanyisa (2011) argue that African co-operatives are bound by legal, policy environment and local cultural traditions of different communities that affect the entire effort to solve the co-operative registration challenges that need to be addressed; this should go together with co-operative member empowerment. When membership registration is solved, and co-operatives embark on members ownership strategies, co-operatives will be able to gradually shift from bureaucratic mode to competitive co-operative enterprises. Table 6 presents findings on the factors for becoming members of primary AMCOS in Bukoba and Moshi Districts.

Table 6 : Factors for becoming members in the primary AMCOS (n = 400)

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

In assessing individual primary AMCOS on factors for becoming a member, it was found that Mawela AMCOS had 4% of its members who were member by registration and 7% of its members who were registered and who were presented to the AGM. This implies that, owners divulged the ownership procedures in fulfilling the established democratic procedures for becoming owners. The other primary AMCOS had members who had become members just by selling their produce in their primary AMCOS (87%). This indicates that, when member sells produce, they were automatically being registered as members and enjoys all the co-operative benefits. This explains that, the difference between who is a member and who is not a member is not apparent in primary AMCOS. The leading primary AMCOS for accepting members by only selling the produce were Buma AMCOS, Mweyanjale AMCOS, and Mwika North AMCOS with 9.5% each, followed by Kobunshwi AMCOS and Lubale AMCOS. This indicates that the legal procedures for having members who had applied and be presented to annual general meetings for being accepted or not is not followed.

Similarly, Table 6 presents status on membership by district, and the findings indicate that the registration of members who were presented in the primary AMCOS meetings were higher in Moshi District than Bukoba District by 28% and 24% respectively. The implication is that, the democratic process of presenting members in the meeting for members to accept or reject their new membership is higher in Moshi than in Bukoba District due to member awareness. The differences indicate that Moshi District primary AMCOS abide by Co-operative Act and primary AMCOS by-laws to a greater extent as compared to Bukoba District AMCOS. The procedure for membership acquisition is defined in the Co-operative Act and in the primary AMCOS by-laws. Management diverges from such legal conditions

knowingly; this was indicated by respondents from an FGD with primary AMCOS board and management; they were found to understand membership acquisition procedures.

According to Hernández *et al.* (2013) and Baffes(2005) argued that, agricultural co-operative are deprived of member understanding in different concepts of the legal requirements that governs co-operative institutions. Members in primary AMCOS lack education and understanding of their by-laws and other government directives that dictate institutional governance. According to Magali (2014) and Pinto (2011), a democratic practising co-operative needs to be in the hands of the owners who have the legal rights to make decisions. That was found not to be the case in Primary AMCOS surveyed where the owners were found lacking legal prerequisites for being owners that in turn, the primary AMCOS decision is made by members who are not legal owners

4.2.2 Membership and primary AMCOS services

The Co-operative Societies Act of 2013, Section 3, identifies the objective of the co-operative societies to be “...promotion of the economic and social interests of its members by means of common undertakings, based on mutual aid and which conform to the co-operative principles ...”. Member ownership is reflected by services that a primary co-operative society offers to its shareholders. In assessing primary AMCOS services and their accessibility to members, six AMCOS services that were provided were assigned points, 1 for Yes if the services were accessible to members and 0 if they were not accessible to members. The minimum and maximum possible scores were 0 and 6, if one received none of the AMCOS services or all the AMCOS services respectively. The findings are presented in Table 7.

Table 7 : Scores on activity services provided and by percentage (n = 4 00)

Services provided by primary AMCOS	Bukoba District Primary AMCOS			Moshi District Primary AMCOS		
	t-test	p-value	Mean Difference	t-test	p-value	Mean Difference
Member education and training	3.236	0.001	0.05000	6.943	0.000	0.19500
Attending meetings	34.963	0.000	0.86000	43.540	0.000	0.90500
Accessing agricultural input	NA	NA	NA	13.418	0.000	0.47500
Agro credits	NA	NA	NA	5.809	0.000	0.14500
Dividends	NA	NA	NA	44.857	0.000	0.91000
Service satisfaction levels	80.813	0.000	2.85000	56.443	0.000	3.63000

As shown in Table 7, more services to primary AMCOS were available in Moshi District; the overall score on receiving services was higher (M.D. of 3.63 out of 6.00) than that in Bukoba (M.D. of 2.85 out of 6.00). Comparing the two mean difference scores using independent one sample t-test revealed that the services provided by primary AMCOS were significantly different at the 0.1% ($p \leq 0.001$). This means that primary AMCOS members in Moshi District had more services than those in Bukoba District. The capacity to demand service from the primary AMCOS indicated the ability of institutional democratic practice to create decisions that require board and management to provide more services to members. This is due to the fact that Moshi District primary AMCOS received programmes such as Member Empowerment and Management in Co-operative Programme (MEMCOP), and the presence of Moshi Co-operative University had an impact on nearby primary AMCOS, unlike those of Bukoba where all these factors were non-existent. Also, in that assessment some factors were not significant in Bukoba District primary AMCOS, factors such as accessing agro credits, dividends and agricultural inputs. This implies that those primary AMCOS of Bukoba District did not provide basic services which are important to members to sustain their production and that had effects on membership decrease due to limited services received from their primary AMCOS.

The ICA provides seven co-operative principles and the fifth is about education training and education; this calls for co-operative societies to invest in education and training to members to increase their ownership and democratic practices. Primary AMCOS members mostly participated in bringing their coffee to their AMCOS. However, their participation had remained of bringing coffee than on other primary society services that were supposed to have member participation in board. The above findings on the services were supported by the argument provided by Manager of Tanzania Federation of Co-operatives (TFC), who was a key informant and said:

“... Members delegate their selling process to the Board and Unions; members take whatever price tags or indicative price without negotiations. In that regard, members sell their produce by being forced by poverty in their pockets”. (12/10/2015)

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

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

the Union took all the responsibilities; the primary societies were just buying centres that did not have any ownership power until when KNCI was established. Primary AMCOS members' voices have started being heard on price determination in Kilimanjaro” (16/02/2016).

The above quotation indicates a different scenario with Primary AMCOS of Bukoba where they were still under the Union (KCU) membership power over their produce. The co-operative services, when highly received by members, signify the reasons as to why co-operatives are appropriate organisations and vehicles for sustainable development (Deressa and Kanagaraj, 2015; Gertler, 2001). Co-operatives services promote economic democracy and the empowerment of marginalised groups (Maghimbi, 2010). When co-operatives provide satisfactory services to members it indicates satisfaction of members on the reasons for establishing such a co-operative society. According to Ravensburg (2009), co-operatives reduce inequality and promote equitable sharing of the costs and benefits of sustainable democratic practice. Given community ties and less need for short-term profits, co-operative services have the capacity to embrace and act on longer planning horizons. Co-operatives help to stabilize regional economies and provide a favourable climate for further investment (Roe, 2003). With that, members can participate in higher investment services than what is currently available at the AMCOS service disposal.

4.2.3 Primary AMCOS internal democracy

Co-operative Societies Act 2013, Section 3 (2) (b), defines a co-operative as a “democratic organization controlled by members who actively participate in setting their policies and making decisions, men and women serving as elected

representatives and accountable to members”, and (b) an “autonomous self-help organization.....”. ICA (1995) provides the co-operative principles, and principle No. 2 defines a co-operative organisation as a democratic institution governed by members. Accordingly, the internal democracy of the primary AMCOS is vital in determining members’ decision making process.

In assessing the internal democracy as a factor determining primary AMCOS decision making ownership, a ten-statement index summated scale was used. For each of the statements, the respondents were asked to respond not at all (0), little (1) and much (2). Therefore, the minimum possible score on the scale was zero if one chose not at all for all the statements, while the possible maximum score was twenty if one chose much for all the statements. The variable was measured inferentially using a one sample t-test. The findings are presented in Table 8 and show that the average score by district primary AMCOS members’ respondents over the maximum of 20 had a mean difference of 7.38 in Moshi District as compared to 4.94 in Bukoba District. This implies that the extent of prevalence of internal democracy was higher in Moshi District primary AMCOS as compared to that of Bukoba. 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 highly 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. The low internal democracy had unfavourable impact on members’ decisions when co-operative members were striving for sustainable democracy.

Table 8 : 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			
Internal democracy score	52.307	0.000	7.38500	47.237	0.000	4.94000

From Table 8, 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. That is what the members knew what transpired in their AMCOS other than democratic rights which were not practised. This is due to the absence of education to the board members in guarantee member democratic rights. Among the factors that affected democratic practice of the primary AMCOS which were reported by focus group discussants with KNCU board and Management were primary AMCOS members lacking education on how best they could manage their co-operatives. This in turn limited their democratic practices. In most primary societies, education is provided to the board and management, while ignoring the members who are the majority and real practitioners of internal democracy. The primary AMCOS do not set aside funds for providing education to members. That creates

their ability to manage their firms, and in that case they are found to be owners who cannot manage efficiently their co-operatives. However, in Bukoba Districts, respondents were found not to participate in projecting future market prices of their produce where such responses did not have weight, unlike Moshi District primary AMCOS members where with the existence of KNCI member's gets to plan their selling margins of their produce. The monopoly of KCU in Bukoba Districts makes members limited power over their produce and that limits their democratic decision on their produce.

Findings from FGD with TFC management indicated that internal democracy of the primary AMCOS could not be achieved since member education was not in place; when members do not know their responsibilities, they cannot claim for their democratic rights. The rights of democratic participation cannot be exercised while members are extremely ignorant on co-operative governance. The democratic participation of members is exercised during periodic elections following legal requirements of choosing leaders, but the elected to represent members do not have the fundamentals and knowledge to lead the primary AMCOS. This was supported by the argument that:

“... Members own votes; they don't even own shares since even when they claim for them, they are not returned. They don't even own investments since they don't get profit on those investments. They don't own policy or by-laws since they have never participated in their formulations”, Moshi Co-operative University lecturer, Key Informant. (12/10/2015).

This indicates that member ownership on co-operative activities is mostly shown in vote by choosing leaders. But once leaders are they chosen become the owners of the members' institution. This is due to little knowledge to members on the issues of ownership in co-operative societies. On the other hand, the democratic decision of members was found to be in the hands of those who provide capital as supported by the argument below that:

“.....democracy is not found in the primary AMCOS because these co-operative institutions lack financial capacity, basing on the fact that their democratic rights are in the hands of capital providers. For the case of primary societies, democracy is owned by the Union, and Unions are owned by financial institutions”. Kagera Assistant Co-operative Registrar, Key informant. (16/10/2015).

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

4.2.4 Members engagement in co-operative business

The co-operative society businesses are defined in the Co-operative Act (2013) (preliminary section) that “agricultural society means a society whose principle objective is the business of supplying inputs for crop production, purchasing, processing, marketing and distribution of agricultural produce”. Also, ICA (1995) Co-operative Principle, the principle number three provides that “Member economic participation”, where members should engage fully in economic businesses of their primary AMCOS. Members were assessed on their engagement (using descriptive statistics as presented in Table 9) in the primary AMCOS activities in order to understand whether they made decisions on their primary AMCOS and exercised their democratic rights. In assessing member engagement in primary AMCOS, four items were used: not engaged at all, less engaged, highly engaged and I don’t know.

Table 9 indicates that most primary AMCOS members were not engaged at all in the primary AMCOS activities (62.0%). 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. On the same vein, the findings indicated only 14.4% were highly engaged in the primary AMCOS activities. 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. The findings are presented in Table 9.

Table 9 : AMCOS Member activities engagement and status of selling produce (n = 400)

Category	Name of the primary AMCOS	Member engagement in primary AMCOS activities				Members status in selling produce	
		Not engaged all %	Less engaged %	Highly engaged %	I don't know %	Yes (%)	No (%)
Unions							
KCU	Kagege AMCOS	70.0	20.0	10.0	0.0	10.0	90.0
KCU	Mweyanjale AMCOS	55.0	32.5	12.5	0.0	10.0	90.0
KCU	Bumai AMCOS	52.5	27.5	12.5	7.5	10.0	90.0
KCU	Kobunshwi AMCOS	67.5	20.0	0.0	12.5	0.0	100.0
KCU	Lubale AMCOS	60.0	17.5	12.5	10.0	42.5	57.5
KNCU	Kilema North AMCOS	62.5	22.5	7.5	7.5	52.5	47.5
KNCU and KNCI	Mwika North AMCOS	77.5	2.5	15.0	5.0	75.0	25.0
KNCU and KNCI	KiruwaVunjo North	60.0	2.5	20.0	17.5	67.5	32.5
KNCU and KNCI	Kibosho Central AMCOS	55.0	0.0	35.0	10.0	95.0	5.0
KNCU and KNCI	Mawela AMCOS	60.0	17.5	20.0	2.5	67.5	32.5
All		62.0	16.2	14.5	7.2	43.0	57.0
Districts							
Bukoba		NA	NA	NA	NA	14.5	85.5
Moshi		NA	NA	NA	NA	71.5	28.5
All		NA	NA	NA	NA	43.0	57.0

In assessing member engagement in the primary AMCOS activities by primary societies, the findings in Table 9 show that, in general, primary AMCOS members were not engaged in the primary AMCOS activities. Cross-tabulation findings indicate that, in Bukoba District primary AMCOS, Kagege AMCOS was leading other primary AMCOS members in members not being engaged in primary AMCOS activities (70%), being followed by Kobunshwi AMCOS. This implies that some primary AMCOS did not engage the owners to participate in developing their institution. This is due to absence of board commitments in developing owner's commitments to their institutions. In Moshi District the leading primary AMCOS

were Mwika North AMCOS with 77.5%, being followed by Kilema North AMCOS (60.5%). This implies that a member being not engaged in their primary AMCOS activities signifies absence of member participation. Basing on separating responses by Unions (KNCU, KNCI and KCU) the findings did not indicate the difference in the primary AMCOS engagement as a result of these Unions. Furthermore, in Moshi District primary AMCOS; the respondents had almost the same characteristics of selling their produce in the primary AMCOS. 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”. (14/02/2016).

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 in Table 9 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 ACOS explained by 28.5%, that implies element of selling coffee to the private buyers than 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.

From the FGD conducted in the primary AMCOS, it was reported that primary AMCOS in Moshi District which were selling their produce through the Union such as Kilema North, their percentage of selling their produce at their primary AMCOS became small as compared to those who sold through KNCI and trough coffee processors. The primary AMCOS that sold their coffee through the Union received less payment that led to members not being attracted to sell their produce at their primary AMCOS. That implies that, KNCI in Moshi District have a great impact to bring members commitment in selling their produce in the primary AMCOS as it brings optimal prices that their counterparts Unions.

Similarly, from the information of the FGD with KCU board members and management in Bukoba District revealed that, there were many private buyers but most of them were illegal. The illegal business on coffee smuggling led to primary AMCOS members in Bukoba District not selling their coffee at their primary society,

since the private buyers took whatever produces regardless of quality, and offered higher price above primary AMCOS first indicative price. Selling to private buyers indicates absence of member loyalty to their primary AMCOS. This is due to low price offered by the Primary AMCOS and absence of members' feeling of their primary co-operatives societies. This implies that, much variation shown in Moshi District primary AMCOS was due to the fact that those primary societies that sold it coffee through KNCI members received better price of coffee, and they were attracted to sell through their primary societies. This was opposite to Bukoba District primary AMCOS where all were under the Union (KCU). Selling coffee through the Union primary AMCOS was subjected to many deductions in the process of selling and Union capital acquisition process that affected farm gate price.

This information was further examined on the reasons for not selling their produce in their primary AMCOS through multiple response analysis. The respondents showed the reasons for not selling their produce to the primary AMCOS to be low price offered by the primary AMCOS with 38.1% of them (n = 162) saying so. This implies that prices of coffee were low compared to production costs or costs incurred on the coffee marketing value chain. This is due to absence of subsidization and government intervention in reduction of coffee production cost on inputs. This factor was followed by availability of private buyers who offered good price by 30.1% (n = 128). Private buyers included registered and unregistered, that in turn led to coffee smuggling in the studied areas. There were other factors such as rejection of coffee on the basis of poor standard (18.4%) (n = 78). This implies that, members do not have enough education on how to produce coffee of better grades that will in turn leads to better prices. Also, other factors were; poor weighing of coffee at the primary AMCOS (7.3%) (n = 31) and mistrust of the primary AMCOS management

(6.1%) (n = 26). Generally, the findings indicate that primary AMCOS did not offer prices that were attractive to members. This was supported by the account given by KNCI Manager who was a key informant that:

“... free markets have opened the coffee business to the extent that members at Primary AMCOS do not respect their membership royalty of selling their produce to their AMCOS. The private buyer takes whatever produce without even following the grades; they are after quantity and not quality. The private buyers announce their prices after the Primary AMCOS have set the indicative price, and the private buyers set their prices over and above the AMCOS indicative price. They are able to do so since the price fixing at the grassroots is not regulated timely, and business operation that is characterized by a rough game is not regulated. With that, if no deliberate effort is made to manage free market in AMCOS business, co-operatives will continue suffering, and members will suffer the most...” (16/02/2016).

The above findings and quotation, generally, indicate that primary AMCOS members' behaviour was contrary to Brynisset *al.* (2001) who argue 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.

4.2.5 Member ownership and decision making in the primary AMCOS

The aspect of ownership in the primary AMCOS is important for building a sustainable co-operative. An assessment was done to determine whether members understood whether they owned 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 ($p \leq 0.001$, $\chi^2 = 142.239$). The findings are presented in Table 10 and show that 92.0% of respondents in Moshi District primary AMCOS had a feeling that primary AMCOS were owned by members, while in Bukoba District only 34.5% of the respondents had such a feeling. This implies that, Bukoba District primary AMCOS were owned by the Union and members at the primary society viewed their institutions do not belong to them. This facts limits the democratic practices of members since they belong to the institutions that is not owned by them; 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 10 : Members feelings on primary AMCOS ownership (n = 400)

Category	Name of the primary AMCOS	Primary AMCOS ownership feelings	
		Yes (%)	No (%)
Union			
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
All		63.2	36.8
Districts			
Bukoba	χ^2 142.239	34.5	65.5
Moshi	Sig (p-value)0.000	92.0	8.0
All		63.2	36.8

When examining individual primary AMCOS (Table 10), it was found that KiruwaVunjo North (100%), Mwika North AMCOS (97.5%) and Mawela AMCOS (97.5%) had the highest per cent of members feeling to be the owners of their primary AMCOS. 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.

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 have more stakes. Also, ICA (1995) Co-operative Principle No. 2 talks of co-operatives being democratically controlled by members who are the owners. Also, ownership is shown in the Co-operative Act 2013, Schedule of Amendments, 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.

The ownership power was examined, as it may affect members' democratic rights. Respondents were asked about the organ which had more ownership right of the primary AMCOS. The assessment was done in order to understand member ownership power in primary AMCOS and to determine which organ had more power decision over the primary AMCOS. Table 11 indicates the members' responses on the

ownership power of the primary AMCOS. The district cross-tabulation was tabulated, the findings were as presented in Table 11.

Table 11 : Ownership power in primary AMCOS by Districts (n = 400)

Category	Name of the primary AMCOS	Ownership power in the primary AMCOS			
		Union (%)	Management (%)	Board members (%)	Members (%)
Union	Bukoba District				
KCU	Kagege AMCOS	85.0	5.0	5.0	5.0
KCU	Mweyanjale AMCOS	85.0	10.0	2.5	2.5
KCU	Bumai AMCOS	87.5	5.0	2.5	5.0
KCU	Kobunshwi AMCOS	80.0	10.0	5.0	5.0
KCU	Lubale AMCOS	80.0	10.0	5.0	5.0
	Moshi District				
KNCU	Kilema North AMCOS	87.5	0.0	2.5	10.0
KNCU and KNCI	Mwika North AMCOS	0.0	20.0	12.5	67.5
KNCU and KNCI	KiruwaVunjo North	0.0	20.0	10.0	70.0
KNCU and KNCI	Kibosho Central AMCOS	0.0	2.5	10.0	87.5
KNCU and KNCI	Mawela AMCOS	0.0	12.5	15.0	72.5
All		50.5	9.5	7.0	33.0
Districts					
Bukoba		83.5	8.0	4.0	4.5
Moshi		17.5	11.0	10.0	61.5
All		50.5	9.5	7.0	33.0

From Table 11, the findings indicated that, in Bukoba District, the primary AMCOS power was vested in the Union members (83.5%). This implies that, the Union dictated all decisions of the primary AMCOS. The respondents reported that the board members in Bukoba District primary AMCOS controlled the primary AMCOS by only 4.0% and members controlled it by 4.5%. This implies that, members have no power of the institutions that they own. In Moshi District primary AMCOS, the ownership was upon the members by 61%; that indicates that Moshi District primary AMCOS had more member-owned primary societies than Bukoba District primary AMCOS. This was due to impact of MEMCOP that provided member education to primary AMCOS and regular visits made by MoCU lectures and students during research work and university consultancies received by these co-operatives. The empowerment was done through member education whose aftermath was the

existence of KNCI that was a member owned network. When assessing primary AMCOS that were under KNCI and KNCU compared with those that were under KNCU only, it was found that Kilema north which is under KNCU the ownership power was under the Union which is similar with that of Bukoba where they were under KCU. This implies that the tradition system of managing primary AMCOS was still practised by the ancient Unions (KNCU and KCU) as opposed to those that were under KNCI.

The implication of this is that management had more power of making decisions in the primary AMCOS without consultations of board and members who are the owners. Managers receive decisions from the Union and the Primary AMCOS believes that they are under the Union; this is due to absence of member education on co-operative governance. That was supported by the description given by Kagera Assistant Co-operative Registrar who was a Key informant that:

“..... Primary societies are projects of the Unions (KCU) that were found to be Union owned. The practice of co-operative business operation in primary societies is that primary AMCOS are the agents of the Unions since they receive all the guidelines from the Union. The practice is so because members of primary societies lack the knowledge to manage and govern primary AMCOS business. The primary AMCOS cannot manage financial resources, and Unions take responsibilities of managing primary societies”. (16/10/2015).

From the above quotation, a puzzle question comes where the board of the Union is made up of elected leaders from primary AMCOS and primary AMCOS failure to manage primary AMCOS coffee business. However, this was due to low capacity of

primary AMCOS to manage their business and absence of capacity building to board of the primary AMCOS on managing coffee business operations.

Members' power in owning co-operative is by principle. ICA (1995) Principle number two which is democratic member control requires members to own power to make decisions so that they can make decision that 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, Craig (1973) argues 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 found 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. At the moment members' coffee is bought by the primary AMCOS members lack 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 are no longer own the produce marketing business by. It was found that primary AMCOS sold their coffee differently to coffee market places, selling through the Unions and coffee processors.

Moreover, the ownership power was assessed on the dividend decision power as to determine primary AMCOS members' power on deciding the amount and procedures for receiving the dividends. The procedure to determine the dividend decision, as shown in the Co-operative Act Section 77 (1 and 2), explains the calculation which is done by taking care of the primary AMCOS running costs, and setting aside the statutory deduction. The remaining balance as benefit should be presented to the assistant registrar on the balance sheet. Thereafter, the balance is presented at the annual general meeting before it is given to members. The findings from FGD in Bukoba and Moshi Districts primary AMCOS, done with the Board Members and managers of the primary AMCOS, showed that dividends were given equally between members and non-members, since membership is determined by receipt of selling in the primary AMCOS, number of shares; member registration is not

considered. In Bukoba District primary AMCOS, dividends are determined by the Union, and no suggestions or recommendations of the assistant registrar on that decision. The findings in Table 12 present the examination results of who decides on the amounts of dividends to be given to the members.

Table 12 : Dividends decision in the primary AMCOS by District (n = 400)

District	Responses on who decides about dividends		
	Union (%)	AMCOS board (%)	Members at the annual general meeting (%)
Bukoba	90.0	6.0	4.0
Moshi	16.5	26.5	57.0
Total	53.2	16.2	30.5

Table 12 indicates that 90% of the respondents in Bukoba District primary AMCOS said that the Union decides on the dividends to be given to members, while in Moshi District only 16.5% said so. This implies that more power are still exercised by the Union in Bukoba District AMCOS unlike Moshi District primary AMCOS where members have more powers using their meetings to decide democratically the welfare of their membership. The findings from FGD at TCDC indicated that, despite the fact that primary AMCOS members had ideas of dividends being given or not, it was reported that none of the primary AMCOS had ever received a dividend due to under performance at the levels of primary co-operatives and Unions. This was supported by a description given by Moshi District Co-operative Officer and KCU Export Manager who was a key informant that:

“...the dividends in the primary societies have not been received since their establishment. The primary AMCOS and Unions performing assets had never given dividends to members. However, management of these institutions prepared budgets showing

performing assets, income being less than expenditure all the times...”(Co-operative officer). (08/02/2015).

*“...the performing assets of KCU had an average gross income of 5 to 6 billion TZS each year, but the expenditure was over 7 billion TZS each year. The increase in expenditures made the Union to depend on member produce deduction to get the required amount of expenditures. Therefore, it had a direct effect to members’ produce income; with that, primary AMCOS cannot realize dividends...”
(KCU Export Manager, 16/09/2015).*

Basing on the above two arguments, co-operatives were found to get profits from the assets and sales of coffee produce, but the profit earned ended up in institutional governance out of members’ knowledge. Dividends in co-operatives are provided basing on members’ business operations, if the profits are acquired. However, members were found not to sell all their produce at their primary AMCOS. On the other hand, the performance of assets does not provide returns on members as profits despite the fact that these assets belong to members. That leads to the portfolio problem that was argued by Ortmann and King (2007) and Cook (1995) who refer to this as another equity acquisition problem from the co-operative’s perspective. This problem occurs in conservative co-operatives because members invest in the co-operatives in proportion to their use and because equity shares in the co-operatives generally cannot be freely purchased or sold. Therefore, members are unable to diversify their individual investment portfolios according to their personal wealth and preferences for risk taking (Sacchett and Tortia, 2013; Royer, 1999). The work of Royer (1999, 1995) contends that co-operative members have to carry these risks

alone because potential outside investors, who could diversify the risks, are generally excluded from investing in co-operatives. This problem is exacerbated if members' investment in the co-operative represents a high proportion of their off-farm investment and to the extent that these farming risks are positively correlated with the risks associated with the co-operative.

4.2.6 Primary AMCOS 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". It is from that, that an assessment was done to test whether members attended meetings where they could exercise that democratic right. Table 13 presents members' status in attending meetings by primary societies and by districts.

Table 13 : Meeting attendance by District primary AMCOS (n = 400)

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

The findings in Table 13 indicate that 87.9% of primary AMCOS members in Bukoba District did not attend meetings, compared to Moshi District primary AMCOS where 12.1% of the primary AMCOS members did not attend. This implies that attendance meeting rights in Bukoba District AMCOS were neglected by members due to absence of decision controls as it was discussed in the previous section (Section 4.2.5). Also, this implies that Bukoba primary AMCOS members did not attend meetings, which is shown by their low level of member participation. Apart from that, individual primary AMCOS meeting attendance showed the low attendance status it was indicated in Bukoba District primary AMCOS where Bumai AMCOS (37.5) and Kobunshwi AMCOS (10%) showed the lowest per cent of its members attending meetings. This implies that primary AMCOS on individual assessment showed a problem of members attending meetings; it is through meetings where members make decisions through democratic process.

In Moshi District, the primary AMCOS that had the highest meeting attendance were Kibosho Central AMCOS (95%) and Kilema North AMCOS (92.5%). This implies

that almost most of primary AMCOS in Moshi District had optimal meeting attendance. This concurs with the argument discussed in the previous section (Section 4.2.5) that Bukoba District primary AMCOS decision powers were in the hands of the Union. It was also revealed in the meeting attendance at primary level that members didn't attend since the primary AMCOS powers did not belong to members. This was supported by the argument given by a Moshi Co-operative University lecture who was a Key Informant that:

“.....members attend meetings to be informed of what is the plan ahead; they participate by numbers, but not by ideas since decisions are already made. So, they are informed of what is done and what to do, not how to do it. Also, members attend to get paid”. (12/10/2015).

Members in co-operatives attend meetings where the agenda are not known to them in advance, and the process of meeting discussions is by informing them on different issues planned by the management without members' voice. Moreover, members were asked about the frequency of attending meetings. The findings indicated that, in Bukoba primary AMCOS, 63% of the respondents said that few members attended, while 37% of the respondents said that a half attended. This implies that, in Bukoba District primary AMCOS members do not see the importance to attending meetings. In Moshi District primary AMCOS, 23.5% of the respondents said that few members attended while 66.5% said that a few members did not attend. This indicates that the importance of attending meetings as a members' democratic right is higher in Moshi District primary AMMCOS members due to presence of member education and awareness. Overall, as seen in Table 14, the higher per cent of members attending meetings was said to be in Moshi District. These results are summarised in Table 14.

Table 14 : The extent of meeting attendance and reasons for not attending meetings (n = 400)

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

The association between meeting attendance and district primary AMCOS was statistically significant with a Pearson Chi-Square coefficient of 259.128 ($p = 0.000$) and a Likelihood Ratio of 341.514 ($p = 0.000$). This implies that the variables of meeting attendance across district primary AMCOS was important in assessing members' democratic rights. Furthermore, the investigation was done to determine reasons for members not attending meetings. The findings showed that (Table 14) 50.5% of the members did not attend meetings due to lack of interest in attending meetings. This implies that, as the ownership power of the primary AMCOS belong to managers and Unions, members lack interest since they don't own institutional decisions.

According to the Co-operative Societies Act (2013), third schedule (2), general meetings are supposed to be held at least once a year. Also, primary societies can have other meetings as it deems fit. Primary AMCOS members had attended at least one meeting; that indicates primary AMCOS's adherence to meetings as indicated in the Co-operative Societies Act 2013, Third schedule (2). The power of members is within members attending meetings and co-operatives using meetings to discuss different agenda items. Also, through meetings, members exercise their democratic rights. However, member democratic rights that were expected to be practised

through meetings remained not known to the members (Mbasha, 1998; Rwekaza, 2012). The co-operative members' meeting are important in the decision making process and governance that represent members' voice (Chambo and Mathew, 2011; Copa, 2010). The power and influence of members in decision making is based on management, board, government and market forces. Therefore, meeting attendance status by individual primary AMCOS members was assessed, and the findings are presented in Table 15

Table 15 : Holding meetings status in the primary AMCOS (n = 400)

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

The association between the extent of meetings holding status and individual the primary AMCOS was statistically significant with a Pearson Chi-Square coefficient of 240.177 ($p = 0.000$). This implies that there is an association between primary AMCOS and status of holding meetings. In assessing the status of holding primary AMCOS's meetings, the respondents were asked whether meetings were called for as per Co-operative Societies Act 2013, Third schedule, part two and as per the

AMCOS by-laws. The findings in Table 15 showed that Kobunshwi AMCOS in Bukoba District had none (0%) of its members who, during the time of data collection, had attended any AMCOS meeting, particularly from November 2014 to October 2015. This implies that, there are some primary AMCOS who are not holding meetings at all, where member's democratic rights are not practiced at all. In Moshi District most of the primary AMCOS had attended at least one primary AMCOS meetings by 77.5% to 100%, the highest being reported by Kilema North AMCOS members (100%). This implies that, in Moshi District the meeting attendance that indicates member democratic exercise and member ownership is higher than in Bukoba District primary AMCOS due to member awareness. The status of members attending meetings in the primary AMCOS was experienced differently in different primary AMCOS. The arguments were supported by the quotation from the Manager of Tanzania Coffee Board (TCB) who was a key Informant and said:

“... the meeting decision agreements had no member inputs; only the election part was implemented as members agreed. Matters arising from agenda items which were discussed were normally not among the agenda items. AGM should have more power as it holds members, but it has always colluded with managers and board to hijack members' agenda. Therefore, members do not have power; board and managers are the bosses of the members. At the moment board members are elected, they are not part of members; they are rather members' bosses”. (12/10/2015).

Meeting as a forum of member participation and a place where members can hold management accountable to them seems to be colluded due to inability of members

to enforce managers and board on different decisions that were discussed in co-operative meetings. Meetings are upon keeping of the minutes, and minutes are an essential reference for making decisions. Meeting minutes were used by board and management to effect the decisions reached. Also, they were used by members to understand what transpired in the previous meetings' decisions. When respondents were asked about the availability and accessibility of meetings by the members, the findings were as presented in Table 16.

Table 16 : The status of keeping minutes and its availability to members (n = 400)

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

In the status of keeping minutes and their availability to district AMCOS, the Pearson Chi-Square showed statistical significance with a chi-square coefficient of 57.567 ($p = 0.000$), a likelihood ratio of 60.302 ($p = 0.000$). This implies that the variable placed in the model were important in describing the association between meeting minutes keeping and its availability across district primary AMCOS. Minutes of the meetings, as presented in Table 16, were found to be kept but not available to all members; 50.2% of the respondents said so. This implies that, if not all members can access and use meeting minutes, it interrupts the democratic right of freedom of information access to members. This is due to the fact that only 26.7% were in favour of meeting minutes being kept and made available to all members. Similarly, in Moshi District, primary AMCOS meeting minutes were kept although they were not made available to members. This implies that Moshi District's primary AMCOS

had higher democratic right (if members got access to minutes) than Bukoba District's primary AMCOS.

Members' participation in AMCOS decision had a great contribution to the democratic right of members to be engaged in primary AMCOS's decisions. The findings presented in Table 17 below describe participation democratic rights examined above.

Table 17 : Member participation in decision making by AMCOS (n=400)

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

The association between members participation in decision making status and District Primary AMCOS was statistically significant with a Pearson Chi-Square coefficient of 127.619 ($p = 0.000$) and a Likelihood Ratio of 143.012 ($p = 0.000$). This implies that the responses on members' participation variables across district primary AMCOS were statistically significant in assessing members' participation on primary AMCOS decision making. Members' participation in decision making was low as said by 54% of the respondents as shown in Table 17. This implies that, members who are the principal owners their participation right were expected to be higher in these members owned institutions where such participation was found to be low due to absence of owners democratic rights. The general overview shows that members' participation in decision making which indicates democratic right of members being denied since most of the members had low participation that infringes on membership rights on decision making in the primary AMCOS.

Similarly, in Bukoba District's primary AMCOS member participation were said to have the lowest per cent of participation right compared to Moshi District's primary AMCOS. This is due to different programs of member awareness that primary AMCOS receives in Moshi Districts unlike Bukoba primary AMCOS.

The decision right in co-operatives is in co-operative values, and principles may provide important guidelines for co-operative management practice to provide member participation in making decisions (ICA, 1995). The aspects of good governance have been limited due to internal tensions, and some of them are explained by the principal agency theory that explains the board members representing principal owners that may not have the technical capacity to make professional managers accountable and make members be involved in decision making. In that regard, managers are the corporate agent (Conforth, 2004). In normal practice, boards are provided with the opportunity to make policy. The professional managers use their technical knowledge to violate what the policy guidelines direct them. Board members who are representatives of the members in a democratic representation were found to be unable to hold management accountable to what went wrong, due to low knowledge capacity on technical professionalism of the co-operative enterprise management.

4.2.7 Governing instruments in the primary AMCOS

Governing instruments are important in any institution and primary AMCOS in particular. The Co-operative Society Act (2013) Section 51 (b) directs co-operatives to “keep a copy of Acts, Regulations, and its by-laws are open for perusal and free of charge at all reasonable times to the registered address of the society”. Table No 18

presents responses from members if they understood governing instruments and their availability.

Table 18 : Primary AMCOS governing instruments availability (n = 400)

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

An assessment of availability of primary AMCOS governing instruments (Table 18) showed that none of the primary AMCOS had vision, mission, core values, financial regulations and strategic plans. This implies that primary AMCOS run their business without planning that was vested in all these documents and their activities were not legally bound. Similarly, the findings showed that only 52.2% of the total members had seen and read the primary AMCOS by-laws. This implies that most of primary AMCOS members had not even seen the primary AMCOS by-laws that govern the daily operations of the institutional business. Kobunshwi AMCOS did not have any governing instruments. The decision of the primary AMCOS should be based on these governing instruments. The findings from FGDs from all the primary AMCOS reported that governing instruments were missing, not known to the board, management and members. However, even the process for creating them was not

known. Absence of governing instruments in the primary AMCOS was found to be a prominent member problem.

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

“By-laws which are formulated with respect to Co-operative Act 2013 are not yet in place; they are under process. Delays in these amendments coming up lead to inefficiency in law implementation and procedure follow up; years have passed without these new regulations”(Assistant Co-operative Registrar Kagera region, Key informant). (16/10/2015).

“The governing instruments in the primary AMCOS are not updated; they are not available, and if available they are not known to members. The process of formulating governing instruments is by consultants and then the board presents them to the members for acceptance. Members do not know what is in the documents” (Moshi Co-operative University lecturer, Key Informant). (12/10/2015).

“The by-laws of the Primary AMCOS have not been in place due to government legal delays and bureaucracy on bringing new co-operative rules and regulations. The Co-operative Act is as old as from 2013 up to date (November 2016). The Rules and Regulations are said to be in process. How can we make Primary AMCOS prepare the by-laws a question of debate? We are guessing and making assumptions on implementing the Act that does not have rules and procedures up to now...” (Moshi District Co-Operative Officer, Key Informant). (08/02/2015).

From the above quotations, primary AMCOS do not have by-laws that reflect the implementation of the new Co-operative Societies Act (2013) in place. This is due to absence of the co-operative act in the primary co-operative societies and absence of co-operative rules that would be potential in formulating the repealed primary AMCOS by-laws. Due to the absence of these governing instruments, and due to the fact that board, management and members did not know how they were formulated, the researcher examined the members' understanding of who should formulate them, and the findings were as presented in Table 19.

Table 19 : Responsibility of formulating instruments of governance (n = 400)

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

In the responsibility for formulating governing instruments by district AMCOS (Table 19), the Pearson Chi-Square showed statistical significance with a chi-square coefficient of 262.537 ($p = 0.000$), a likelihood ratio of 309.225 ($p = 0.000$). This implies that the responsibilities for formulating the governing instrument were important in understanding organ responsible for its formulation across district primary AMCOS. The findings in Table 19 show that the responsibility for formulating governing instruments was perceived differently across primary AMCOS and across districts. In Bukoba Primary AMCOS, 88% of the respondents said the Union were responsible for formulating the governing instruments, unlike in Moshi Primary AMCOS where only 6.5% of the respondents said that Union was responsible for formulating them. This implies that, since the power of decision making in Bukoba District primary AMCOS was with the Union, the primary AMCOS expected the Union to be the main provider of governing instruments and all the directives.

Findings from FGD with TCDC showed that the procedures for creating these governing instruments should be done by the Board formulating them in collaboration with teams from the primary AMCOS, or providing a consultancy assignment to professionals, and after that the documents should be presented to the board meeting before being presented to the general meetings to become a valid document. This document is owned by members as an AMCOS is a member owned institution.

The decision making and democratic practices of the primary AMCOS were examined closely as 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 assessed variables included preparation and approval of budgets, preparation and approval of by-laws and policies, approval of expenditure budgeting, marketing of the collected produce, rehabilitation of the primary AMCOS. Also, other variables were: election of board members, approving dividend distribution, primary AMCOS policies formulation, and designing primary AMCOS marketing strategies, participation in influencing selling price. The findings, as presented in Table 20, show members' rating of the decision making across the variables.

Table 20 : Members' participation components 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
Member decision making involvements	38.327	0.000	5.28500	23.979	0.000	3.04000

The findings are in Table 20 show that the average scores by all the respondents over the maximum of 20 were 5.28 and 3.04 in Moshi and Bukoba District primary AMCOS respectively. This implies that the prevalence of member participation in decision making was lower in Bukoba as 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 have decision 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 primary AMCOS with the board, management and members, Izimbya AMCOS reported the Union to control the primary AMCOS, and the primary AMCOS to be the subject of the Union since it was their branch and their financial owners. Kagege AMCOS FGD reported the Union to effect all coffee deductions without members' discussion and that had been the practice and primary societies had nothing to do 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 to have more decision power since they had defected from KNCU; hence the Union (KNCU) was no longer controlling their selling produce. Kilema North AMCOS FGD with 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 that training access.

4.2.8 Co-operative governance complaints

Complaints about Co-operative governance were another element assessed to determine complaints availability in the primary AMCOS that could affect member democratic participation and decision making. Some members' complaints were due to members, board and management not abiding by the code of conduct, while others were operational issues. The Co-operative society Act (2013), Section 134 defines that “there shall be a code of conduct for management of co-operative societies as provided for in the second schedule to this act”. The complaints were examined by asking all members to expose them. The research came up with the complaints presented in Table 21.

Table 21 : Member’s complaint and respondent to query in primary AMCOS (n = 400)

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

As seen in Table 21, it was found that low price of coffee had been the complaint of the majority of respondents; it was mentioned by 69.5% of the respondents. That indicates that most primary AMCOS members were affected by low price of their produce. Similarly, 39.8% had a problem of transparency; and 27% complained about misuse of funds. This implies that, transparency in primary AMCOS is a big

problem that in turn leads to fraud since financial and governance information remained in the knowledge of the board and managers. The question of transparency needs to be adhered to. Principle Number 4 of the co-operative principles is about member democratic participation; therefore if a co-operative lacks transparency it contravenes the principles of its establishment. The complaint about misuse of primary AMCOS funds shows that the budget allocation and actual spending were not in line with what had been agreed upon at the budget approval.

Apart from that, Table 21 indicates that 58.8% of the primary AMCOS did not respond to the members' demands queries. That implies that primary AMCOS members do not have systems of responding to members' queries which are known to members. This is due to absence of suggestion boxes and responsible officers to receive members' queries. On individual primary AMCOS assessment, Kobunshwi AMCOS in Bukoba District reported that all primary AMCOS did not respond to the demand queries unlike Kibosho Central AMCOS in Moshi District that had 72.5% of primary AMCOS responding to members' queries. This implies that, some primary AMCOS of Moshi were doing better in responding to member's query that indicates member democratic practice to be apparent. This also indicates that Moshi District primary AMCOS the power was with the AMCOS that decided, and members were found to have more power over the primary AMCOS that caused members queries to be responded to with greater percent as opposed to Bukoba District primary AMCOS. The above complaints were supported by an argument provided by KCU Export Manager, Key informant, that:

“The Unions belong to the primary AMCOS, and they form the board that manages the Union. The assets and projects of the Union belong to the primary societies. The budget of the Union is approved by

primary board representatives at the annual general meeting. However, the board members of the primary societies who formulate Union board membership fail to control the budget limits. The current debts of KCU are estimated at 6 billion TZS, which if it could be well managed, it could be paid in one or two years from the income of the KCU performing assets. KCU exports alone have an average of raising a gross income of 2 to 3 billion TZS each year. However, with the ignorance of board members and the loophole of that being used by some KCU board members and management, they are used to request for export incomes and spend outside the Union expenditure budget...".(16/09/2015).

Unions are owned by primary societies by using representative boards chosen by the primary AMCOS. The assets of the Union are owned by primary societies. However, the primary societies in Bukoba District AMCOS were found not knowing the assets they owned outside their primary societies' buildings. With that, they were unable to account for Union assets on income and expenditure. On the other hand, the power of the primary AMCOS in Bukoba District was in the hands of the Union.

Some of the members' complaints would be solved by co-operatives in responding to the members' queries by the stewardship theories which is based on human relations perspective. According to the stewardship theories managers perform better and act as effective stewards in managing institutional resources. Basing on that theory, it is expected that the membership democratic rights and decision ownership will be achieved by engaging members on board in developing primary AMCOS decisions. The managerial compliance with shareholders (members) interests will be attained

when members' welfare improvement and member participation is improved to arrive at organizational performance (Sacchett and Tortia, 2013; Muth and Donaldson, 1998). The stewardship theory was subjected to democratic governance practices that were subject to co-operative response to members' queries arising from their institutions. These include: accountability to the electorate and separation of elected members who make policy from the executive who implement policy decisions (Chris, 2004). With that, the primary AMCOS can achieve member-owned co-operatives in which decisions are attained democratically and members hold the main stakes in decision making.

4.3 Accountability of Board and Management in Primary AMCOS

The findings in this section (4.3) address the second objective that aimed to examine the accountability of Board and Management to members in the primary AMCOS. Board and management are delegated persons to lead the primary AMCOS on behalf of members. Members are the owners of the primary AMCOS. Management is delegated to a few elected people among the primary AMCOS members to lead their primary AMCOS. Therefore, the researcher assessed whether the delegated authority management team members were accountable to the members.

The objective measures the main concepts of accountability as a virtue and accountability as a set of standards for the evaluation of the behaviour board and managers in the primary AMCOS. Accountability or, more precisely, being accountable, is seen as a positive quality of organisations or primary AMCOS officials. Hence, accountability studies often focus on normative issues, on the assessment of the actual and active behaviour of primary AMCOS agents. The following sub sections present managerial accountability assessment, information

dissemination, decision compliance, the decision making process, membership rights and leadership succession plan in primary agricultural co-operative societies

4.3.1 Managerial accountability assessment

The objective of the co-operative society is clearly defined by the Co-operative Societies Act (2013) in the schedule of amendments in section 3, (2) (h) and describes the co-operative society objective as an organization which works for sustainability of development of their communities through policies approved by their members. Also, Co-operative Societies Act (2013) in the third section, Sub-section two (2) explains that “every registered society shall establish a board to manage its day to today activities”. And section 4 (1) says “the Board shall exercise all powers necessary to ensure proper administration of the society, subject to the by-laws of the societies, the regulation and any resolution passed at the general meeting”. To that end, the board members are given powers by members to manage their primary AMCOS on their behalf.

Management is supervised by the Board, and the management reports to the board as the immediate supervisor. Also, management reports to the general meeting on issues which are under their activities; they account for issues based on job description and specification provided to them by the Board. In the assessments, for each of the statements, the respondents were asked to respond not at all (0), little (1) or much (2). Therefore, the minimum possible score on the scale was zero if one chose not at all for all the statements, while the possible maximum score was ten if one chose much for all the statements. In assessing the management accountability to different organs all variables were statistically significant (p-value= 0.000). Table 22 presents

the points that were scored on a scale of managerial accountability to different organs.

Table 22 : Management accountability to different organs (n = 400)

Accountable organs of Managers	Moshi District			Bukoba District		
	t-test	p-value	Mean Difference	t-score	p-value	Mean Difference
Board	7.641	0.000	0.35000	5.256	0.000	0.16000
Co-operative officers	7.027	0.000	0.26000	3.905	0.000	0.11000
Union	3.914	0.000	0.11500	22.003	0.000	1.19500
Members	8.145	0.000	0.25000	6.832	0.000	0.19000
Political leaders	7.383	0.000	0.21500	4.160	0.000	0.08000
Total accountability score	15.363	0.000	1.19000	22.298	0.000	1.73500

The levels of management accountability to different organs of primary AMCOS were also determined inferentially using one-sample t-test to compare points scored on an index summated scale made up of indicators of management accountability to different organs. In Moshi District the mean points scored on the scale out of a possible maximum of 10 points had a mean difference of 1.19 with a coefficient of $t = 15.36$ ($p = 0.000$) i.e. ($p \leq 0.001$). This implies that managers in Moshi District were not accountable to the organs that they were required to be accountable to. In Bukoba District the mean points scored on the scale out of a possible maximum of 10 points had a mean difference of 1.73 with a coefficient of $t = 22.29$ ($p = 0.000$) i.e. ($p \leq 0.001$). This implies that managers in Bukoba District were also not accountable to the organs that were required to be accountable to despite having higher responsible score than that of Moshi District. The implication is that managers had more power to make decision over the owners who were members represented by the board. This is because managers have more experience in managing the primary AMCOS as opposed to elected board members whose tenure of office is limited to specific time period.

The highest levels of manager accountability in Moshi District's primary AMCOS score were by board member (t-score of 7.641 and a mean difference of 0.35) unlike Bukoba District primary AMCOS where the managers were more accountable to the Union (t-score of 22.003 and a mean difference of 1.195). This implies that managers in Bukoba primary AMCOS were more accountable to the Union than members who are the owners. However, in Bukoba primary AMCOS manager accountability had the lowest score on members who are the principal owners of the institutions: it is from the members the board are elected. This revealed that the managerial accountability to owners were not feasible in Bukoba District as compared to their counterparts Moshi District primary AMCOS.

Findings from FGD done with the board members of KCU in Bukoba District revealed that the Union (KCU) dictates every decision of the primary AMCOS and the members of the primary AMCOS do not know how to deal with Union issues in protecting their power of primary AMCOS. The managers in Bukoba District primary AMCOS received directives from the Union (KCU) and in any misconduct of the managers at the Primary AMCOS, the managers and the board were held accountable by the Union leaders. These are the owners of capital used at the primary AMCOS; with that they had more say than the members.

Furthermore, co-operative officer have an impact on manager accountability in Moshi District primary AMCOS (t-score of 7.027 and a mean difference of 0.26) unlike Bukoba distinct primary AMCOS where managers were somehow accountable to the board (t-score of 5.256 and a mean difference of 0.16) and members (t-score of 6.832 and a mean difference of 0.19). The findings indicated that managers in both Districts were more accountable to organs which were outside

the primary AMCOS such as AMCOS Union, political leaders (Chancellors, members of parliament, and ministers) and co-operative officers (at district and regional levels). It was expected that, since the immediate supervisor to managers was the Board, it could have more scores than the other items provided. In Bukoba District primary AMCOS Union dictated everything, and primary societies were the buying posts of the Union. Also, politicians (these includes, chancellors at primary AMCOS, Member of Parliament District and regional commission at Union level) had much influence on primary society decisions (FGD with Board managers and members from Bukoba District primary AMCOS), unlike in Moshi District primary AMCOS where managers were accountable to the Board and co-operative officers. This might be due to different education programmes that had been conducted in Moshi District aimed at member empowerment (MEMCOP). This was supported by an account given by a Bukoba District Co-operative Officer, who was a key informant that:

“Managers decide above the Board since they own financial control. Members have nothing to do with holding managers accountable since they don’t know the powers and responsibilities of the managers and of the Board”. (12/10/2015).

Managers’ power in co-operative decisions was found to be above the board. This is due to inability of board to control the managers while they are the employers to the managers. In a Focus Group Discussion (FGD) with Tanzania Co-operative Development Commission (TCDC), it was said that managers are the experts and their tenure of office is on a longer term compared to that of members of the Board; with that, they have much experience and knowledge. Having such experience and knowledge, managers direct the Board on what to do and how things should be done.

That causes the Board members to be under the management since their tenure of office is from one year to three years as provided in the Co-operative Societies Act (20013). According to Berle and Means (1932), the agency theory shows two parties, members and management, whereby the owners of the co-operative society are the members (the principal). However, the members, despite being the owners, delegate the management of their co-operatives to the managers (the agent) to manage. In that aspect, managers use their expertise in the co-operatives to make decisions.

Similarly, the assessment was done to assess ways in which members (owners) can hold managers (agents) accountable. According to the Co-operative Societies Act (2013) states that members of the co-operative are the owners and shall hold the Board and managers accountable on different functions which are underperformed using co-operative general meetings. Different ways of holding management accountable were listed, and members identified the best ones in exercising managerial accountability as presented in Table 23.

Table 23 : Ways in which members can hold managers accountable (n = 400)

Districts	Primary AMCOS	Variables					
		Through general meetings (%)	Through direct confrontation to the management (%)	By influencing Board to enforce laws to managers (%)	Through by-laws made, and followed (%)	By removing them from office through Board (%)	By special meeting called by member (%)
Bukoba	Kagege	77.5	0.0	10.0	22.5	22.5	17.5
	Mweyanjale	77.5	2.5	7.5	25.0	5.0	22.5
	Bumai	87.5	10.0	5.0	45.0	12.5	20.0
	Kobunshwi	35.0	60.0	2.5	30.0	7.5	60.0
	Lubale	80.0	10.0	5.0	20.0	7.5	22.5
Moshi	Kilema North	77.5	0.0	10.0	22.5	22.5	17.5
	Mwika North	77.5	2.5	7.5	25.0	5.0	22.5
	Kiruwa Vunjo North	87.5	5.0	5.0	45.0	12.5	20.0
	Kibosho Central	80.0	12.5	5.0	30.0	7.5	17.5
	Mawela	80.0	15.0	12.5	20.0	7.5	35.0
	All	76.0	11.8	7.0	28.5	11.0	25.5

The findings in Table 23 indicate that managerial accountability to primary AMCOS members was through general meetings (76%). This implies that members knew the way they could hold managers accountable in any decision they made. During the general meetings, different reports were presented by responsible persons and then constructive criticisms as well as discussing out the way forward is done. Similarly, other ways for members to hold managers accountable were the use of by-laws established at the primary AMCOS (28.5%) and using special meetings called by members (25.5%). This also implies that, member's understands different mechanisms available in leading the primary AMCOS basing on the established democratic process. Using these items, it was found that members could exercise their decision power to hold managers accountable. However, they were not using those procedures when it was required to do so. The Co-operative Societies Act of 2013 provides members with a mandate to use special meetings whereby they can have access to rectify misconduct of the Board and management when the normal procedures fail; this was indicated in all co-operatives by-laws. However, the special meetings guaranteed by the laws were not exercised since members lacked education on the modality of how it could be used to hold management accountable to them.

Managers were required to be accountable to the board which is the immediate supervisor. The board members are elected representatives chosen by the members among them. According to Bovens (2007) and Jos and Tompkins (2004), accountability is a virtue because it provides legitimacy to public officials and public organizations when managing organisations. Romzek (2000) argues that public trust in governing institutions is fragile and accountability in the sense of transparency, responsiveness, and answerability is meant to assure public confidence and bridge the gap among citizens. This indicates the extent to which the managers are

responsible to the authorities that employ them; the aspect of transparency and answerability need to be of important in managing primary AMCOS.

According to the Global Accountability Framework (World Economic and Social Survey, 2013; Jos and Tompkins, 2007; Bovens, 2004), accountability has been operationalised in four major catchy dimensions that make an organisation more accountable to its stakeholders: transparency, participation, evaluation, complaint and response mechanisms. Each of these four dimensions is formulated as a standard for accountable behaviour (Lloyd *et al.*, 2007). According to Bovens (2007) and (Blagescu *et al.*, 2005), accountability is about engaging with, and being responsive to, stakeholders; taking into consideration their needs and views in decision making and providing an explanation as to why they were or were not taken on board. This was found missing in the primary AMCOS that hinders democratic practice. Basing on that, accountability is a mechanism of control and more a process for engaging stakeholders, creating a democratic dialogue for interaction and generates ownership of decisions to enhance sustainability of activities.

Board and management in the primary AMCOS are accountable to the members at the general meetings. The primary AMCOS management direct supervisor is the primary AMCOS Board, and the primary AMCOS Board are responsible for handling daily activities of the primary AMCOS on behalf of members. The accountability score of Board and management was ranked by using different issues which Board and management performed in the primary AMCOS. The used measured items were measured separately to understand which fared the most among the ten give test items. In assessing the accountability of Board and management to members as a factor determining member ownership in the primary AMCOS, a ten-

statement index summated scale was used. For each of the statements, the respondents were asked to respond not at all (0), little (1) and much (2). Therefore, the minimum possible score on the scale was zero if one chose not at all for all the statements, while the possible maximum score was twenty if one chose much for all the statements. In assessing board and management duty accountability weighted aggregates in primary AMCOS, the variables indicated in the model were statistically significant with p-value of 0.000. Findings are presented in Table 24.

Table 24 : Board and management duty accountability weighted aggregates in primary AMCOS (n = 400)

Items indicating accountability	Moshi District			Bukoba District		
	t-score	p-value	Mean Difference	t-score	p-value	Mean Difference
The Board controls well the AMCOS budget	20.417	0.000	1.06000	15.915	0.000	0.56000
The members controls the boards through annual meetings	14.674	0.000	0.71000	5.926	0.000	0.15000
The boards control the management	13.438	0.000	0.70000	8.036	0.000	0.24500
The member receiving feedback of the decision made at the AGM	13.733	0.000	0.64500	7.053	0.000	0.20000
Implementation of the decisions made at the Annual General Meeting	14.518	0.000	0.8900	10.125	0.000	0.3400
Following the by-laws in decisions made by the Board members	11.126	0.000	0.50500	5.453	0.000	0.13000
Following the by-laws in decisions made by the managers	15.757	0.000	0.73000	6.832	0.000	0.19000
The members adherence to by-laws	14.683	0.000	0.52000	10.580	0.000	0.36000
Boards involving members on AMCOS assets maintenance	7.258	0.000	0.30000	3.870	0.000	0.07000
Members responsiveness to AMCOS assets maintenance	10.811	0.000	0.37000	4.571	0.000	0.09500
Accountability score of Managers and Board	31.399	0.000	6.43000	23.612	0.000	2.34000

The findings in Table 24 show that, in Moshi district primary AMCOS, the overall mean difference among all the respondents was 6.43 (t-score = 31.399, p-value 0.000) unlike in Bukoba District primary AMCOS where the mean difference was 2.34 (t-score =23.612, p-value 0.000). This implies that the extent or prevalence of accountability of Board and management to members was 32.1% (i.e. 6.43/20 x 100) in Moshi District while in Bukoba District it was 11.7% (i.e. 2.34 /20 x 100). This

implies that the Board and management duties that they performed on the primary AMCOS daily bases did not make board members to be accountable to AMCOS members since the accountability scores were low in both districts. This indicated that board members were above the members, and they decided out of members' decision which is contrary to primary AMCOS democratic rights that require board members to perform their duties based on decision passed by members at the general meetings. The highest levels of accountability in Moshi and Bukoba District primary AMCOS were on the Board to control well the primary AMCOS budget (t-score =20.417, mean difference = 1.06 and t-score =15.915, mean difference = 0.56). This implies that members were satisfied with budgetary aspects as long as their produce was sold and they received the indicative price that was the basis for evaluating AMCOS budget as it did not touch their selling margins.

The assessment of both districts showed that the accountability of Board and managers to members had the lowest score on some accountability items examined such as Boards involving members on primary AMCOS assets maintenance and board members in following the by-laws in decisions mad. This implies that board decisions do not follow the by-laws in performing their daily duties. This has implications that the power of members who are the owners (principal) over the agents is very low; with that effects, the power of democratic decisions vested to members cannot be attained due to absence of accountability mechanisms among board members and ordinary members. The findings also imply that the prevalence of Board and managers accountability was low which had impact on ownership of the members' primary AMCOS when co-operative members were striving for sustainable democracy.

The stewardship theory that is based on human relations perspective shows the managers being accountable to the stakeholders whereby the theory assumes that managers perform better and act as effective stewards in managing institutional resources, in that managers and members are partners (Muth and Donaldson, 1998; Groves, 1985). The main function of the Board is not only to ensure managerial compliance with shareholders' (members') interests but to improve organizational performance (Fahlbeck, 2007). Similarly, the agency problems come in between when members' interests are found not to be met; the managerial underperformance is identified as the above inferences explained. The accountability of board to members necessities were in line with the Global Accountability Framework (World Economic and Social Survey, 2013) and Bovens (2007) on accountability as a virtue and as a set of standards for the evaluation of the behaviour of public actors where primary AMCOS would indicate best practice. This indicates that, board members since they were chosen among ordinary members they were expected to play roles to ensure their duty functions is to fulfil the demands of those who put them in power. Members (board being among the ordinary members) lacks education and training on how they can manage their institutions; the researcher went further to assess whether members had access to training and education on co-operative management. Training and education to members make primary AMCOS members know their rights and obligations as well as understand primary AMCOS structure and its functions. The findings were as presented in Table 25.

Table 25 : Members' status in training and education (n = 400)

District	Union	Names of primary AMCOS	Response on training and education to members				
			Provided substantially (%)	Provide d a little (%)	Are not provide d (%)	Are not provided but planned to be provided (%)	No plan to provide at all (%)
Bukoba District	KCU	Kagege AMCOS	7.5	0.0	5.0	0.0	87.5
	KCU	Mweyanjale AMCOS	2.5	0.0	2.5	5.0	90.0
	KCU	Bumai AMCOS	2.5	0.0	7.5	2.5	87.5
	KCU	Kobunshwi AMCOS	0.0	0.0	2.5	0.0	97.5
	KCU	Lubale AMCOS	2.5	0.0	7.5	7.5	82.5
Moshi District	KNCU	Kilema North AMCOS	0.0	2.5	30.0	0.0	67.5
	KNCU and KNCI	Mwika North AMCOS	0.0	65.0	0.0	35.0	0.0
	KNCU and KNCI	Kiruwa Vunjo North	0.0	20.0	15.0	65.0	0.0
	KNCU and KNCI	Kibosho Central AMCOS	0.0	52.5	5.0	42.5	0.0
	KNCU and KNCI	Mawela AMCOS	0.0	37.5	12.5	50.0	0.0
All			1.5	17.8	8.8	20.8	51.2

In assessing individual primary AMCOS on members' status in training and education (Table 25), it was identified that in Moshi District primary AMCOS, some primary AMCOS had received little education and training (Mwika North AMCOS with 65% Kibosho Central with 52.5%) from the respondents saying so. This implies that, the importance of education and training to members who are the owners are not given its priority despite the co-operative Act to provide that 10% of the gross profit be set aside of the education and training to all co-operatives. Similarly other primary AMCOS in Moshi District AMCOS were of the opinion that education and training that there was no plan to provide them to the members (Kilema North AMCOS with 67.5%). This implies that, despite of the Co-operative Act provision for 10% profits set that, it is not in the plan of the primary AMCOS to provide it. Members who are the stakeholder were denied of the right to education in understanding their institutional governance that also impinge the sustainability of the primary AMCOS.

Also, this shows that members of primary AMCOS do not get education rights as stipulated in the Co-operative Act due to reluctance of the management.

In most of Bukoba District AMCOS, there was no plan to provide education and training to members; this was reported by 82.5% (Lubale AMCOS) to 97.5% (Kobunshwi AMCOS) of the respondents. The findings indicate that primary AMCOS are challenged in receiving co-operative education and training on the aspect of co-operative governance which would enable members to understand systems of holding managers accountable and have the best way to lead the primary AMCOS. Those who received education and training had received it during MEMCOP (in Moshi District primary AMCOS) and sometimes from co-operative officers in their general meetings. Also, the findings indicated that, in Moshi District primary AMCOS that are members of KNCI receives more training than those that were still under KNCU only. This implies that, there is a positive significance of KNCI membership on training and education as KNCI was indicated after the failure of KNCU therefore, members receives more training from the new venture co-operative. The implication is that, when member are trained, their capacity to participate in the democratic avenues becomes apparent and their level of demanding accountability increases.

Findings from FGD with TCDC indicated that education was seen as the best way to alleviate co-operative governance problems, that is why the co-operative department as well as the commission was established; among other things their main aim was to provide co-operative education to co-operative societies. However, since agriculture is the back bone of the economy of Tanzania, co-operatives being the driver of the

majority of citizens' education to primary AMCOS, membership to primary AMCOS was identified as the best option to embark on empowering the agricultural sector.

The practice in the co-operative societies was that members who are the principal owners are denied education and training; the Board and management are the ones who enjoy these benefits. Members, who have the democratic right to receive training as they are the future leaders, do not become part of the co-operative priorities in obtaining education and training (Wakuru, 2016, Chris, 2004; Sizya 2001). Absence of co-operative education and training creates a gap on members in implementing their democratic rights due to little knowledge on their institutional governance. Wakuru (2016) showed that those responsible for providing co-operative education are not providing such education to co-operative members; members do not know their rights and responsibilities in their co-operatives management. The management and Board members were eager to get co-operative education in the co-operative management, but little effort was made to provide such education to those leaders. That, in turn, led to poor performance of the co-operative societies which limited members to get their democratic rights in their effort to exercise their decision rights.

4.3.2 Information dissemination in agricultural marketing co-operative societies

Information accountability was assessed as it brings awareness to members on what transpires in their primary AMCOS. Information is power as it creates member awareness in understanding their institutions. Primary AMCOS managers and Board were provided with the responsibility to make information available to members so that the members could understand their primary AMCOS. Table 26 presents the information dissemination system which was user friendly to reach the members.

Table 26 : Information dissemination systems in the primary AMCOS (n = 400)

Name of the primary AMCOS	Response on information dissemination systems		
	AMCOS meetings (%)	Notice Boards (%)	Village meetings (%)
Kagege AMCOS	7.5	35.0	57.5
Mweyanjale AMCOS	10.0	17.5	72.5
Bumai AMCOS	7.5	22.5	70.0
Kobunshwi AMCOS	0.0	7.5	92.5
Lubale AMCOS	5.0	7.5	87.5
Kilema North AMCOS	2.5	97.5	0.0
Mwika North AMCOS	67.5	32.5	0.0
Kiruwa Vunjo North	55.0	45.0	0.0
Kibosho Central AMCOS	65.0	35.0	0.0
Mawela AMCOS	57.5	42.5	0.0
All	27.8	34.2	38.0
District AMCOS			
Bukoba	6.0	18.0	76.0
Moshi	49.5	50.5	0.0
All	27.8	34.2	38.0

In assessing the status of information dissemination systems in the primary AMCOS, the findings indicated a statistically significant association between such systems and the districts with a Pearson Chi-Square coefficient of 341.238 ($p = 0.000$) and the Likelihood Ratio was 398.713 ($p = 0.000$). This implies that information dissemination systems across primary had a valuable association with the capacity to which members could receive information. Also, on the information dissemination systems by district primary AMCOS were assessed, and the findings indicated a statistically significant association with a Pearson Chi-Square coefficient of 251.029 ($p = 0.000$) and the Likelihood Ratio was 320.66 ($p = 0.000$). This implies that the constructs used in assessing the association between information dissemination systems across primary AMCOS as important in describing member's capacity to own the primary AMCOS across the two districts.

An assessment of information dissemination to primary AMCOS members through meetings, notice Boards, and village meetings was done, and the findings indicated that the most frequent way used to disseminate information was village meetings

(38%) of the respondents, being followed by notice Boards (34.2%) and primary AMCOS meetings (27.7%). The result implies that members are expected to receive information using AMCOS meetings which was contrary to the findings. However, such forum of general meetings is not used to disseminate primary AMCOS information. Members discussed the agenda given at the meetings, and new agenda were not part of their rights that would have brought members to discuss different issues. Also, education on how they could create agenda using AOB was not known to members.

Basing on district cross-examination, the findings indicated that Bukoba District primary AMCOS entirely used village meetings to disseminate primary AMCOS information (up to 92.5% and 76% on average) as opposed to zero percent reported by Moshi District primary AMCOS. This implies that, Moshi District primary AMCOS mostly used notice boards compared with Bukoba Districts AMCOS which used notice boards quite often. Increase member usage of village meeting as a system of information dissemination indicates that, members of the primary AMCOS visit their societies during selling of the produce and do not attend for the rest of the days that call for using village meetings and village notice board to disseminate information. This is unlike some primary AMCOS in Moshi Districts who were found visiting primary AMCOS notice board since their societies have business in the Co-operative premises.

The use of primary AMCOS meetings was higher in Moshi District AMCOS as compared to Bukoba District primary AMCOS. The use of notice Board and AMCOS meetings had higher percent in Moshi District primary AMCOS since in Moshi District members' capacity to demand for information was higher than those

of Bukoba District. Also, since members are more interested to know primary AMCOS coffee indicative price and changes on the indicative price as to make selling choice, primary AMCOS had no option than using notice boards and discussions in meetings. Similarly, education and training received by Moshi District primary AMCOS members were more than what Bukoba District primary AMCOS members received. This was supported by the following argument given by a key informant from Moshi Co-operative University lecturer that:

“Information dissemination by the use of notice boards at the Primary AMCOS is to provide indicative prices of the produce and not financial statements. On the other hand, members expected to receive more detailed information in their meetings, but meetings are used as grounds for announcements and not grounds for discussion”.
(12/10/2015).

Information dissemination by the use of notice boards was effectively used to project institutional announcements and other villages and wards announcement than status of co-operative information that made members understand their institutions. The information dissemination in co-operatives in Tanzania is affected by low members' capacity to hold the Board and managers accountable (Urio, 2011; Gertler, 2001). Board and managers were expected to use more meetings and notice boards to disseminate primary AMCOS information. The absence of managerial accountability to members creates a system whereby potential documents and information remain hidden and become a secret of the Board and managers (Wanyama *et al.*, 2009). Co-operatives are members owned institutions, and they are governed democratically. With that, it was expected that information would be at members' disposal for perusal so as to create owners' understanding on their co-operatives.

4.3.3 Decision compliance in co-operative societies

The accountability of managers and Board to members is based upon decision compliance between decision implementers and those who make decisions. Membership decision making process in co-operative societies is vested in annual general meetings; such meetings have the power to make decisions basing on the democratic rights exercised by members. In the meetings is where different governing decisions are made and presented by Board and managers. The decisions made by managers and the Board receive consent from primary AMCOS members from meetings that become binding to primary AMCOS management in leading the co-operative society. Basing on the Agency theory, members are principal owners who delegate control rights to the agents; the agents control the co-operative society basing on the democratic decisions made by members. However, decisions made by members in meetings need to be assessed to determine whether there is compliance with what managers and Board do in managing the co-operative society as presented in Table 27.

Table 27 : Leadership decisions compliance and meeting decisions implementation

(n = 400)

Name of the primary AMCOS	Leadership decisions compliance				Meeting decisions implementation	
	Yes, they all do (%)	Yes, most of all do (%)	Yes, a few of them do (%)	None does (%)	Yes (%)	No (%)
Kagege AMCOS	5.0	5.0	87.5	2.5	15.0	85.0
Mweyanjale AMCOS	0.0	0.0	97.5	2.5	20.0	80.0
Bumai AMCOS	2.5	2.5	92.5	2.5	30.0	70.0
Kobunshwi AMCOS	0.0	15.0	85.0	0.0	0.0	100.0
Lubale AMCOS	2.5	5.0	90.0	2.5	32.5	67.5
Kilema North AMCOS	5.0	17.5	75.0	2.5	27.5	72.5
Mwika North AMCOS	0.0	50.0	47.5	2.5	55.0	45.0
Kiruwa Vunjo North AMCOS	0.0	55.0	42.5	2.5	57.5	42.5
Kibosho Central AMCOS	0.0	65.0	32.5	2.5	57.5	42.5
Mawela AMCOS	0.0	65.0	32.5	2.5	47.5	52.5
All	1.5	28.0	68.2	2.2	34.2	65.8
District AMCOS						
Bukoba	2.0	5.5	90.5	2.0	19.5	80.5
Moshi	1.0	50.5	46.0	2.5	49.0	51.0
All	1.5	28.0	68.2	2.2	34.2	65.8

An assessment was done to determine the extent of decision compliance on four items to assess whether: they all complied. Most of them complied; few of them or none complied with the decisions made by members. Table 27 shows that 68.2% of the respondents were of the view that few members complied with their leaders' decisions, as compared with 28% of the respondents who thought that most of the primary AMCOS members complied with leaders' decisions. This implies that, members who are the owners (principal) do not agree with the way in which board and managers (agents) leads their institutions. This is due to the fact that, primary AMCOS leaders' leads based on their interest and not members interest (as indicated in the findings of 4.3.2 in the previous section)

The general members' characteristics indicated that Moshi District's primary AMCOS had more compliance than Bukoba District's primary AMCOS. A cross-district primary AMCOS examination indicated that Bukoba AMCOS had few members' compliance with leaders' decisions as compared with Moshi District AMCOS. This is due to member education and training capacities provided to Moshi District primary AMCOS board and ordinary members that makes members and board to understand their key roles in managing their primary co-operatives. This is in line with the assessment that assessed whether most of members had complied with leaders' decision; it was found that Moshi District primary AMCOS had higher percent than Bukoba District primary AMCOS. The general district primary AMCOS analysis indicated leadership compliance to members had 1.5%, which indicated member dissatisfaction. The findings on leadership decisions compliance in Bukoba District primary AMCOS showed the lowest percent on decision compliance since its primary AMCOS decisions were made by the Union as opposed to Moshi District primary AMCOS. This implies that, despite of the existence of Unions the is KNCCI,

KCU and KNCU; the primary AMCOS of Bukoba District powers were in the hands of the Unions as opposed to those of Moshi Districts.

The stewardship theory requires managers to perform their duties to ensure the stakeholders' interests are met (Reed, 1997; Hung, 1998). The absence of members' decision compliance was caused by inefficient managerial stewardship which causes co-operatives to be characterised by various members' grievances. Inefficiency of members' decisions to be taken on board while members are the principal owners had been causing co-operatives to have more cases of financial irregularities. With respect to co-operatives in Tanzania, Wakuru, (2016) reported that between 1994 and June 2000 almost 662 cases of financial embezzlement were reported that amounted to TZS 5.7 billion in co-operative institutions. Moreover, up to March 2016, almost 895 co-operative leaders were found guilty of financial embezzlement amounting to TZS 2.6 billion. There was also poor financial management in co-operatives, leading to increase in co-operatives' debts whereby in 2002 the debts reached TZS 48 billion. By December 2015, the debts rose up to TZS 80 billion; these were only those cases that were reported to the ministry responsible for co-operatives. Similarly, all these debts were owned by members since they would be deducted from their produce after being sold through their primary AMCOS. This also indicates that decisions made by leaders were not considering members' ideas; none of the members accepted such debts to increase, and financial spending that caused these debts to increase. On the other hand, in paying these debts, members' sales of their produce were deducted; that affected farm gate price.

An assessment of implementation of meeting decisions in the primary AMCOS was done in managerial decisions control which is vested to members through the use of

meetings, and the findings are presented in the Table 28 that shows that decisions were not implemented as members agreed. This was said by 65.8% of the respondents as compared with 34.2% of those who responded accepting that meeting decisions were implemented. This implies that members made decisions through meetings but management did not act as members agreed. However, in some primary AMCOS the proportions of the respondents who responded positively and those who responded negatively were much higher than the average proportions reported above. For example, 57.5% of the respondents from both Kibosho Central AMCOS and Kiruwa Vunjo AMCOS were of the opinion that the decisions were implemented. On the other hand, in Bukoba District, all (100%) the respondents from AMCOS Kobunshwi were of the opinion that none of the decisions was implemented, while the respondents from Kagege AMCOS had a similar opinion of decisions not being implemented. This shows that the primary AMCOS and the management were acting in opposite directions; the owners did not own decisions rather than the delegated organ.

In district cross examination, Bukoba District primary AMCOS had 80.5% of the respondents who said that decisions arrived at in meetings were not implemented, while only 51.0% of the respondents in Moshi District said so. The decision implementation in Bukoba District AMCOS had similar characteristics with leadership compliance; Moshi District AMCOS were found to be better off due to their members' capacities to demand and understand the primary societies' businesses due to knowledge received from the training received.

Basing on the Stewardship theory presented by Sacchett and Tortia (2013), Muth and Donaldson (1998) postulate Boards role being is to work with management to

improve strategy and add value on decisions made by managers so as to reach members expectations. The decision compliance from the management to members need to be in place to ensure management are steward to the owners. Hernández *et al.*, (2013) and Chris (2004) presents the assumption to this theory that; Board members should be selected on the basis of their expertise so that they can add value to organization's decisions, Boards and managers should receive proper education and training and they should know how to operate effectively as a team.

Basing on those descriptions, primary AMCOS's members do not have democratic ownership since the meeting decisions are not implemented as members agreed. Members, being the principal agents, are denied their decision implementation rights despite the fact that management leads the co-operative on their behalf. The researcher went far by assessing the reasons that limited the implementation of decisions, and the findings were as presented by District Primary AMCOS in Table 28.

Table 28 : Reasons limiting decision implementation by District (n = 400)

Districts	Variables							
	Absence of implementation plans		Leaders lack commitment		Reluctance of Board and management		Absence of feedback on decisions made	
	Yes (%)	No (%)	Yes (%)	No (%)	Yes (%)	No (%)	Yes (%)	No (%)
Bukoba	44.7	55.3	31.1	68.9	36.0	64.0	33.5	66.5
Moshi	52.4	47.6	29.1	69.9	30.1	69.9	25.0	75.0
All	47.7	52.3	30.3	69.3	33.7	66.3	30.2	69.8

In assessing reasons limiting decision implementation by District Primary AMCOS, the findings indicated a statistically significant association with a Pearson Chi-Square coefficient of 102.114 ($p = 0.000$) and the Likelihood Ratio was 398.713 ($p = 0.000$). This implies that, there is an association between reasons limiting decision implementation on accountability of board and managers to members by district.

Findings in Table 28 on reasons that limit the implementation of meeting decisions, the respondents identified various factors, which included: absence of implementation plans, leaders lacking commitment, reluctance of Board and management to implement decisions and absence of feedback on decisions made. The findings also showed that absence of implementation plans was reported by 47.7% of the total primary AMCOS members. This implies that, the primary AMCOS had no action plans that indicate the type of decisions and its responsible authority as well as time schedule for implementation. On the same, it was identified that in Moshi District primary AMCOS the respondents reported the absence of implementation plan by 52.4% as compared to Bukoba District AMCOS where the percent was 44.7%. This implies higher reluctance of Board and management reported in Bukoba District primary AMCOS compared to Moshi District primary AMCOS where the percent was lower. The decision implementation was generally low in both districts due to absence of members' capacity to hold board and management accountable. Members are not part of decision making in their co-operative; rather it is the duty of management board and sometimes the Union. Co-operative is governed by members through meetings (Roe, 2003). Decisions made in meetings dictate the daily operation of the co-operative business, and it is within co-operative meetings where different documents are discussed and receive members' consent (Develtere, 2008; Maghimbi, 2006). However, co-operatives were found not to abide by members' decisions that were discussed and passed in the co-operative meetings that affect members' democratic rights.

The Principal-agency theory indicated members assuming the principal ownership of the co-operatives. Members manage the co-operatives using meetings and meeting decisions. However, the management (the agent) uses their delegated control rights

to take over principal rights of ownership (Berle and Means, 1932). This cause member's decision implementation to be found of no importance to management; hence, the owners or shareholders in the primary AMCOS face ownership problem whereby managers are likely to act in their own interests rather than in the interest of the shareholders (Keasey *et al.*, 1997). Members exercise their democratic rights using the meetings; it is through members meetings where primary AMCOS decisions is made, however its implementation of those decisions were not found feasible.

4.3.4 Membership rights in the primary AMCOS

The accountability of Board and managers to members is based on how members receive their rights in the primary AMCOS. The aspect of membership rights was given weight in determining their capacity to influence decisions in their primary AMCOS; members right in primary AMCOS were assessed to determine the extent to which they received their rights in their primary AMCOS. The rights that were used to assess members' rights access in primary AMCOS were: right to use primary AMCOS assets, right to have access to information, right of attending meetings, right to be heard in the meetings, right to get dividends, right to influence decisions on investments, right to co-operative education, right to sell their produce at the primary AMCOS, right to choose leaders of the primary AMCOS and right to be chosen as a leader in the primary AMCOS. Each right had a variable of 0 for not at all, 1 for little and 2 for much applicability. There were ten items that had from zero as minimum to twenty as a maximum score. However, the maximum score was 11 as presented in Table 29.

Table 29 : Members rights access in the primary AMCOS (n = 400)

Primary AMCOS Members rights	Moshi distinct			Bukoba District		
	t-score	p-value	Mean Difference	t-score	p-value	Mean Difference
Rights to use AMCOS assets	59.963	0.000	1.77500	28.795	0.000	1.27000
Rights to have access to information	7.383	0.000	0.21500	7.383	0.000	0.21500
Rights of attending meetings	59.332	0.000	1.7700	32.933	0.000	1.5450
Right to be heard in the meetings	41.231	0.000	1.23000	41.231	0.000	1.23000
Right to get dividend	9.566	0.000	0.31500	9.566	0.000	0.31500
Right to influence decisions on investments	4.436	0.000	0.09000	4.436	0.000	0.09000
Right to co-operative education	4.017	0.000	0.07500	2.687	0.008	0.03500
Right to sell their produce in the AMCOS	59.332	0.000	1.77000	39.053	0.000	1.71500
Right to choose leaders of the AMCOS	141.097	0.000	1.96000	30.158	0.000	1.81500
Right to be chosen as a leader in the AMCOS	54.498	0.000	1.72500	38.888	0.000	1.60500
Total rights score	125.030	0.000	10.92500	60.854	0.000	9.83500

Table 29 shows that members' rights variables in assessing member's democratic rights in primary AMCOS indicated a statistical significance with a p-value of 0.001. This implies that all the variables that describe membership rights can explain the rights received by members in the primary AMCOS. Also, Table 29 shows that, comparing the two districts members' rights, Moshi District primary AMCOS had a mean difference of 10.925 (t-score = 125.030) unlike of Bukoba District primary AMCOS that had a mean difference of 9.835 (t-score = 60.854). This implies that Moshi District primary AMCOS members received more membership rights which is equivalent to 54.625% (i.e. $10.925 / 20 \times 100$) compared to its counterpart Bukoba District that had 49.175% (i.e. $9.835 / 20 \times 100$). Membership rights difference was due to member education that was highly received by Moshi District AMCOS than their counterparts. The overall democratic score in the two districts' primary AMCOS were 49.175% and 54.625% in Bukoba District and Moshi District respectively. This implies membership rights were average on access to democratic rights in the AMCOS.

Also, in both districts, the findings indicated that the lowest per cent on individual items were right to co-operative education and right to influence decisions on investments. This implies member education in primary AMCOS is not an important aspect, and that limits members' capacity in exercising their democratic rights. This would increase the capacity for co-operatives to abide by the United Nations (UN) recommendation No. 193 of 2002, which calls for promotion of co-operatives which are autonomous organizations (ILO, 2002). On the other hand, it was noted that primary AMCOS members got access to the rights that were directly related to general meetings and access to sell their produce in the primary AMCOS; other rights were denied to members. This is due to the fact that members expected the primary co-operatives to assist them to market their produce, and at the same time members attended meetings to elect leaders. This was supported by the following argument by Assistant Co-operative Registrar Kagera region, which was a key informant and that:

"..... members' rights in the primary AMCOS are a bit complex; most of the rights in the AMCOS are in the hands of their Unions, especially in primary AMCOS trading their produce through the Union but, generally, the members' rights are in the hands of management which decides and makes decisions on members' behalf and inform the Board. On the other hand, these rights are taken by the government which formulates policy, and makes laws which are given to co-operatives to implement without primary AMCOS members' concern". (16/10/2015).

From the above argument, members' rights had been hijacked by the management which decided and informed members on what they had decided through meetings.

This was due to powerlessness of members and board enforcing member decisions to show their institutional ownership. The Co-operative Societies Act (2013) shows that most of the co-operative societies' rights are still under government hold; for instance, assets and financial investment decisions are made upon approval by the registrar of co-operatives. Section 120 of the Co-operative Societies Act 2013 explains that decision rights that are under the registrar such as investing in fixed assets, purchase of shares in stock exchange, purchase of government bonds and securities, investing in fixed assets on different projects and others will be provided in the government gazette. The stakeholder's theory would allow co-operatives to invest in other firms where they would become shareholders by enjoying the benefits from the invested capital (Hung, 1998), but with this rubber stamp to members of primary AMCOS, decisions were found to be affected since member ownership power was found to be controlled by the agents (Management) and other stakeholders.

4.3.5 Leadership succession plain primary co-operative societies

Leadership succession plans is a key aspect in ensuring organisation continuity and sustainability. The Board and managers in co-operatives should have a succession plan policy that mentors and prepares future leaders. An assessment of the leadership succession plan was done to determine whether the primary AMCOS had any succession plan programme. This was due to the fact that leaders need to be prepared in advance in order to take over responsibilities to lead. There should be leadership willingness and preparedness to make other people come into office to discharge managerial functions on the available positions. The co-operative leadership position is defined in the Co-operative Societies Act (2013) and in the Co-operative by-laws.

The findings on the possibility of leadership succession plan are presented in Table 30.

Table 30 : Availability of succession leadership plan and reasons for its absence in the primary AMCOS (n = 400)

Districts	Response on leadership succession plan availability		Reasons for absence of leadership succession plan									
			Youth are not members of AMCOS		Youth do not have plots for coffee farming		Youth are not interested in coffee		It is not known on how it can be done		Youth migration to town	
			Yes %	No %	Yes %	No %	Yes %	No %	Yes %	No %	Yes %	No %
Bukoba	1.0	49.0	4.1	45.9	8.5	41.5	26.4	23.6	21.5	28.5	26.7	23.3
Moshi	1.5	48.5	4.1	45.9	17.2	32.8	26.9	23.1	21.3	28.7	27.4	22.6
Total	2.5	97.5	8.2	91.8	25.6	74.4	53.3	46.7	42.8	57.2	54.1	45.9

The findings in Table 30 on the availability of leadership succession plan show that 97.5% (Moshi District 48.5%, Bukoba District 49%) of the respondents were of the opinion that such a plan was not there. This implies that the aspect of leadership succession plans in primary AMCOS is not in place. This also indicates that, in primary AMCOS, leaders want to remain in their positions despite the Co-operative Societies Acts providing time period for the tenure of leadership positions. An FGD with the primary AMCOS Board management and members showed that Board and management did not have knowledge of what is leadership succession plan and how it could be implemented. The findings from FGD with TCDC indicated that succession plans in primary societies need government directives that should be stated in the Co-operative Societies Act, Rules and Regulations that have also to state how it should be done. This was supported by an argument by Manager of Tanzania Coffee Board (TCB), who was a Key Informant who said that:

“In succession leadership planning, leaders want to remain in power.

Therefore, they don't prepare future leaders. The absence of succession plans due to lack of member education on primary co-

operatives. On the other hand succession plans are not known on how it can be done by primary AMCOS leaders”. (12/10/2015).

Leadership tenure is three years basing on the 2013 Co-operative Societies Act. This seems to provide change of leadership persons as opposed to the 2003 Co-operative Societies Act that provides tenure of up to nine years. About reasons as to why there was no leadership succession plan in the primary AMCOS, Table 30 indicates that youth migration to town was the leading factor (54.1%). However, other factors that limited leadership succession plan were: youth had low interest in coffee; how the concept of succession plan could be implemented was not known; absence of plots for coffee farming and youth membership absence. These findings were supported by an argument from FGD of primary AMCOS Board, management and members in Moshi and Bukoba District primary AMCOS that youth migration to town in search for white colour jobs was the leading factor for not engaging in leadership. Also, others commented that youth migrate in search for any employment available, and other factors were that youth don't like farming in rural areas, especially coffee farming that takes a longer time to harvest and need permanent ownership of a farm. In that case, if youth do not grow primary AMCOS marketed produce and are not engaged in primary AMCOS businesses, automatically they cannot be members, and finally, they cannot be prepared to be leaders of AMCOS.

4.4 Internal and External Interfaces which Promote Co-operative Sustainability

Findings in this section (4.4) address the third objective which aimed to determine internal and external interfaces which promote co-operative sustainability. Primary AMCOS members were confronted with different administrative and ownership challenges. Also, primary AMCOs operated in an environment where interfaces from

internal and external played part in exerting interfaces that affected their daily operations and sustainability of AMCOS.

4.4.1 Internal interfaces which promote primary AMCOS sustainability

Members of primary AMCOS as principal owners need internal strategies to address institutional governance sustainability. In determining internal factors that promote primary AMCOS sustainability a number of issues were examined including roles of AMCOS' Board and Managers, member understanding of AMCOS assets and governing instruments, ownership on internal primary AMCOS capitalisation and member ownership in produce price determination power. These factors were drawn from the Co-operative Society Act 2013, the Co-operative Policy 2002, and empirical literature review.

4.4.1.1 Member understanding on the role Board and Managers in primary AMCOS

Co-operatives aim at solving member economic and social needs as presented in the Co-operative Society Act of 2013, Section 3, where the objectives of the co-operative societies have been defined. Despite having that as a general guideline, the study examined the understanding of members on the functional roles of AMCOS Board and Management towards implementing different daily activities stipulated in the Co-operative Societies Act, Section 51, 52, 53, 54 and 56; these sections provides duties and powers of a registered co-operative society. About members' understanding on the roles of board and management, different managerial roles were used to assess members' understanding. The laws provided to the board the mandate to lead the co-operative on behalf of the members, the board employs the managers to lead the technical part of the co-operative and govern the daily activities of the co-

operative business operation. This is also in line with the Principal Agency Theory that provides management (agent) to lead the co-operative on behalf of members (the shareholders). With that, the assessment of members' understanding of the agents becomes inevitable. In measuring member understanding of board and management functional roles, the researcher measured ten items in the matrix using an index summated scale. The minimum value was 0 and the maximum value was 2. The measurement was 0 for “not at all”, 1 for a “little”, and 2 for “much”. The measurement of these items is presented in Table 31.

Board and Managers Roles	Moshi District			Bukoba District		
	t-score	p-value	Mean Difference	t-score	p-value	Mean Difference
Preparing and issuing by-law to members	5.209	0.000	0.12000	8.906	0.000	0.28500
Board influence to enforce law to managers	19.015	0.000	0.64500	18.076	0.000	0.68500
Providing loan to AMCOS members	3.236	0.001	0.05000	6.609	0.000	0.18000
Preparing contracts of the AMCOS	4.300	0.000	0.08500	7.315	0.000	0.28000
Mobilising members to sell produce through AMCOS	91.651	0.000	1.90500	3.062	0.003	0.04500
Quality control of the produce	20.773	0.000	0.91000	22.483	0.000	1.02000
Rehabilitation of the AMCOS assets	4.160	0.000	0.08000	13.553	0.000	0.48000
Provide agriculture inputs support	3.403	0.001	0.05500	16.629	0.000	1.04000
Provide social support to public	29.024	0.000	1.22000	30.310	0.000	1.14500
Promotion of its service to attract more members	11.518	0.000	0.40000	12.731	0.000	0.67500
Members understanding total score	57.851	0.000	5.47000	40.963	0.000	5.83500

Table 31 : Members understanding functional role of board and management

(n = 400)

As indicated in Table 31, all the variables used in assessing members understanding functional role of board and management were statistically significant ($p = 0.000$). This implies that the variables were significantly associated with the understanding of functional roles of board and management in the primary AMCOS. The assessment had 10 test items with a minimum of zero and a maximum of two. The

findings indicated that in both districts (Moshi, $5.470/20 \times 100 = 27\%$ and Bukoba, $5.835/20 \times 100 = 29.175$) members' understanding of management and board roles and functions the mean differences were below 50%; the respondents' responses in both districts on the constructs placed in the analytical model had a mean difference ranging from 0.40 to 1.905. Most of the responses per cent scored were below 50%, which implies that most of the primary AMCOS understood the key functions of their co-operative societies to be low due to absence of awareness and education among members. Across districts, among Moshi District respondents, the variable that had the highest score was mobilising members to sell produce through AMCOS with a mean difference of 1.905 and t value of 91.651, which is the important role in the objective of the co-operative society. This implies that members see the board as a member promoter in selling their produce to their primary AMCOS than members themselves who are the owners to take their responsibility. This implies that members' needed to be mobilised to sell their produce in their primary AMCOS. The findings gave rise to the concern as to why members should be mobilised to sell their produce to AMCOS while they formed it purposely to sell their produce through it. This showed low membership feelings in their primary AMCOS caused by absence of members' ownership. In Bukoba District, members were of the opinion that the board's main function is to provide social support to the public with a mean difference of 1.145 and t-score of 30.31. This implies that members see the board function as providing social support in terms of community functions than leading the primary AMCOS for members to get their social and economic needs and aspirations.

The overall score of members' understanding of the role of board and managers was low. This is due to the gap that existed between members and management. Once the

members elect the board, the board members segregate themselves from members; they become members' bosses due to low members' understanding of how to manage their co-operative by continuing holding board and managers accountable to them. With that, members cannot understand managerial roles of board and managers. This is in line with the argument raised by Birchall and Simmons (2010) and Chambo (2008) that co-operative boards of directors are members before election and that when they come in position they are the members' bosses. The low understanding of AMCOS members on functional roles of management affects the level of member participation in decision making, which restrains primary AMCOS sustainability.

According to the principal-agent theory, the board members and managers are members' agents. The roles of the agents in the co-operative are defined in the co-operative laws that need to be at members' disposal. Birchall (2011) and Fahlbeck (2007) argue that what make co-operative management not to achieve its co-operative objectives are members not understanding the roles and functions of those governing their firm. When members are involved in different aspects of primary AMCOS activities, their understanding of the functional role of their leaders will increase. Jussila *et al.* (2012) and Chambo and Dyamet (2011) argue that the co-operative leaders, especially board and managers, change positions once they are chosen and become members' bosses. In that, co-operative sustainability won't be achieved since members use their democratic processes for electing their representatives to attain members' needs and organisational objectives which is not attained by the current managerial practice used by the co-operative agents over the stakeholders.

4.4.1.2 Members' understanding of AMCOS assets and Governing Instrument

The sustainability of AMCOS depends upon members' understanding of organisational assets and governing instruments. Co-operatives are member-owned organisations, and thus it's expected that members understand key aspects that lead to managing their institution. Among the aspects used in the measurement were: AMCOS by-laws, AMCOS physical assets, the value and number of shares, the land ownership contracts, the auditing report, house rent agreement contracts, meeting minutes, the planning budget, and expenditure budget. Others were the employment contract of staff, AMCOS membership registration in the Union and AMCOS registration certificate in other institutions to which AMCOS were affiliated and certificate of registration. Table 32 presents thirteen items, and each of them was ranked from 0 to 2 where 0 was for "not at all, 1 for "a little" and 2 for "much", with a total possible maximum score of 26 points if all scored 2 for each item. However, only 9 variables were significant with p-value of 0.0001 in Moshi District and 7 in Bukoba District; Table 32 presents the variables that came out for analysis.

Table 32 : Members understanding of assets and governing tools (n = 400)

Variables on assets and governing tools	Moshi District			Bukoba District		
	t-score	p-value	Mean Difference	t-score	p-value	Mean Difference
AMCOS by-law	5.209	0.000	0.12000	4.436	0.000	0.09000
All AMCOS physical assets	8.445	0.000	0.49000	5.872	0.000	0.24000
The value and number of shares	12.223	0.000	0.54000	12.343	0.000	0.54500
Meeting minutes	8.906	0.000	0.28500	3.564	0.000	0.06000
The planning budget	9.677	0.000	0.32000	4.832	0.000	0.10500
The expenditure budget	9.455	0.000	0.31000	4.832	0.000	0.10500
The employment contract of staffs	6.271	0.000	0.16500	NA	NA	NA
AMCOS registration certificate in other institutions affiliated	4.832	0.000	0.10500	NA	NA	NA
Certificate of registration	8.145	0.000	0.25000	2.481	0.014	0.03000
Total scores	24.739	0.000	2.58500	17.148	0.000	1.17500

In assessing variables placed in the model on assessing members' understanding of assets and governing tools as presented in Table 32, some variables were rejected by the model analysis (one sample t-test). These included land ownership contracts, auditing report, house rent contracts and AMCOS membership registration in the

Union as they had a mean difference of 0.00. This implies that members did not understand if these were important in governing their primary AMCOS. This indicated absence of member understanding of the important aspects that need to be at members' disposal in managing their primary AMCOS. This implies that the variables indicated in Table 32 explained members' understanding of assets and governing tools in the primary AMCOS.

The analysis in both districts indicates that members' understanding of assets and governing tools in Moshi and Bukoba District had a mean difference of 2.585 (t-score = 17.148) and 1.175 (t-score = 24.739) respectively. This is equivalent to $2.585/9 \times 100 = 25.38\%$ and $1.175 /7 \times 100 = 16.78\%$ respectively; this indicates a very low understanding of members in their primary AMCOS. This was due to absence of governing instruments not being available at the primary AMCOS and board and managers neglecting to present assets status in the meetings, which in turn made members to have little capacity of understanding their AMCOS. This implies that absence of members' understanding indicates low democratic practice capacities in discussing their societies.

Furthermore, in Moshi District primary AMCOS, the findings indicated little knowledge about members' understanding of AMCOS registration in other affiliated institutions with a mean difference of 0.105 (t-score = 4.832). This implies that members' understanding of their engagement with other co-operative stakeholders was not known to them. This was in line with an argument raised by Chambo (2008) in his analysis of co-operative education and training in Africa where members were found lacking understanding of their co-operative societies. Also, in Bukoba District, the lowest score was found on members' access and understanding

of meeting minutes (t-score = 3.564, MD = 0.060). This implies that meeting minutes that were discussed at the general meetings did not form an agenda in the next meeting; this indicates low democratic practice since the agreements in the meetings do not have a follow up agenda. With that, the sustainability of the co-operative societies can hardly be attained.

Findings from the respondents showed absence of knowledge on the constructs that were used measure members' understanding of assets and governing tools. This is because primary AMCOS board and managers did not disclose these assets and governing tools at disposal for increasing members' knowledge about their primary AMCOS, and this was done in order for board and managers to increase control over members. This constrained members' democratic ownership of their AMCOS. This was supported by an argument raised by Assistant Co-operative Registrars in Kagera and COASCO Manager in Kilimanjaro who was a Key informant and said:

“... the question of AMCOS to lack ownership of their assets documents is due to board's and management's negligence since this is among the usual issues that arise in every general meeting of these institutions for years. But no deliberate effort has been made so far: if individual members have asset ownership documents, why not these social institutions? This shows negligence with the management and board of AMCOS...” (Assistant Co-operative Registrar Kagera Region). (16/10/2015).

“Most of the assets in Primary AMCOS and even in the Union do not have legal registration. That has been a permanent audit quarrel, but little effort has been made on it. Absence of legal registration makes

fraud and assets misuse as well as embezzlement” (Kilimanjaro COASCO Manager), (15/02/2016).

The above remarks imply that assets of primary co-operatives are mismanaged; few members enjoy the institutional assets on the expense of members due to members’ reluctance and ignorance. Findings from an FGD with TFC management indicated that TFC and TCDC made teams to identify assets and documents from which they could identify the lost assets in different time periods. The findings indicated that there were assets owned by co-operative members that ownership had been transferred without knowledge. The assets included buildings, farms and land, and financial assets. Also, information obtained from FGD with TCDC indicated that primary societies did not have assets registration certificates or titles of ownership. From local authorities, community processed registration and central government assets registration that provide the title deed (right of ownership). They owned just agreements made from village meetings, and the agreements were not available at the primary societies; with that they would lose ownership. Free-rider members and other individuals and other institutions had been using that loophole to hijack members’ assets in most primary AMCOS. Currently, the TCDC has established a special committee dealing with finding the lost co-operative assets, especially land and buildings. The reports are in the process of being submitted to the relevant Minister and the follow up for the assets to be made.

Information from FGD with board of Mawela AMCOS with board, management and members revealed that the AMCOS had three farms which were Mezi, Kyei and Kifumu. However, Miezi farm was poked from the AMCOS by the president announcement and given to Roman Catholic Bishop to build a University College;

the land amounted to 100 acres. Furthermore, an FGD with KCU board and managers reported that political leaders sometimes directed co-operatives, especially Unions, to provide finances to fund their trips and other orders as they were received from politicians (politicians here means members of parliament or ministers). These were done due to absence of members' understanding on co-operative management and chain of command and financial management of their co-operatives. This was supported by a concern provided by Moshi District Co-operative Officer and Kilimanjaro Region Assistant Co-operative Registrar who were key informants and said:

“AMCOS assets, especially AMCOS premises and estates, are mismanaged by members and board. In some estates and AMCOS premises they grow permanent crops, build houses, build fake cemetery and at last confiscate the land. While this is done by board members and managers, there is no voice from ordinary members that reports such criminal acts which is heard. The main problem is who will point a finger to the board and managers. At the end, even members went to hijack AMCOS premises and estates...” Moshi District Co-operative Officer. (08/02/2016).

“The farms and estates in Kilimanjaro which were owned by the colonialists, after being nationalized, were given to the crop board managers. Thereafter, they were given to the primary societies and Union. The provision was made through a President's speech, and co-operatives were not given it in writings. However, some primary societies took a further step and accomplished having title deeds, while others did not make such efforts. Some estates that belonged to

AMCOS were given to other private and local authorities since it was from the agreement that where the government requires the use of these estates and farms, it will pull it back to change ownership and usage” Assistant Co-operative Registrar Kilimanjaro Region. (14/02/2016).

Absence of members’ voice and members’ royalty to their co-operatives has been a big problem for agricultural co-operative development in Tanzania; the misuse and mismanagement of assets has remained the practice, although it is contrary to development of a sustainable co-operative sector. Furthermore, Chambo (2008) and ILO (2002) and the Co-operative Society Act 2013 section 28 (a-f) argue that co-operative institutions (for that matter primary AMCOS) have the role to provide co-operative education to their members; this would assist members to understand all aspects in their co-operative business. The principal agent theory establishes that members delegated their managing role of the co-operatives to the agent (Kaleshu, 2013; Barton, 2000; Fama, 1980). However, the agent was found not to be effective in managing the welfare of the co-operative as members expected. The democratic systems presented in the policy, laws and co-operative by-laws are not followed; in that it will be difficult for primary AMCOS to attain their sustainable ownership where members are required to have a total control of their institution.

4.4.1.3 The internal capitalization of primary AMCOS

Capitalisation of a co-operative includes different strategies through member participation in primary AMCOS meetings discuss to raise the capital status of the societies; this can involve increase in investment, selling of shares, hire purchase, increase in retained earnings, capital diversification, opening business ventures and

other strategies. AMCOS capitalisation was another internal factor which the study examined as provided in the Co-operative Society Act (2013), Pat VIII that presents AMCOS as an independent institution with all limited liabilities. The board, management, and members are required to solicit mechanisms of running funds of registered societies to come up with business profit (Section 70-80). Members were assessed on the internal systems of capitalisation to see the extent to which members (owner) options that agreed on the generation of their institutional capital. Primary AMCOS requires income generating strategies to increase capacity on internally generated funds capable to support AMCCOS activities; democratic practice being among the primary AMCOS activities that requires financial availability. In assessing financial adequacy since AMCOS had existed for decades and they were expected to remain sustainable by members' effort. The assessed variables included: deduction on members dividends, establish another business markets, open business centre in the AMCOS premises, marketing of coffee by the AMCOS itself. The findings are presented in Table 33.

Table 33 : Member owned strategies to increase AMCOS internal funding sources

(n = 400)

Responses on AMCOS Strategic Variables	Moshi District		Bukoba District	
	n	%	n	%
Deduction on members dividends	85	26.8	85	24.4
Establish another business markets	83	26.2	84	24.1
Open business centre in the AMCOS premises	129	40.7	83	23.8
Marketing of coffee by the AMCOS itself	20	6.3	97	27.8
Total	317	100.0	349	100.0

The strategic option for increasing internal capital/revenue (as presented in Table 33) in Moshi District indicated that most AMCOS members went for opening business centres in the AMCOS premises (said by 40.7 %). This implies that, opening business centre at the primary AMCOS premises was identified by the members as

the problem which can be resolved by such opening to increase internal cash flows. Co-operative business entrepreneurship is highly emphasised by different studies as it provides the best option to increase financial flows and minimise the financial risk in co-operatives and other firms (Birchall, 2011; Develtere *et al.*, 2008; Hendrikse, 2004; Gertler, 2001). Co-operative entrepreneurships are basic as these institutions are implementing the Tanzania's Agricultural Sector Development Programme (ASDP) (2005-2025) on their strategies that call for mainstreaming planning for agricultural development in other sectors. Basing on information from FGD with board and managers and members of Kibosho central primary AMCOS, that strategy for AMCOS financial sustainability was more practised as mentioned above.

Similarly, still a substantial number of members identified dependency on deduction members' dividends as said by 26.8% of Moshi District and 24.4% of Bukoba Districts. ; such dependency cannot lead to AMCOS sustainability as compared to opening new business ventures, since ever before that was the only income as indicated in Table 33 above. The information from the FGD with primary AMCOS board, managers and members from Moshi District reported that all AMCOS that marketed their coffee through the Union had options of selling coffee through coffee processors or direct to the coffee market with assistance of KNCI and avoid KNCU deductions.

Members are responsible for AMCOS sustainability as they are the shareholders engaged in designing, coordinating and implementing various decisions of their co-operatives (Emana, 2009; Cornforth, 2004; Bruynis *et al.*, 2001). An assessment was done to determine member payment of their obligations as specified in their by-laws. Most of the by-laws specify obligations of payments to include membership shares,

entry fee and annual description fee. The by-laws also specify voluntary contributions as it may be directed by the primary AMCOS meetings, depending on the issues to capitalise. The measured items provided were to determine the payment extent of paying statutory payments and voluntary contributions as presented in Table 34.

Table 34 : The status of members' dues and voluntary contributions payments (n = 400)

District	The status of paying statutory payments				The status of paying voluntary contributions			
	Yes, to small extent		They are not paying at all		Yes, few have made some contributions		None has made a contribution	
	F	%	F	%	F	%	F	%
Bukoba	41	46.1	159	51.1	22	61.1	178	48.9
Moshi	48	53.9	152	48.9	14	38.9	186	51.1
Total	89	100.0	311	100.0	36	100.0	364	100.0

The payment status of paying statutory contribution was assessed, and the findings in Table 34 indicate that most of the Bukoba District AMCOS members paid their statutory subscriptions at a small extent (46.1%) as compared to Moshi District Primary AMCOS that had 53.9%. This implies that members who are owners of the primary AMCOS do not comply with membership legal obligations; if members do not participate in fulfilling their membership obligations, their democratic participation becomes questionable. On the other hand, the findings indicated members not paying at all by Bukoba District AMCOS by 51.1%, as compared with 48.9% said by Moshi District AMCOS members on the same variable. This implies that, membership in the primary AMCOS is doubtful since, membership is justified by paying members subscriptions. If members do not comply with institutional legal requirement, their democratic participation in discussing institutional development cannot be attained. In Bukoba District AMCOS, the co-operatives depended on the Union as compared to Moshi District primary AMCOS where most of them look for

self-financing while others searched for capital by themselves. However, in both surveyed Districts two factors that were placed in the model for analysis did not have any response from the respondents included items such as “Yes, to a larger extent” and “they were not paying enough”. With low internal member capacity to pay their statutory subscription, the sustainability of the AMCOS cannot be attained. Statutory contribution payments indicate a higher level of ownership of members to their organisations.

Furthermore, in examining member ownership, the study examined whether members paid voluntary contributions as agreed in AMCOS meetings as presented in Table 34. The findings showed that few had made contributions by 61.1% as said by Bukoba District AMCOS respondents as compared with Moshi District primary AMCOS respondents (38.9%). That indicates low capacity of primary AMCOS members to make voluntary contributions in relation to discharging different functions as it used to be proposed by the AMCOS meetings. Voluntary contributions are agreed at the general meetings; these are different from statutory contributions. Despite the fact that members had agreed to fulfil that obligation, they were not committed to statutory payment and voluntary contributions that in turn limited the sustainability of the primary AMCOS.

Co-operative governance requires members to fulfil their membership obligations; this is a right that members should perform to ensure co-operatives attain their objectives (Österberg 2007; Hendrikse, 2004; Cook, 1995). Member fulfilment of the statutory obligations indicates ownership. Members, being the shareholders, had a responsibility of ensuring that loyalty helps fulfil institutional requirements for its sustainability (Chambo and Dyamet, 2011). Member loyalty is the life blood of the

primary AMCOS since it entails commitment of the owners to their institutions. According to Fahlbeck (2007) and Akwabi-Ameyaw (1997), members in co-operatives do not constitute what is in their legal requirements; the law and practice have big discrepancy and that is done on members' knowledge in the absence of ignorance. For ensuring sustainability of Primary AMCOS, co-operative members' understanding of their legal obligations needs to be addressed.

4.4.1.4 Member ownership process in determining price of their produce

The primary AMCOS key function is to market members' produce, and for the surveyed areas the produce is coffee. Member ownership capacity in accepting and rejecting prices offered to their produce is important to ascertain the extent of democratic practices in price negotiations; co-operative societies are supposed to collect members' produce and look for markets. As opposed to the normal practice of buying members' produce and looking for markets, members ceased their ownership in the coffee value chain, and the decision was left to the board and management to decide. Table 35 presents the price determining power of AMCOS produce.

Table 35 : Members produce price determination power (n = 400)

Name of the AMCOS	Board		The produce price determiner				Byers	
	F	%	Management		Members		F	%
Bukoba	0	0.0	31	56.4	0	0.0	169	49.0
Moshi	0	0.0	24	43.6	0	0.0	176	51.0
Total	0	0.0	55	100.0	0	0.0	345	100.0

The measurement of members' power in price determination was measured by four price determining variables, which were board, management, members and buyers. Board and managers should negotiate with the buyers on the price selling limits and members are informed on the current price status; the findings showed that buyers

had more power on determining price of AMCOS members' produce (Moshi 51.0% and Bukoba 49.0%), which indicates that buyers had more ownership of price decisions than the members. The findings indicates, Moshi District AMCOS had a slight difference due to the fact that Moshi had been marketing their coffee by the AMCOS themselves whereby in primary AMCOS that trade alone had more ownership power than those using the Union; that seemed to hijack price decisions of the primary AMCOS. Therefore, they had the knowledge and experience of buyers' influence as opposed to Bukoba District AMCOS that marketed through the Union. On the other hand, management in Bukoba District primary AMCOS were found to have more influence on price determination by 56.4%. Because managers are closer to the Union who determine the prices and management are the controllers of finances that come from the Union for buying coffee, members know the price brought by the Union from information made by the managers. Moshi District Co-operative officer supported this argument by saying:

“In determining the selling price, this is done by the Union by looking into change in the global market trend, but buyers also have bigger decisions to set the buying price and the Union has to accept; members know nothing on these determinations”. (08/02/2016).

For the case where Union is the one managing selling of primary AMCOS produce, which has been the practice, some primary AMCOS tried to leave from Union control of primary AMCOS produce price and selling management to increase primary AMCOS members' control. These primary AMCOS differ in their modality of marketing produce of their members. Some sold directly to the coffee market, while others sold through coffee processors in Moshi District primary AMCOS. In Bukoba District AMCOS, it was found that all primary AMCOS were selling

produce of their members through a Union. Information from FGDs done with board, management and members in Bukoba District reported that Bukoba primary AMCOS sold their produce through Union and Union dictated price of primary co-operatives produce and primary AMCOS were like Union buying centres; Unions took their finance to the AMCOS to buy coffee, and they bought from members and non-members. On the same, members and non-members received the same price. In Bukoba District primary AMCOS, it had become difficult for primary AMCOS to get in touch with coffee selling centres due to presence of Union dictatorship over primary AMCOS that were found not knowing even the logistics of marketing their coffee as opposed to Moshi District primary AMCOS. This was supported by the following argument provided by a KNCI Manager who was a Key informant and said:

“The primary society was capacitated enough to make business on their own in Kilimanjaro. However, KCBL and TCCSCO are not doing well in terms of management of the firm. The performance of the business had not given return to members who were the shareholders. However, after the establishment of KNCI the curing loss at TCCSCO was reduced from 30% to 18% up to 20% which is a great improvement. Much effort were made by KCBL which is owned by co-operative members, to ensure its performance benefits the members at the primary AMCOS as they contributed the capital of its establishment” (16/02/2016).

Selling coffee to either Union or coffee processors (such as Dorman TCCSCO, and Teller-winch) the price determination needs to be done by AMCOS basing on buying

and selling prices with profit margins. Also, consideration is given to the market price that gives the AMCOS decision to sell or wait until the next market sessions.

The sustainability of the AMCOS in price determination power as a factor determining AMCOS democratic power will prevail if the management and board have the capacity to influence the price of their members' produce (Maghimbi, 2010; Maghimbi, 2007; Mbasha, 1998). The control of produce price by members as a factor determining member ownership needs deliberate efforts from members by developing strategies that suit coffee produce business operation in getting market price access. Market access and members price determination power was sometimes affected by global economic imbalance whereby when Tanzania went for economic liberalisation with open door policy in the early 1990s, co-operatives and their members were not prepared (Mpunga, 2016; Ortmann and King, 2007; Sizya 2001); there was no deliberate strategy that was planned to protect the co-operative sector from the free market policy adopted. Thus, the buyers dictated the terms in the market decision making and co-operatives suffered the most. According to Rwekaza and Nnko (2012), Trewin (2004), Sizya (2001), and Royer (1995), co-operatives are the price takers; they accept whatever price given at the crop markets regardless of profit margins given. With that unprotected marketing system, the sustainability of co-operative business economy in terms of return to members will continue to be constrained.

This is in line with the principal agent theory where by the owners (members) were found not having voice over their produce. According to Adu (2014) co-operatives members are the principal owners whose right of ownership is vested to them. However, the owners or shareholders of co-operative face a problem of price controls

of their produce which they were found to be made by the managers who agreed price with the buyers (Ortmann and King, 2007; Royer, 1999; Keasey *et al.*, 1997). In co-operatives such problem of management to take control of institutional ownership rights contravenes member exercise of their democratic practice (Maghimbi, 2010, Chambo, 2008). The rights of members remained in the general meetings where members demonstrate their democratic rights through voting to choose leaders and to pass the presented items before the meeting.

4.4.2 External interfaces which promote primary AMCOS sustainability

External factors for co-operative sustainability were assessed based on different issues such as the role of government and primary AMCOS and auditing. Also, the co-operative offices and co-operative sustainability in primary AMCOS, external capitalisation strategies and changes in government ministries dealing with co-operatives was assessed. Primary AMCOS operate their businesses not in isolation from other players who support the value chain of coffee business and in managing the co-operative institution which is a public private institution. The following subsection provides a discussion on external factors such as the role of government, AMCOS and auditing, AMCOS and external capitalisation and the identified challenges facing the AMCOS for attaining sustainability.

4.4.2.1 The role of Government

The government had a vital role in ensuring Co-operatives fare well to attain members' needs. The Co-operative Society Act 2013, Section 4, provides the roles of the government to the co-operative society. Also, the whole of Part III and IV present the roles of government by creating the Co-operative development Commission and registration of the co-operative society respectively. Also, the government regulates

the co-operatives by having different sections and departments that cut across the dual function of the co-operative activities; government institutions and agency have direct control of the co-operative societies. These include the following: TCDC, TCB, TBS, TACRI, PORALGE, TRA and COASCO that are involved in different tasks of the co-operatives in their daily activities.

The government being the key player in ensuring AMCOS sustainability as presented in Table 42, members in the Primary AMCOS expected these government roles to be visible in their co-operatives. Ten variables were given to respondents, and those variables were auditing the AMCOS, providing AMCOS business enabling environment, providing governing rules and regulations and providing enabling market environment to AMCOS. Others were: regulating produce price, providing co-operative education, providing agricultural inputs to members, rehabilitation of AMCOS assets, quality control of the produce, and taxing members' produce. An index summated scale was used to determine members' understanding level of the role of the AMCOS. The government roles were listed and members rated them based on how they see the government faring in their primary AMCOS. The rating was from 0 for “not at all”, 1 for “a little” and 2 for “much”. A total of ten points was given expecting the maximum possible score of twenty and a minimum of zero score. Table 36 presents assessment made to determine members' understanding on the role of government on ensuring AMCOS sustainability.

Table 36 : Government role in the AMCOS (n = 400)

Government role in the AMCOS	t-score	p-value	Mean Difference
Audits AMCOS	9.040	0.000	0.17000
Provide business enabling environment	10.299	0.000	0.21000
Provide governing rules and regulations	7.550	0.000	0.12500
Provide enabling environment for markets to AMCOS	6.586	0.000	0.15500
Regulate produce price	59.537	0.000	1.49000
Provide co-operative education	9.517	0.000	0.18500

Provide agricultural inputs to members	5.267	0.000	0.06500
Rehabilitation of AMCOS assets	10.143	0.000	0.20500
Quality control of the produce	19.269	0.000	0.58500
Total score on government role in the AMCOS	76.975	0.000	5.19000

A descriptive analysis to evaluate whether primary AMCOS members understood the role of the government showed that all (100%) primary AMCOS members agreed on the roles of the government to be taxing members' produce. However, the inferential analysis using one sample t-test rejected that variable. In taxing members' produce, they included cess deductions and some contributions which went to the government and other coffee funds. The financial collections done by the government through different collection agents were viewed as a burden to the AMCOS members. Members' voices to mitigate burden reduction through democratic procedures at primary AMCOS have not yet become apparent. Also, regulation of coffee price was another identified role that had a mean difference of 1.49 of the respondents; the role was given because members of the primary AMCOS that expected the government to fix price regardless of the costs associated with the coffee in the value chain before reaching the coffee market. This is hijack of member ownership in making decisions of their produce by considering costs of production that would determine produce profit margins.

Member ownership in coffee produce price were affected by coffee deductions; data from Tanzania Coffee Board (TCB) indicated (appendix 4) that Kilimanjaro and Kagera coffee sales and tax deductions for the previous 4 years as from when the data were collected (2012 /13 to 2015/16). The results showed different tax deductions made for research cess that went to Tanzania Coffee Research Institute (TACRI) and Tanzania Coffee Development Fund (TCDF). As seen in appendix 4, the total coffee sold from Kagera and Kilimanjaro alone in four years was

112,930,084 kg, which were sold for 237,871,611 USD and taxed 2,259,782 USD whereby both the two institutions, its contribution to members on coffee development was not apparent.

In the surveyed Districts, the FGD conducted with board, management and members reported that these two institutions were not known despite their impact on members produce price where their deduction affects members Farm Gate Price (FGP). On the other hand, in the variables presented in Table 39 show that responses from the respondents were: Quality control of the produce with a mean difference of 0.58 (t-score= 19.269) this implies that, government has a vital role for controlling the quality of members produce to protect farmers markers and for better price of the produce. Similarly, providing governing rules and regulations with a t-score of 7.55 and a mean difference of 0.125; this implies that governing instruments were not at members' disposal, and most of them had never got the instruments. Also, providing enabling environment for markets to AMCOS had t-score of 10.299 and a mean difference of 0.21. The implication to this is that the enabling environments to primary AMCOS members were not apparent to members since they saw the government having the most role of taxing their produce which reduced coffee farm gate price. The above findings were supported by a Moshi Co-operative University lecture and a key informant who gave the argument that:

“The roles of government are supervision, training, and education. And these roles have highly been done. But still no change has been experienced. With the establishment of the Tanzania co-operative development commission, may be, changes can be apparent...”
(12/10/2015).

This implies that government roles in transforming co-operatives was done by the government but the challenge remained on the co-operative at the primary level to receive the government service especially to reach members. Similarly, another key informant from Moshi Co-operative University (lecture) supported this information by providing the argument that

“Government has a great role of creating enabling environment for AMCOS, but such a role has not been done for a number of years to date. The Co-operative department is understaffed; that creates absence of optimal service to co-operatives. Marketing of coffee is no longer the duty of TCB, and primary societies have been left to find by themselves selling mechanisms. Subsidies of inputs support are no longer accessed by farmers from government through the co-operatives. Education and training is no longer provided to primary AMCOS leaders and members. Government auditors are characterised by delays in auditing; that contributes to financial embezzlement. On that interplay, primary AMCOS need to have a mechanism to sustain their businesses for sustainability”.
(12/10/2015).

Since coffee is among the imperative crops in Tanzania among other crops such as cotton, cashew nuts, tobacco and sugarcane; it's the role of the government to set strategies that enable different stakeholders, especially the farmers, benefits from these crops. Marketing of coffee which is owned by primary AMCOS members needs a government protection from the private buyers.

On the other hand, there were some counter arguments with the establishment of the Tanzania Co-operative Development Commission as presented by a Moshi District Co-operative Officer who was a key informant and argument that:

“The Tanzanian Co-operative Development Commission is now in place. The establishment of the commission had been in demand for many years in the co-operative sector development. But until now the commission business operation is not known since the chain of command is fragile. The Regional Co-operative Assistant Registrar is still reporting to Regional Administrative Secretary; the District Co-operative Officer is still under District Head of Department of Agriculture, Irrigation and Co-operatives (DAICO). The same District Co-operative Officer also reports to the District Administrative Secretary and Council and Municipal Managing Director as well as Council Chairman. These multiple reporting structures cannot bring efficiency in co-operative business management, if we need a sustainable co-operative sector”
(08/02/2016).

Basing on the above two quotations, primary co-operative societies are still having insufficient training and education to their members on co-operative governance This has made member ownership and exercise of members’ democratic rights not to be apparently available.

Government has a key role to play in promoting co-operative sustainability. However, absence of emulating strategies that take members’ feelings on their role has not been apparently adopted. Information from FGD with TCDC staff indicated

that members in the primary AMCOS lacked the spokesman to present their agenda to the decision making machinery. TCB, TCDC, TCDF, TACRI and other government agencies are institutions of the government. They don't have a feeling of members at the grassroots and no deliberate mechanism to reach them. There is a big gap between this institution which makes decisions and the recipients who are the members of the primary AMCOS. On the other hand, there is still emerging confusion on understanding of the key role needed to be played by different organs in the government sections and departments.

Focus group discussions (FGD) with TCDC staff reported that the issue of tax and cess are all decided without consent of the primary AMCOS members. The tax governed by tax law dictates deductions of coffee sales from the Primary AMCOS while, on the other hand, cess and deduction is made under meeting agreements where members of the primary AMCOS are not part of the discussion. The issue is who will represent the members of primary AMCOS who had the feeling of these grassroots coffee growers. The deduction system had not created the process of decisions ownership which is democratic and which taps the grassroots people, decisions on amount to be deducted, amount collected, decision on its usage and the benefits obtained are not at members' disposal. Furthermore, the data from KCU Export Office presented in appendix 5 indicate coffee sales deductions to be extreme in numbers and affect farm gate price.

All these had an impact on Farm Gate Price (FGP), which affected the price indicative price given to members. The information from TCB manager and KCU export office showed that KCU was doing export business and had an export office. However, its effort to raise members' produce price was facing other licence taxes

and deductions on export that affected AMCS members' produce price (Appendix 5). However, this licence tax was removed as presented in the 2017 Tanzania budget speech.

There were also other budgetary expenditures which primary AMCOS were implementing in the produce deductions which affect AMCOS members' FGP (as indicated on appendix 6). These deductions were determined by the government, and thus primary AMCOS members had no influence on deciding the percentages of deductions. However, there were other deductions that were made from members' produce which were due to budgetary influence of either primary AMCOS or Union operations.

Wanyama (2009) and Chambo (2009) argue that the current development discourse in most African countries is guided by governments putting too much emphasis on directing co-operatives on what to do than co-operative self-regulation and self-guide. This was done on the expense of co-operative members whose businesses were not protected. Similarly, the promotion of co-operatives organizations according to Trewin (2004) and Vitaliano (1983) are disintegrated and are distinguished by type, depending on who promoted such types of co-operatives. Such promotion dependency leads to failure in having a common agenda in addressing market challenges. There is a complete divide within agricultural co-operatives and such division can be identified in the model of business operation and in governing the co-operative (Seleke and Lekorwe 2010). The co-operative stakeholder and government, being the key stakeholders, are responsible for reforming the co-operative sector to respond to members' objectives in their efforts to make primary AMCOS drive the agricultural sector that captures the Tanzanian majority of citizens. Sacchett and Tortia (2013), Chambo (2009), and Chambo *et al.* (2007) argue that the

policy and legislative processes on co-operatives in Africa are still constraining co-operatives' development process which is not participative. The state continues to be the main promoter of co-operatives, and this makes citizens understand that the state-controlled co-operative movement and continued minimal support to co-operatives on financial and infrastructure requirements. Such thinking leads to co-operatives stakeholders facing complicated systems in transforming co-operatives to a new frame that can be competitive and that can attract capital expansion.

4.4.2.2 Members' voice in procedure for getting the managers at the primary AMCOS

In determining primary AMCOS sustainability, an assessment was also done to see the procedure of acquiring managers. Managers are key players in ensuring rules and regulations are adhered to in the AMCOS. Also, managers are the key players in ensuring primary AMCOS's objectives are met using their professional competence and skills they have in co-operative business management. These are employed experts in different fields of their managerial career as they are placed in different positions in the AMCOS. Managers are employees in the AMCOS, and the employment procedures need to be followed as stipulated in Co-operative Society Act 2013 second schedule, code of conduct, part IV sections 14, 15, 17 and 18 respectively. In ensuring AMCOS sustainability, the employment procedures need to be adhered to. The findings present the members' knowledge on the procedures used to employ the managers in different AMCOS as presented in Table 37.

Table 37 : The procedures for selecting managers (n = 400)

District	Response on criteria for selection									
	Its advertised, and qualified candidate is selected		They are chosen among the members at the AGM		They are chosen among the members by the board		They are employed by the Union		They are selected by the government on behalf of the AMCOS	
	F	%	F	%	F	%	F	%	F	%
Bukoba	93	46.5	60	30.0	17	8.5	25	12.5	5	2.5
Moshi	68	34.0	109	54.5	23	11.5	0	0.0	0	0.0
All	161	40.2	169	42.2	40	10.0	25	6.2	5	1.2

In assessing the procedures for selecting the managers, the findings indicated a statistically significant association between the districts where data were collected with a Pearson Chi-Square coefficient of 48.989 ($p = 0.000$) and the likelihood ratio was 60.803 ($p = 0.000$). This implies that the procedure for selecting managers has an association across District primary AMCOS in the surveyed areas. Also, the findings in Table 37 indicate that managers were chosen at the annual general meetings; the choice was made among members (42.2%). This had been experienced by most of the primary AMCOS in the surveyed areas. This implies that the employment procedures were not followed; rather, democratic procedures of selecting who fits in that position were done. This has an implication of primary AMCOS to have unprofessional managers that cannot govern the member owned primary AMCOS professionally; hence, attainment of primary AMCOS sustainability cannot be reached. The findings from FGD with managers, board and ordinary members showed that all AMCOS had managers who were members, and professionalism was not the leading factor than trust. Similarly, the process of advertising and selecting qualified candidates for managerial post in the AMCOS was supported by 40.2% of the respondents: that indicates some AMCOS follow the normal recruitment procedures. Despite these facts, trust was the leading factor from the data obtained in the FGD with AMCOS board management and members. That

also corresponds with the fact that all managers were also members, and they were from the same geographical location of the AMCOS operational areas. Basing on the argument raised by Wakuru, (2016) and Chambo (2008) the sustainability of AMCOS cannot be attained if professionalism is not among the criteria for selecting AMCOS managers. Most of the managers in the surveyed areas had attained ordinary secondary school. The basic reasons for recruiting such members were more based on trust capital than professionalism due to inefficiency to pay professional managers. According to Muenkner and Shah (1993) and Danda and Bamanyisa, (2011) most primary AMCOS lack financial capacity for running daily activities and paying salary to professionals. Mbogoro (2014), Kaleshu (2012) and Meyer (2011) argued that, for co-operatives to be sustainable, the question of recruiting competent managers that are professionals is inevitable. This helps the co-operatives to be sustainable in attaining a competitive edge in doing business. Different skills of competence need to be assessed so that the co-operatives can get skilled managers.

4.4.2.3 The co-operative offices and co-operative sustainability

The co-operative departments are the patrons of the co-operative. They were employed to ensure co-operatives get the nearest extension service, audits, advisory service, ensuring adherence to principles, policy and laws, and other economic sustainability of the co-operative. The researcher examined the availability of the officers in assisting and visiting co-operative officers in the AMCOS, and the findings were as presented in Table 38.

Table 38 : The status of co-operative officers visit in the AMCOS (n = 400)

Name of the AMCOS	The visits made by co-operative officers by 2011-2015									
	Once every year		Three times in five years		Twice in five years		Once in five years		Not at all	
	F	%	F	%	F	%	F	%	F	%
Kagege	0	0.0	0	0.0	9	8.7	8	25.8	23	18.7
Mweyanjale	0	0.0	0	0.0	9	8.7	6	19.4	25	20.3
Bumai	0	0.0	0	0.0	7	7.7	6	19.4	26	21.1
Kobunshwi	0	0.0	0	0.0	9	8.7	5	16.1	26	21.1
Lubale	0	0.0	0	0.0	11	10.6	6	19.4	23	18.7
Kilema North	0	0.0	30	27.5	10	9.6	0	0.0	0	0.0
Mwika North	12	36.4	19	17.4	9	8.7	0	0.0	0	0.0
Kiruwa Vunjo North	9	27.3	20	18.3	11	10.6	0	0.0	0	0.0
Kibosho Central	8	24.2	19	17.4	13	12.5	0	0.0	0	0.0
Mawela	4	12.1	21	19.3	15	14.4	0	0.0		0.0
Total	33	100	109	100	104	100	31	100	123	100

Pearson Chi-Square = 336.76, Likelihood Ratio = 438.025, P-Value = 0.000

The association between Primary AMCOS and the visits made by co-operative officers was statistically significant with a Pearson Chi-Square coefficient of 336.76 ($p = 0.000$) and a Likelihood Ratio of 438.025 ($p = 0.000$). This implies that the construct variables placed in the model had a strong association to describe the status of co-operative officers visit in the AMCOS for the period of five years. Also, the findings in Table 38 indicate that Co-operative Officers were not visiting the AMCOS at all in Bukoba District primary AMCOS (Kagege, Mweyanjale, Bumai, Kobunshwi, and Lubale) as compared with those of Moshi District primary AMCOS (Kilema North, Mwika North, Kiruwa Vunjo North, Kibosho central and Mawela). That indicates that Co-operative Officers didn't regularly visit the AMCOS since members should have accessed the service of the co-operative department officers from their regular visits. This is due to the fact that Moshi District primary AMCOS had received training and education through different programmes, a thing which led to increase in capacity to demand their rights from the management and from the government. Also, the geographical proximity in terms of Moshi Primary AMCOS being physically close to the District councils as compared to that of Bukoba primary

societies affects service accessibility. many visits were made by Moshi Co-operative Officers though not sufficient, which was three times in five years. That was supported by a Moshi Co-operative Department Officer who agreed with not visiting the primary AMCOS due to absence of funds and transport facilities offered by the government. This was supported by the argument that:

“The main problem in co-operative industry is brain drain, whereby graduates in co-operative business management are taken by banks, and other service occupations rather than being employed in the co-operative sector. The employees in the co-operative commission and departments are full of other specialties rather than co-operative experts” (Assistant Co-operative Registrar Kilimanjaro Regional, key informant). (14/02/2015).

“The office of the co-operatives is understaffed, as compared with the rising demand for promotion, education, inspection and supervision as well as providing consultancy services. The government should understand the importance of the co-operative department and co-operative commission. With that, we need more staff than any other department as we are dealing with the majority of Tanzanian citizens” (Moshi District Co-operative Officer, key informant). (08/02/2015).

From the above argument, the co-operative department is understaffed. That has led the co-operative members to face a problem of being not reached by the co-operative officers. Absence of the co-operative offices in the primary societies leads to the underperformance. Despite that fact, the findings from FGD of board members and management of the AMCOS in all the surveyed areas reported that Co-operative

Department Officers visited SACOS more than AMCOS, and they visited AMCOS when they reported misunderstandings and financial frauds. In the list of choices, one variable was not selected at all, which was “they always make visits”. That indicates that more efforts need to be done if we want co-operative sustainability by increasing co-operative officers visiting the primary AMCOS. Primary AMCOS visits by co-operative officers were found to be characterised by absence of funding from the government and from the co-operative themselves as reported by the Bukoba District Co-operative Officer that:

*“The problem of co-operative officers not visiting the AMCOS is due to presence of few co-operative officers in the co-operative department in the Districts. We visit AMCOS when they approach us to do so, and mostly when there is a problem. The charges are AMCOS to pay DSAs for a number of days spent: they are supposed to pay TZS 50,000 per day. However, every AMCOS is deducted TZS 40,000 annually by KCU though it’s not submitted to the department. We are AMCOS internal auditors, but KCU is doing that job”.
(01/12/2015).*

Co-operative officers’ visits to the primary AMCOS were expected to give guidance to board and managers on different issues related to co-operative governance and business management timely. Board members' term of office is three years after which new faces with less experience come in; that needs concurrent training and education. Also, the timely visits can lead co-operative offices as co-operative patrons to identify auditing problems and identify strategies that can be given to primary AMCOS to carry out institutional audits. The ownership status of AMCOS to make decisions related to audits is hijacked; funds for audits are not reimbursed

from Primary AMCOS to auditing firms and to the government. The auditing process as provided by the co-operative law is not followed. Also, Co-operative Officers face low financial capacity to make visits to AMCOS.

4.4.2.4 Members' capacity on controlling AMCOS external capitalisation

Co-operative Society Act (2013) shows that a co-operative can acquire funding for different institutional activities as presented in Section 71, 72 and 73 that a co-operative works with financial institutions for getting financial assistance in terms of loan and overdraft. The findings from FGD done with AMCOS board, management, and members in the surveyed AMCOS reported that all primary AMCOS received loans from banks; the loans were received differently across Districts. Among the AMCOS that were doing coffee business through Unions, the loan arrangements and collateral were done by the Unions, while among the AMCOS that were doing business by themselves loans were self-processed by AMCOS. Among the financial institutions which offered loans were KCBL, CRDB, NMB, NBC, and TIB. The status on whether members knew whether their AMCOS received loans was as presented in Table 39.

Table 39 : Loan receiving status, use and AMCOS capacity to accept (from 2011-2015) (n = 400)

Name of the AMCOS	The status of loan received from banks				The use of loan				Ability to accept or reject loan			
	Response				To buy coffee		For Purchase of assets					
	F	Yes %	No F	%	F	%	F	%	F	Yes %	F	No %
Kagege	0	0.0	40	16.7	NA	NA	NA	NA	3	2.8	37	12.6
Mweyanjale	0	0.0	40	16.7	NA	NA	NA	NA	3	2.8	37	12.6
Bumai	0	0.0	40	16.7	NA	NA	NA	NA	4	3.7	36	12.3
Kobunshwi		0.0	40	16.7	NA	NA	NA	NA	5	4.7	35	11.9
Lubale	0	0.0	40	16.7	NA	NA	NA	NA	10	9.3	30	10.2
Kilema North	0	0.0	40	16.7	NA	NA	NA	NA	11	10.3	29	9.9
Mwika North	40	25.0	0	0.0	40	26.7	0	0.0	9	8.4	31	10.6
Kiruwa Vunjo North	40	25.0	0	0.0	40	26.7	0	0.0	11	10.3	29	9.9
Kibosho Central	40	25.0	0	0.0	30	20.0	10	100.0	31	29.0	9	3.1
Mawela	40	25.0	0	0.0	40	26.7	0	0.0	20	18.7	20	6.8
Total	160	100	240	100	150	100	10	100	107	100	293	100

Loan usages are expected to come from members' discussions in general meetings through democratic systems. In assessing AMCOS members' understanding of loan usage, the findings indicated loan receipt behaviour that was presented by individual AMCOS. In AMCOS that were doing coffee business through the Union it had all members who accepted not receiving loans as opposed to those primary AMCOS that had self-business operations. This is because Unions process loans and use Unions and primary AMCOS assets as collateral where the primary societies do not have any point to process loans than receiving money from Unions to buy coffee in their societies.

Similarly, the use of loans by AMCOS was assessed to determine the leading factors that were financed in the AMCOS, and the findings showed that most of the loans were used to purchase coffee as the main function of the primary AMCOS. An assessment was done to determine the aspect of sustainability; it was found that none of the Primary AMCOS had used the loan for project investments. That might raise

capital to sustain future capital demand to create capital sustainability for AMCOS. On the other hand, the capacity to accept or reject loan was assessed, and the findings showed that most primary AMCOS in Bukoba District could not reject loan as compared to Moshi District AMCOS (Kibosho Central 29.0%, Mawela 18.7%). This was due to the capacity of Moshi primary AMCOS to process loan on their own as opposed to those of Bukoba where the loan processing was normally done by the Union. However, the business operation using external sources such as loan did not bring a positive effect in increasing primary AMCOS capital capacities. This was supported by the argument raised by KNCI Manager and Moshi District Co-operative Officer who was a Key informant that:

“The presence of multinational companies which are private buyers in the co-operative sector is a threat. Firstly, they have been given business licenses to do all activities on crop value chain without restrictions: buying on the villages, transporting, storing in their warehouse, processing, buying on export markets, and shipping. Secondly, they come with capital from their home countries where loan is of low interest, which is 6 to 10 % under their countries' subsidized schemes, while co-operatives borrow at 18% to 25% interest rates in our local banks. The foreign companies enjoy the lowest interest rates from their home countries. With these situations, how will co-operatives sustain the situation? There should be a deliberate regulation system to make sure private buyers do not harm co-operative business and co-operative existence” (KNCI Manager). (16/02/2016).

“Loans from banks are received by AMCOS at higher interest rates and increased debts that have killed our co-operatives. Co-operative institutions do not use co-operative banks; with such analogy, always there is a deliberate effort to kill co-operative banks from bigger financial oligarchy and even the government. In liquidation of the co-operative banks, members were not involved; in selling of Co-operative and Rural development Bank (CRDB) and establishing CRDB Bank and National Microfinance Bank (NMB), members were not involved. Co-operative shares are not even known up to date after those liquidations and amalgamations” (Moshi District Co-operative Officer) (08/02/2016).

Basing on the above two quotations, co-operatives are affected by absence of credit guarantee system which needs a government initiative. Members in co-operatives need to have a government protection on their efforts to raise internal capital by the use of bank loan. The problem of rising internal capital by members' investment had been termed as a portfolio problem that was presented by Ortmann and King (2007) and Cook (1995) who refer to it as another equity acquisition problem from the co-operative's perspective. This problem occurs in co-operatives because members invest in the co-operative in proportion to their use and because equity shares in the co-operative cannot be freely purchased or sold. Therefore, members are unable to diversify their individual investment portfolios according to their personal wealth and preferences for risk taking (Sacchett and Tortia, 2013; Royer, 1999). This leads to suboptimal investment portfolios, and co-operative members have to accept more risk.

Furthermore, the ownership of members in price determination is affected by coffee business risks in marketing; in order to minimise risk, board of directors and managers should reorganise co-operative investment portfolios diversification to reduce risks associated with inefficiency in capital flows (Cook, 1995). Royer (1995, 1999) contends that co-operative members have to carry these risks alone because potential outside investors, who could diversify the risks, are generally excluded from investing in a co-operative. The increase in capital base can be solved by employing the Stakeholder theory whereby membership rights in the primary AMCOS can be used in investing in share capital purchase as used by new generation co-operatives (Chaddad and Cook, 2003). This is in line with ICA (1995) co-operative principles whereby Principle No. 3 is on member economic participation, and members are encouraged to participate in their co-operative activities for building ownership and increase institutional sustainability. This leads to a fundamental role of Board as negotiating and resolving potentially conflicting interests of different stakeholder groups in order to determine the objectives of the society and set policy. The primary AMCOS cannot invest due to managerial low capacity to organise members to diversify their investment capital base that in turn would increase the co-operative capital sustainability.

4.4.2.5 Challenges facing the AMCOS on ownership and democratic practice

The study assessed members' challenges that face primary AMCOS; members were given an open-ended questionnaire to fill in the changes that faced their Primary AMCOS and propose solutions. Among the challenges were administrative challenges that were internally generated, and these challenges were interrelated. The challenges and solutions were as presented in Table 40.

Table 40 : The AMCOS identified challenges and proposed solutions (n = 400)

Districts	Challenges	Responses		Responses	
		f	%	f	%
Bukoba	Union over control the AMCOS	154	21.5	Improve Member Education	136 26.1
	No education to members	103	14.4	Government support on input support	120 23.0
	Absence of input support	112	15.7	Capital from the government	95 18.2
	Absence of internal capital	120	16.8	Co-operative practitioner to be closer to AMCOS	141 27.0
	Fall of coffee price	132	18.5	AMCOS annual audit	30 5.7
	No auditing of the AMCOS	94	13.1		
	Total	715	100	522	100
Moshi	Union over control the AMCOS	32	5.8	Improve Member Education	135 23.8
	No education to members	104	18.8	Government support on input support	130 22.9
	Absence of input support	99	17.9	Capital from the government	95 16.7
	Absence of internal capital	93	16.8	Co-operative practitioner to be closer to AMCOS	142 25.0
	Fall of coffee price	132	23.8	AMCOS annual audit	66 11.6
	No auditing of the AMCOS	94	17.0		
	Total	554	100	568	100

Based on those challenges that were identified by the members (Table 40), the findings showed that fall of coffee price had the highest per cent in both Districts (Moshi 23.8%, Bukoba 18.5%) when compared to other variables. The fall of coffee price in the Primary AMCOS had several factors associated with it, such as increase in government tax and deductions, increase of un-regulated private buyers, increase of managerial costs of the co-operative in primary co-operative and co-operative movement, uncontrolled interest rates from the banks and other money lenders, absence of coffee branding that would isolate coffee smugglers (product origin) and other factors, just to mention a few.

Also, absence of internal capital (16.8% in Moshi and Bukoba District) was among the other factors that were mentioned by the respondents. Most co-operatives in the surveyed areas did not have a capital base for coffee business (with exception of

Kibosho Central AMCOS that had billions of shillings in their capital account for coffee business marketing from the FGD done with board and manager); they depended on bank loans which was associated with increase in tax that affected farm gate price. In Bukoba primary the leading challenge were Union over control the AMCOS that had a respondent rate of 21.5%. this implies that, the owners (members) at the primary AMCOS were of the opinion that Union dictated their society ownership, the controls of the Union also hijacks the sustainability of primary AMCOS democratic practices.

Furthermore, primary AMCOS members suggested solutions to some of the challenges that were raised. Among the solutions was that co-operative practitioners should be closer to the AMCOS (said by 27.0% in Bukoba and 25.0% of Moshi Districts), something which could have a positive change to the primary AMCOS in attaining institutional sustainability. Co-operative experts include Co-operative Officers, Co-operative University Lectures, members from co-operative movement who have capacities in co-operative business management and other co-operative promoters. Information from FGD with primary AMCOS board, Management and members argued that practitioners' availability in AMCOS can advise members and management on different fields of member education, accounting, management, investment, ICT, business management and other fields. Also, Member education (said by 23.8% of Moshi District and 26.1% of Bukoba District) was identified as a solution to different members and managerial problems facing primary AMCOS. The suggested solutions had equal distribution across primary AMCOS that showed to have similar characteristics.

Changes in the co-operative sector in different ministries was another identified challenge facing co-operatives; notwithstanding the economic benefits of coffee to the nation and the rural poor. The effects of changing the ministry that deals with co-operatives undertakings were mentioned as a challenge in all the discussions with FGD and key informants in the entire study. As from independence, the co-operative sector was placed in different ministries depending on political will and government decisions in different time periods. The other challenges were government changing ministries responsible for co-operative development as indicated in Appendix 7 that presents changes from independence to date; showing the challenges by the co-operative sector for not having a special ministry responsible for co-operatives.

The changes made the co-operative section in the government to lose the responsible organ that could support and have a sense of ownership. The changes of government in nominating the ministry responsible for co-operatives were due to failure of government politicians to mainstream the role of co-operatives in driving the majority of citizens who are the farmers towards attaining socio-economic development. This was supported by an argument given by a Moshi District Co-operative Officer who was a key informant and said:

“The co-operative section, which falls under the Department of Irrigation and Livestock in Moshi District Councils, makes our co-operative section lose stakes in planning, budgeting and funds allocation. In this financial year (2016/17) the co-operative section which is under the Department of Agriculture, Irrigation and Co-operative (DAICO) was allocated TZS 250,000 which cannot do anything at the co-operative section level. In the council’s meetings, co-operatives lose the touch as they are headed by councillors who

are politicians, and whose co-operative act removes them in the co-operative leadership. With that, they claim that co-operatives have no value to them". (08/02/2016.

Co-operative sustainability is determined by internal capacity of the institution that needs to be supported by the government structures. The government as an enabler creates structures that fit into systems that support co-operative institutions in its efforts to build institutional sustainability. Chaddad and Cook (2003) and Schrader (1989) argue that, for agricultural co-operatives to have the survival challenges as a finding of the agricultural business competition the competitive strategies, AMCOS should respond to environmental and structural changes in produce market system. The survival strategy would include value-added processing, brand name development, and entry into international markets that require substantial capital investments. In order to acquire the necessary risk capital to implement these growth related strategies and remain competitive, AMCOS strategies cannot avoid adapting to organizational innovations. These organizational innovations, according to Chaddad and Cook (2003), Hendrikse (2007) and Vitaliano (1983) include, but are not limited to: new generation co-operatives, base capital plans, subsidiaries with partial public ownership, preferred trust shares, equity seeking joint ventures, combined limited liability company-co-operative strategic alliances, and permanent capital equity plans.

4.5 Members' views on factors for AMCOS Sustainability

This section addresses the fourth objective, which aimed at determining views of the members on crucial factors for the sustainability of the AMCOS. AMCOS, as an agricultural co-operative, aims at solving social and economic problems of its

members. These needs and aspirations are supposed to sustain members' requirements for today and be available in future. In this objective, members were interviewed on different aspects that were measured to determine the ability of primary AMCOS to solve their daily members' needs. Different views were assessed: members' registration status, co-operative members' crops business sustainability, democratic governance and AMCOS sustainability, members' suggestions on the availability of democratic governance and the challenges facing AMCOS and the way forward.

4.5.1 Registration status of members

In co-operatives, members are free to join and exit; such membership right is stated in the Co-operative Society Act 2013, Section 41 (1, 2 and 3). Also, ICA (1995), in the first co-operative principles, recommends co-operatives to be governed using democratic processes of member control whereby in the exercise of democracy the freedom to join and exit is advocated. Members' views were assessed with respect to increase or decrease status over the period of ten years from when the data were collected, and the findings were as presented in Table 41.

**Table 41 : Members' views on membership change over the previous ten years
(2005 to 2015) (n = 400)**

District	Response to membership change status					
	No change		Increased		Decreased	
	F	%	F	%	F	%
Bukoba	19	9.5	0	0.0	181	90.5
Moshi	28	14.0	4	2.0	168	84.0
All	47	11.8	4	1.0	349	87.2

Membership change over the previous ten years as from when the data were collected was assessed to indicate the extent of membership change whether by decrease or increase as a factor for Primary AMCOS sustainability. The findings of

membership change status across districts showed that Bukoba District Primary AMCOS had higher decrease of members (90.5%) as compared with Moshi District AMCOS that had 80.4% of decrease of its member. This implies that decrease of members by that rate threatened AMCOS sustainability. The Co-operative Act 2013, Section 20 (a) states that the minimum number of AMCOS members should be 20 to 30. With that legal requirement, the question of board and management to update members register becomes important so as to know the number of potential members (owners) who have remained in the primary AMCOS. During the general meeting, decisions are reached by majority agreements. If a primary AMCOS does not have an up-to-date members' register, decisions can be made by non-members, but this may affect the AMCOS's democratic sustainability.

Updating members' register is a legal and procedural requirement for every registered AMCOS in Tanzania. Also, fair trade directives require primary AMCOS to update their members' register every year and present an up-to-date membership status. The membership updating is done by the Board and managers in identifying those who have not participated in the co-operative activities for three years consecutively as per the Co-operative Societies Act of 2013. The reviewing of co-operative members is done by the board and the suggestions are presented to the general meeting for approval of their removal: a copy of the deleted members is sent to the coffee fair trade centres. This is also done when a primary AMCOS receives new members and announces members who commenced their membership and their reasons. With that information, the study assessed the Primary ACMCOS status of updating members' registers as presented in Table 42.

Table 42 : Members views on the status of updating register over previous five years (2010-2015) (n = 400)

District	Response to updated member register			
	Yes		No	
	F	%	F	%
Bukoba	29	14.5	171	85.5
Moshi	44	22.0	156	78.0
All	73	18.2	327	81.8

The status of updating members' register over the previous five years in Table 42 shows low members' understanding of their AMCOS in updating members' register by 18.2%. This implies that membership status in the primary AMCOS was not presented at the general meetings, and that had not been in the agenda of the primary AMCOS. Members should be informed of membership status through the information obtained at the general meetings. Updating members' register is a legal requirement that requires Board and managers to comply. Also, Fair Trade requires all AMCOS which are trading coffee to update their members' register annually. Updating members' register makes AMCOS make assessments of membership status because that calls for other plans to take effect from the change in membership status.

Findings from the FGDs with TCDC staff reported that membership registration and updating status in the co-operative sector was a challenge; most of the data presented in different co-operative membership and co-operative institutions by their numbers had gaps. In preparing reports, the bases were on whatever had been presented by the regional assistant registrars and co-operative officers at the District level. TCDC does not have a proper system for updating membership status in the country. This implies that even the co-operative regulators do not know the actual number of primary

AMCOS members (owners). Also, members were interviewed on why AMCOS were not updating their membership registers. The findings were as presented in Table 43.

Table 43 : Reasons for not updating their members' register (n = 400)

The provided reason	Responses	
	F	%
The reluctance of management and Board	116	30.6
Union does not enforce managers to make updates	111	29.3
I don't know how it should be done	152	40.1
Total	379	100.0

The reasons given for not updating their members' register show that 40.1% of the respondents did not know how it is done. Members are the leaders of the primary AMCOS through representation made by their board of directors, members were expected to understand the status of their membership change based on the rights established in the Co-operative Act and by-laws. This is because the Co-operative Act was not found in the primary AMCOS and by-laws were not read by members. This was followed by the reason that Union does not enforce managers to make updates (29.3%). This implies that updating of members register as a prerequisite to know the numbers of owners at the primary AMCOS is the requirement of the Union and not the owners themselves.

The information from the TCDC during the FGD reported primary AMCOS to update their register every year. However, primary AMCOS board members in the surveyed areas indicated not to have similar information. This implies information gap between Board and managers with that of the regulator (TCDC) on members register update. Similarly, the information from FGDs with Board management and members in the primary AMCOS reported that Board and managers at the Primary AMCOS did not know how to deal with members who did not perform AMCOS business any more. Also, despite having the by-laws, other puzzling cases were how

to remove members who ceased their membership and how to return their shares while there were no membership shares which were contributed in the AMCOS account. Members' shares were found to be used in AMCOS activities. This was supported by the following argument by Assistant Co-operative Registrar, Kagera Region:

"The Union (KCU) has provided a register book for new members to transfer names of members and their particulars. But that activity has not been performed yet, that is the fair trade requirements. The register book was provided by the Union since it is their traditional role to primary AMCOS. Therefore, the Union has the mandate to provide these governing instruments".
(16/10/2015).

Such a statement raises a question of doubt on the key function of the Union whether it is to supervise primary AMCOS. The key informant information implies that the Union dictates primary AMCOS decisions, and that continues to explain how the ownership of primary AMCOS is in the hands of the Union. Tanzania's Agricultural Sector Development Programme (ASDP) (2005-2025) explains, in one of its strategies, that the Tanzanian agricultural institutions will strengthen the institutional framework where institutional roles and functions need to be clearly stated to avoid such confusion. Reports from FGD with KCU Board members and managers (in Bukoba District) reported that they have been ordering the Board and managers of primary AMCOS to submit the updated members' register; KCU has sent the new books for doing that exercise in all primary AMCOS with no response. Also, Bukoba District Primary AMCOS Board and management were ignorant on how to update members' registers. However, such a legal contradiction of the Union owning primary AMCOS had been exercised by KCU to own primary societies by providing

orders and directives though things do not work; such ownership practice of the Union to own primary societies had been exercised in many co-operatives in different parts of Tanzania. This practice originated from the 1968 Co-operative Act that directs each region to have one AMCOS Union that is mandated to supervise its primary societies; such practice had remained in the minds of members and sometimes the co-operatives' patrons. Furthermore, members in primary societies were found not to know what transpires in the Union due to the established system of information flow. This was supported by the argument reported TCB Manager:

"The problem of members in the primary AMCOS lies in the absence of understanding on what transpires in their Unions; such misunderstanding leads to an inability to manage their Union. The Union is a legal entity established as a secondary tier whose management members are representatives of the Primary AMCOS. In managing the Union, the members of the primary AMCOS face the problem of information flow since its Board does not constitute membership of the Union's general meeting; rather, the primary societies representatives outside the governing Board. These do not have any place of getting information of the Board who are implementers of directives from the Union and who get back information from primary to the Union. Such conditions make primary societies to make decisions of their own, and they cannot be held accountable by the Union. This legal and practice contradiction leads to different issues failing in the Primary AMCOS, and it is until that has been rectified when we shall have a Union that is responsible to the primary society members".(09/02/2016).

Primary AMCOS faced a problem of members registration update. In all the surveyed primary AMCOS, none of the co-operatives had updated its members. From an FGD done with primary AMCOS Board managers and members, they reported different reasons: the reluctance of management and Board, and how to deal with members who have paid shares which were not banked. Also, the Board and managers wanted to remain with members by numbers regardless of their being qualified for their membership as per legal provisions.

4.5.2 Sustainability of crops in primary AMCOS to sustain co-operative business

The agricultural co-operative sustainability is determined by the extent to which they deal with crop business. For the surveyed areas of Bukoba and Moshi Districts, the primary co-operatives coffee remains the main crop marketed through co-operatives. In Bukoba District, only coffee is marketed through co-operative societies, unlike in Moshi District where there is rice (at lower Moshi where CHAWAMPU markets rice), horticultural crops (at Kahe using KAHOCOSO and Kibosho with Kibo-Hort Co-operative Society) while in some places they tried sunflower and millet (Himo, Kiruwa Vunjo and Miwaleni and Sango) with some failures.

Primary AMCOS member dependence on selling only one crop has been identified as one among the co-operative challenges that limit institutional sustainability due to production and marketing challenge. Table 44 presents the assessment of members' suggestions on the alternative crops that should be marketed through their Primary AMCOS.

Table 44 : Alternative crops chosen by AMCOS member (n = 400)

Name of the AMCOS	Responses on alternative crops					
	Coffee and other food crops		A different crop from Coffee		Coffee, food crops and other cash crops	
	F	%	F	%	F	%
Kagege AMCOS	8	20.0	0	0.0	32	80.0
Mweyanjale AMCOS	9	22.5	0	0.0	31	77.5
Bumai AMCOS	9	22.5	0	0.0	31	77.5
Kobunshwi AMCOS	9	22.5	0	0.0	31	77.5
Lubale AMCOS	9	22.5	0	0.0	31	77.5
Kilema North AMCOS	6	15.0	5	12.5	29	72.5
Mwika North AMCOS	8	20.0	6	15.0	26	65.0
Kiruwa Vunjo North AMCOS	8	20.0	8	20.0	24	60.0
Kibosho Central AMCOS	7	17.5	12	30.0	21	52.5
Mawela AMCOS	8	20.2	9	22.5	23	57.5
All	81	20.2	40	10.0	279	69.8
Districts						
Bukoba	44	22.0	0	0.0	156	78.0
Moshi	37	18.5	40	20.0	123	61.5
All	81	20.2	40	10.0	279	69.8

About alternative crops chosen by AMCOS members, the Pearson Chi-Square across individual AMCOS was statistically significant ($\chi^2 = 53.864$, $p = 0.000$) and a likelihood ratio of 65.733. This implies that alternative crops grown were significantly associated with individual primary AMCOS. Also, Pearson Chi-Square across the districts was statistically significant with a chi-square coefficient of 44.508, a p-value of 0.000 and a likelihood ratio of 59.970. This implies that alternative crops were significantly associated with District primary AMCOS. Similarly, the findings in Table 44 show that 69.8% of the AMCOA members interviewed had chosen coffee, food crops and other cash crops. This implies that this choice can have a positive impact on ensuring AMCOS sustainability since Bukoba and Moshi Districts' climates support varieties of both food and cash crops. However, a small percent (20.2%) was in support of coffee and food crops; implying that coffee can still be of importance to members.

However, the two districts have more crops (food and cash crops) which are potential to be marketed internally and for export that had not been done through co-operatives. The agricultural produce for internal and export market and fulfilment is important for any country's economy (Chambo *et al.*, 2007). In Tanzania, historically, agriculture has been identified to be crucial for economic development as it employs the majority of its citizens (Likwata and Venkatakrishnan, 2014). The word economic development proves that countries in different parts of the world were able to make them appear in the world economy after they took advantage of exploiting outward-looking economic opportunities (Mpunga, 2016; Jacobson, 1992). Donaldson (2001) discusses on exploiting market opportunities by using the Contingency Theory that assumes market choice decision being not rational and predictable; instead, the choice is determined by the interplay between management behaviour and prevailing situations at a time. Neither local nor export markets may become of paramount options of a firm, be it small or large, thus internationalization and expansion of business in new or old markets is contingent; in that case business operation should be rational and situational. The co-operatives need to take into account the changing demand on local markets and export markets. Also, co-operatives are supposed to consider the decline in the profitability of agricultural produce in local and international markets. Furthermore, considering the level of competency and level of managing export markets at a given time (Mpunga, 2016; Birchall, 2011; Ortmann and King, 2007). With the above contention, it was expected that TCDF, TCDC, TCB, MoCU, TFC and Co-operative Unions would contribute in providing knowledge on how coffee farmers can make the coffee business profitable. However, such capacities have not been realized despite the contribution done by coffee farmers and other stakeholders. The deduction and taxation on coffee do not provide a significant impact on the coffee business market change since the grassroots (the

primary society members) are not being adequately represented. This was supported by the TCDF manager:

“TCDF was established under Crop Act no 23 of 2009 that established other crop development funds including funds for cashew, cotton and tobacco. It has a Coffee Zonal Committee and a Coffee National Committee, whereby the members are Group Coffee Growers, Primary Societies, Unions, Coffee Transporters, Processors, Exporters, Development Partners, Extension Officers, Regional Commissioners, District Commissioners, District Councillors, Regional Administrative Secretaries, and Board of Trustees. Stakeholders agree on different issues relating to coffee development including the percentage of deduction, contributions, as well as the distribution of the collected funds. However, members at the Primary AMCOS have little voice during discussions. Moreover, because of their little representation, they lack a forum for prior discussion that will collect their ideas rather than finding deductions on their produce selling receipt”.
(04/02/2016).

Since TCDF is funded by primary AMCOS produce deductions, its contribution to those that have been financing its daily business operations was found not to reach the grassroots beneficiaries. This is due to absence of representation since members in primary co-operative societies are the majority but with little representation. The findings from FGD with Board, members and management in Bukoba District AMCOS, primary AMCOS Board and managers lack marketing analysis information as to where coffee is sold after collection from the primary societies. AMCOS should make their rational decisions on deciding which food and cash crops can be traded

and become profitable to members. This is because co-operative leaders' (Board members') tenure of office is three years which is not enough to capture coffee business operations with low experience and education capacities (most of them are form four secondary and standard seven leavers). According to Rwekaza and Nko, (2012), Maghimbi (2010) and Mlowe (2007) contend that, the fluctuation of coffee price, quantity and quality have decreased tremendously over the past twenty years. Farmers in Bukoba District grow mainly Robusta (Few grow Arabica) while those at Moshi Districts grow Mild Arabica. An assessment was done to determine if farmers can cultivate alternative crops which can be traded with coffee. This was supported by the contention provided by the Kagera Assistant Co-operative Registrar and TCDF manger:

"The primary AMCOS and Unions dealing with multiple crops are allowed by the Co-operative Act 2013; the co-operative societies need to change their by-laws to reflect such changes since the by-laws are still presenting mono crops in their documents. KCU can market sunflower and beans; in 2012/13 and 2013/14, some primary societies made business on marketing beans though such business led to Union losses due to the absence of education on how best it could be done since they were used to coffee only" (Kagera Assistant Co-operative Registrar). (16/10/2015).

Despite the fact that the law allows multiple crops, primary AMCOS face a problem of their by-laws to precede mentioning one crop as the main crop governing their common bond without allowing other crops. Also, the absence of education on how best they can deal with other traditional crops in their co-operative is not in place.

"The previous function of the government in coffee business was done by different actors in the government systems; activities such as training, extension service, research, consultancy, promotion, public awareness and input distribution were government funded. With the scarcity of financial resources, and donor withdraw from the support; these activities create the necessity for the government to establish the common basket fund where all coffee stakeholders will be eligible and entitled to contribute. TCDF receives produce deduction from coffee growers when marketing their coffee. Also, TCDF receives contributions from coffee stakeholders that include: coffee buyers and transporters, exporters, processors, central and local government, donors, and other coffee stakeholders. Therefore, TCDF is directly responsible for providing services through their fund implementers to the members of the Primary societies engaged in coffee business since they contribute their money through their coffee deductions. However, TACRI had limited service to meet all members, and Agricultural extension officer at the District and ward level were found not well trained on coffee as a crop" (TCDF manger). (09/02/2016).

The contribution made to TCDF comes from members; therefore they are expected to get a return out of what they have contributed. Also, agricultural extension officers' activities were expected to be seen in the primary AMCOS where members would be trained on multiple crops.

The Contingency Theory propagated by Donaldson (2001) in exploiting market opportunities using market choice decision and consumer rationality becomes

inevitable since food cannot be substituted on its generality. Also, most of the cash crops are also food crops that their demand increases over time as the population increases globally. Cash crops and food crops that have potential markets on international markets that can be sold by exports, and those that can be marketed through local markets the demand has remained higher that needs its market strategies on a contingency plan. Table 45 presents the alternative cash and food crops to attract primary AMCOS sustainability.

Table 45 : The alternative cash and food crops for co-operative sustainability

(n = 400)

Alternative cash corps	Responses		Alternative food corps	Responses	
	F	%		F	%
Beans	314	42.7	Banana	168	25.3
Millet	120	16.3	Avocado	113	17.0
Sunflower	220	29.9	Maize	223	33.6
Vanilla	82	11.1	Cassava	159	24.0
Total	736	100.0	Total	663	100.0

On one hand, in assessing the alternative cash and food crops for co-operative sustainability, the findings in Table 45 show different crop choices. The findings in assessing cash crops, beans were the leading crop; it was supported by 42.7% of the respondents. Beans are grown in both of the districts that were surveyed. This implies that, for members to continue selling their agricultural produce in the primary AMCOS, sustenance of crops is required; that has an implication on sustaining their membership and increasing primary AMCOS sustainability. This was followed by sunflower that was supported by 29.9% of the respondents, which also had the potential of being grown in both districts if promotion mechanisms were applied. This implies that, as sunflower becomes important in the market due to the increase of sunflower consumers, sustainability of members who would be selling the produce in the primary AMCOS would sustain their membership. The reports from FGD of

AMCOS Board, members and management in all the surveyed areas indicated that they supported the production of sunflower because it has sufficient market value to members, and it could be grown in all the surveyed areas. Beans were also preferred by Bukoba District AMCOS Board, members and managers since the entire District has similar climate. In Moshi District AMCOS, beans and sunflower were supported by members with farms in the low lands where they (beans and sunflower) could be grown. Findings from FGD done with KCU Board and manager supported beans, and there were plans to start marketing beans which were readily available. Other crops received low percentages though they were potential to co-operative crop marketing. However, KCU and KNCU Board members and co-operative department reported vanilla to have long term promoters from Mayawa, Kagera Agriculture and Environment Management Program (KAEMP) and private buyers (in Bukoba District) while in Moshi District only VECO Tanzania and Red Cross Kilimanjaro had done that in small parts of Moshi Districts. This finding was supported by the contribution given by the Assistant Co-operative Registrar, Kilimanjaro Region (a Key informant) who argued:

"The alternative crops that can be traded by primary AMCOS members in Kilimanjaro region are such as vanilla, sunflower, cassava, beans, banana, cotton, sorghum, and millets. All these are possible in Kilimanjaro. A promotion strategy needs to be in place, the market search will follow since all these have market assurance. The current market needs assurance of volumes, continuity and quality."
(14/02/2016).

This implies that the alternative crops that were proposed by the members were the basic components on co-operative institution sustainability in sustaining markets.

Sustaining markets will sustain membership. Also, food crops were also assessed to determine whether AMCOS could venture into supplying and marketing them in both local and international markets. In the surveyed areas there were several food crops which AMCOS members could market on individual basis.

On the other hand, the assessment was done and member choices are presented in Table 45. The findings show maize to be most the preferred food crop by primary AMCOS members (33.6%). Most of the primary AMCOS members grew maize on their small plots and their market was visible in almost all the years though with varying prices. Co-operatives can use such market availability to venture into marketing maize in both local and export markets. Also, the banana was preferred among the food crops (25.3%); Bukoba and Moshi Districts are among the exporters of banana in their surrounding regions where banana is not grown. Other food crops identified were cassava with 24.0% and avocado that had 17% of the total respondents. Reports from FGD with primary AMCOS Board, managers and members as well as Union managers and Board reported that avocado in co-operative business best fits for Moshi District AMCOS while Cassava fits for Bukoba District. This is due to the historical background of these crops which are traditional foodstuffs that are supported by weather on its cultivation in the surveyed areas. From the above selection, members were interviewed on the reasons for the choice of the crops. In assessing the reasons for AMCOS members' choice of crops, the findings show members' reasons based on an increase in income by 78.2 %. The sustainability of the AMCOS is determined by having institutions that can solve the economic problems of members; members need alternative crops that can be a substitute for coffee after that crop has declined in the production on quantity and price. That reason was followed by members having alternative crops after coffee to

be affected (supported by 15%) and to diversify the risk of mono-cropping (said by 6.3%). This implies that the members understand the impact of mono-cropping that is affected by many factors, hence affect crop sustainability, at the end affect members participation in selling produce.

In Bukoba District, most coffee farms were attacked by coffee dry disease (commonly known as *mnyauko*); the disease affected even other crops including banana and cassava. Primary AMCOS opted for diversification of the risk of mono-cropping. Wakuru (2016) argues that for co-operatives to have new sound economic systems, deliberate efforts need to be in place that aims at changing market management systems that respond to market demand. These choices made by members can have a positive change of these co-operative institutions if adopted. TCDF being the coffee shareholder established by the government, has a great role to play (training, mentoring, regulation, brand protection, research and development, promotion and others) in ensuring coffee of the members in primary AMCOS was developed. However, the developed fund had the challenges in appropriation and distribution as well as reaching the grassroots.

Wakuru (2016), Wanyama (2009) and Ortmann and King (2007) argue that, most AMCOS has an inherent problems of monoculture that raise the question of how they can adapt with the changing price in the produce marketing structure. This leads to agricultural co-operatives failing to survive in or adapt to a rapidly changing economic environment despite AMCOS having initially served a useful purpose as Ortmann and King (2007), Royer (1999) and Cook (1995) hypothesize. Co-operatives have to reorganise the marketing strategies to fit with the changing market demand. Information on market management need to be known to the members and

members should be increasingly aware of the inherent problems as well as the co-operating benefits that may be lost if operations ceased.

Ortmann and King (2007) assert that co-operatives members should be aware of their production and marketing problems, members and their leaders will have to consider their long-term strategic options (tradeoffs between the benefits and costs) and decide whether to exit, continue, or convert into crop integration and diversification for primary AMCOS business sustainability. Wanyama (2009), Chaddad and Cook (2003) and Cook (1995) suggested that, co-operative challenges can be solved by two alternatives available, namely: to have a total business change the that had been traditionally performed by such institutions or to restructure as its business operation by integration with what had been performed with other new business firms required by the markets. This leads to increase member ownership capacities in expanding market horizon. Schrader (1989) contends that poor performing co-operatives opt to liquidate or merge with other co-operatives that have high performance by being restructured as IOFs. Since primary AMCOS are among the IOF, members who are the owners can increase their capacities of patronage in their co-operative societies. Mbogoro (2014) and Schrader (1989) felt that co-operative principles and practices will not be the determinant characteristics sometimes when these changes occur. Therefore, co-operatives have to face these constraints that lead to success for effective implementation of principles that might increase sustainability attainment. However, for primacy AMCOS to sustain business existing challenges, restructuring business operation from monoculture (dependency on one crop) will make them sustainable; a strategic plan to shift into multipurpose co-operative and using IOFs strategies can sustain primary AMCOS.

4.5.3 Democratic governance and AMCOS sustainability

Co-operative societies are social and economic institutions that are governed democratically. The Co-operative Society Act of 2013 presents sections that protect all the democratic governance of these co-operative societies. In assessing the democratic governance and AMCOS sustainability as a factor determining primary AMCOS sustainability in governance, an eleven-statement index summated scale was used. For each of the statements, the respondents were asked to respond not at all (0), little (1) and much (2). Therefore, the minimum possible score on the scale was zero if one chose not at all for all the statements, while the possible maximum score was twenty two if one chose much for all the statements. The findings are presented in Table 58.

Table 46 : Democratic governance status in the AMCOS (n = 400)

Items measured on democratic governance	Before 2015				From 2015 to 2025			
	t-score	p-value	Mean Diff	%	t-score	p-value	Mean Diff	%
Participative decision-making process	16.92	0.000	0.53	26.50	35.12	0.000	1.33	66.875
Adequate frequency and quorum meeting attendance	21.09	0.000	0.73	36.62	36.86	0.000	1.31	65.500
Active member Participation in meetings	15.07	0.000	0.52	26.00	40.18	0.000	1.47	73.875
Presence of structure relations	14.09	0.000	0.33	16.62	24.87	0.000	0.84	42.125
Transparency	14.33	0.000	0.34	17.00	37.37	0.000	1.16	58.125
Accountability of board and employee	17.26	0.000	0.42	21.37	40.69	0.000	1.39	69.750
Member-owned policy and by-laws	13.70	0.000	0.32	16.00	31.57	0.000	1.36	75.875
Member-based control mechanisms	13.38	0.000	0.31	15.50	42.66	0.000	1.51	68.000
Provision of feedback to members	14.33	0.000	0.34	17.00	40.18	0.000	1.47	73.875
Availability of leadership succession planning	5.68	0.000	0.07	3.37	16.00	0.000	0.66	33.125
Application of government co-operative policy, Act, rules and regulation	8.87	0.000	0.16	8.25	41.29	0.000	1.32	66.000
Total democratic governance score	32.91	0.000	4.09	18.56	78.18	0.000	13.86	63.113

The findings in Table 46 from an assessment of democratic governance which was done as part of the research on which this thesis is based show that the average scores by all the respondents over the maximum of 22 were 4.09 (t-score 32.91), which is equivalent to 18.56%, which means that the extent of prevalence of good governance and democratic practice was 18.56% during the time of collecting data

in 2015. This implies that prevalence of good governance and democratic practice were low, the reason being members not being communicative on how to stipulate their constitutional legal rights from the agents (Board and managers) due to nonappearance of co-operative management culture.

Furthermore, Primary AMCOS in Bukoba and Moshi Districts were assessed on the future sustainability whereby the assessment was done to determine the future co-operative governance in its democratic practice from 2015 to 2025, which is ten years from when the data were collected. Differences in levels of democratic sustainability of primary AMCOS were also determined inferentially using a paired-samples t-test to compare points scored on an index summated scale made up of indicators of sustainability during the time of collecting data and on another index summated scale made up of indicators of sustainability 10 years later. The mean points scored on the two scales out of a possible maximum of 22 points were 4.09 and 13.86 respectively. Comparing the means using an independent one sample t-test showed that they were significantly different ($t = 54.908$, $p = 0.000$ i.e. $p \leq 0.001$). Since the points scored on the index summated scale for ten years later were much more than the ones scored on the index summated scale during the time of data collection, and the points were significantly different, democratic sustainability of primary AMCOS would be there. This revealed that the democratic governance sustainability would be apparent for the years to come and the AMCOS members had good hope in their organisations.

There were factors for primary AMCOS that were important in showing the availability of democratic governance in primary AMCOS in the surveyed areas such as adequate frequency and quorum meeting attendance (t -score= 21.09, mean difference = 0.73 and 36.62%). This implies that meeting attendance had received

more score due to the presence of seating allowance that creates their attendance. However, availability of leadership succession planning (t-score= 5.68, mean difference = 0.07 and 3.37%) was found to be not faring well in the primary AMCOS due to its lowest responses from members. The low good governance and democratic practices had an impact on members in exercising their institutional governance when primary AMCOS members were striving for sustainable democracy. The findings were supported by an argument raised by KCU Export Manager (a key informant) that:

“The democratic governance of co-operatives will be apparent if the co-operative get trustful leaders whose focus is based on increasing members’ participative ownership. Also, co-operatives need a trusted person and not necessary a highly educated person. Trust and stewardship in co-operatives are the only leadership traits that will rescue the failure rate experienced by these AMCOS in Tanzania”.
(16/09/2015).

Basing on the above argument, the system of democratic governance in co-operatives lacks effective member participative strategies; co-operative governance structures make institutional business to be governed by the agents on behalf of the owners.

There were factors which had higher scores in indicating primary AMCOS increase in democratic governance; these were such as member-based control mechanisms (75.9%), provision of feedback to members (73.9%) and active member participation in meetings (73.9%). However, availability of leadership succession planning (33.1%) was the least preferred. The increase in future expectation on the prevalence of governance and democratic practice would increase the impact on members in exercising their co-operative governance and determine sustaining democracy.

The principal agency theory applies to define the democratic practice of the primary AMCOS when the governance of a co-operative is through the democratic process when members elect the Board which employs managers (the agent) that govern the co-operative on behalf of the principal owners (the members). The sustainability of AMCOS was examined in different aspects that indicated democratic governance as drawn from pillars of good governance (Shaw, 2006; Roe, 2003), Tanzania Co-operative Societies Act (2013), the Tanzania Co-operative Policy (2002), Co-operative principles (1995) and ILO (2002). These include participative decision making processes, adequate frequency and quorum meeting attendance, active members' participation in meetings, presence of structure relations, transparency, accountability of Board and employees, member-owned policy and by-laws, member-based control mechanisms, provision of feedback to members, availability of leadership succession planning, application of government co-operative policy, Act, rules and regulations. These were examined by assessing democratic governance practice and its sustainability in deferent time periods as provided for members' assessment; the time periods given for members' assessment were before 2015 whether AMCOS were better in terms of good democratic governance; also the future sustainability of democratic governance practice that was assessed from 2015 to 2025.

Also, the democratic sustainability of AMCOS is vested in principal agency theory as it defines the power relations among members who are principal owners and the Board and management who are the agents. Sykuta and Chaddad (1999) point out that most applications of agency theory require member empowerment to have a voice in decision making. Furthermore, this is in line with the objective of Co-

operative Reform and Modernisation Programme (CRMP) (2005 - 2010), which was aimed at empowering the co-operative owners to demand their rights, and to have a voice in co-operative decision making machinery. Agency theory is thus very relevant to the institutional structure of co-operatives because employed agents (managers) may not act in the best interests of co-operative owners who are the members (principals). The challenge, therefore, comes on ownership and capital structures developed to lower agency costs (Fama and Jensen, 1983; Fama, 1980). Principal agency problems in a co-operative are likely to lead to member dissatisfaction in exercising member democratic rights and ownership rights.

Ortmann and King (2007) and Richards *et al.* (1998) point to various studies which argue that co-operatives experience greater principal agency problems resulting from lack of managerial capacity in capital market discipline, a clear profit motive, and the transitive nature of ownership. Because co-operatives have no market for their equity (as opposed to IOFs), there is less incentive for members to monitor the actions of their managers who can free-ride members' democratic rights; members in co-operatives have equal number of shares to be purchased, and shares are not a factor for decision power and are also not traded. Co-operatives may also have difficulty designing incentive schemes for managers that will align their personal objectives with those of the co-operatives to make members be streamlined in the co-operative ownership undertakings. With all these agency cost challenges, the improvisation of co-operative democratic governance fundamentals needs to be capitalised for co-operatives to embark on member-owned and democratic sustainable institutions.

4.5.4 Members' suggestions for primary AMCOS to embark on democratic governance

Primary AMCOS are like other co-operative institutions whose management rests on the members in their democratic process. For members of primary AMCOS to exercise their democratic governance, they were given democratic governance elements, and they proposed what was needed to be done to ensure democratic governance existed in their AMCOS. The democratic governance factors given were participative decision-making process, meeting attendance and participative presence of structure relations, transparency, and member-owned policy and by-laws, member-based control mechanism, projecting future markets, participative leadership, periodic election for leaders, and Board accountability to members, good relations among members, Board and management. Table 47 presents the suggestions given by primary AMCOS members in Moshi and Bukoba Districts for AMCOS sustainability and their implementation strategies.

Table 47 : Suggestions for democratic governance sustainability strategies**(n = 400)**

Items	Responses on each variable	F	%
Participative decision-making process	Not applicable	12	3.0
	Member awareness	23	5.8
	Information be available to members	100	25.0
	Member involvement in issues planed by the Board	115	28.8
	Action plan be in place and known to members	150	37.5
Presence of structure relations	Not applicable	38	9.5
	Effective use of policy and act in the AMCOS	44	11.0
	Availability and application of organisation structure	130	32.5
	Board, Management and members should understand their by-laws	188	47.0
Member-based control mechanism	Members to formulate the control strategy	30	7.5
	Effective implementation of meeting decisions	100	25.0
	Not applicable	116	29.0
	Education on membership rights	154	38.5
Periodic election for leaders	Co-operative offices ensure application of act and by-law in primary societies	51	12.8
	Not applicable	87	21.8
	Board members are in position for the period specified	128	32.0
	Effective use of by-laws on section governing elections	134	33.5
Board accountability to members	Members understanding on how to make Board accountable	73	18.3
	Auditing report be communicated to members	84	21.0
	Not applicable	110	27.5
	Education to members on roles of the Board	133	33.3
Participative leadership	Effective use of policy, act and by-laws	82	20.5
	Involving members in decision planning and implementation	87	21.8
	Involving more members in different committees	90	22.5
	Not applicable	141	35.3
Projecting future markets	Marketing be done by primary societies	33	8.3
	Not applicable	115	28.8
	Use of ICT for business management be in place	123	30.8
	Education on marketing to members and Board	129	32.3
Member-owned policy and by-laws	Policy and by-laws being given and available to all members	12	3.0
	Education to members	62	15.5
	Not applicable	96	24.0
	Members' involvement in planning and implementation	96	24.0
Transparency	Presentation of policies and by-laws to every general meeting	134	33.5
	Planning and expenditure budget being known to all members	22	5.5
	Co-operative officers educating the Board on transparency	23	5.8
	Not applicable	44	11.0
	Meeting minutes being available to all members	64	16.0
	Reports being on members disposal	93	23.3
Meeting attendance and participative	Audits be made annually and outcome be communicated	154	38.5
	Awareness of the importance of meetings should be done	21	5.3
	Not applicable	24	6.0
	Meeting planning schedule being in place	33	8.3
	Information on meeting calls being disseminated effectively	123	30.8
All	Increasing meeting allowance to members	199	49.8
		400	100.0

The findings in Table 47 present suggestions for democratic governance sustainability strategies in each given item on different factors. Ten factors were assessed by members on providing their suggestions which were ranked by percentages from the response of the members. In assessing good relations among primary AMCOS members, Board and management in Bukoba and Moshi Districts AMCOS, the findings showed that there should be an effective application of policies, Acts and by-laws (28.2%). This implies that primary AMCOS do not make

decisions being on provided governing instruments. Also, other factors were involvement of members in decision implementation (17.5%). This implies that members (owners) need to be involved in AMCOS decision so that the owners' decisions dictate primary AMCOS functions. Furthermore, in ensuring Board accountability to AMCOS members, the findings indicated that members should be educated on roles of the Board so that the members know the responsibilities of the Board members (33.2%). This implies that members' education in co-operatives on the important aspect in developing primary AMCOS democratic sustainability. Similarly, members showed that auditing reports should be communicated to members so that they can know AMCOS performance status (21%). This implies that understanding of primary AMCOS performance is through audit reports; it is where owners of the primary AMCOS make decisions regarding the status of issues raised in the reports.

Furthermore, in providing suggestions for primary AMCOS periodic election of leaders, the given suggestion was an effective use of by-laws on sections governing elections (33.5%). This was similar to the suggestion that Board members be in leadership positions for the period specified in the Co-operative Act and AMCOS by-laws by 32%. This implies that members want the democratic process of election and tenure of office to be respected to sustain the democratic practice. This was supported by Moshi Co-operative University lecturer and the KNCI Manager (a Key informant) who argued as follows:

“The periodic election of leaders in primary AMCOS is done based on the laws though elections do not change the co-operative image and practice; rather they remain business as usual. With that, the sustainability of AMCOS will be effective if member education is in

place through member empowerment policy framework that needs to be formed. The framework should provide what to do and how to do it”, (Moshi Co-operative University lecturer, Key informant). (12/10/2015).

"Leaders' elections in the co-operative movement, from primary to federation as of now, are by applications. The process requires the member to mention and present credentials to the assessors to prove their capacities. Those assessing the applicants are not members but the technical committee outside the members who are the owners. Members are given the last chance to vote to names brought back by the committee formed by the government. That system provides a room for having corrupt leaders and having leaders who are not loyal to co-operative values and ethics. The system of election by pointing fingers at the general meeting had no problems, since by then when it was used co-operatives had more committed and devoted leaders than those elected through the current systems of government holding decisions on who should be voted for as the members' leaders" (KNCI Manager, Key informant). (16/02/2016).

The process of getting leaders of co-operatives does not consider co-operative expertise; rather it bases on who will get more votes from members. The absence of co-operative business operations in co-operatives makes institution governance remain business as usual. Also, participative leadership was another factor in democratic governance; members indicated its presence by involving members in different AMCOS committee (22.5%). This implies that members are not part of the

committee, the committee makes decisions that have an impact on the welfare of member status in receiving co-operative service, with that the involvement of members in these committee becomes important. This was also similar to an argument raised by 21.7% of the respondents in support of involving members in decision planning and implementation. The low democratic practice in primary AMCOS was due to absence of training and education that members need to capacitate their rights of ownership and claim accountability of co-operative leaders; thus, members were left to use their co-operative societies as a buying centre of their produce which was not owned by their shareholders. This was supported by a Moshi Co-operative University lecturer who contended that:

"Members are not interested in co-operative democratic practices; they are rather interested in getting access to marketing their coffee. This is due to the practice of its establishment and membership participative system that do not respect the members' ownership process. Co-operative principle No. 1, 2, 3, and 4 (Voluntary and open membership, Democratic member control, Member economic participation, Autonomy and independence) are hijacked in the primary AMCOS." (10/02/2016).

Member ownership and member commitment in co-operatives would be guided by the democratic practice inherent in co-operative societies. However, members were found to be more interested in getting access to market than in institutional governance. In projecting future markets, members identified education to members and Board on marketing their produce (said by 32.2%). This implies that markets which are determined by the buyers provide low prices to the product owners (members), and members claim their voice to be part of the market negotiations.

This was supported by the argument by the Moshi Co-operative University lecturer and Moshi District co-operative officer:

"If members are not educated on the marketing of their produce (coffee), we should not expect any noticeable change. Primary AMCOS should employ experts to do a market search, then success can be apparent ... marketing is done by the Union, in few primary AMCOS, especially in Kilimanjaro primary AMCOS market, members produce by themselves, but it's done under the absence of member participation. Marketing is done by Board and management and the knowledge is reserved to Board and management who know where and how and where members' produce is sold" (Moshi Co-operative University lecturer). (12/10/2015).

"...the problem of the free market has made primary AMCOS to collect coffee under its capacity. There is no regulator to these rough games played by free markets we had jumped in. The AMCOS was not prepared to work on these free markets that do not have fair trade on the ground. AMCOS need a protection measure to rescue their existence. Rather they will perish within no time..."(Moshi District co-operative officer, key informant). (08/02/2016).

Basing on the argument raised above, members' education is very important to make co-operative owners manage the primary AMCOS business. In assessing strategies from primary AMCOS, members on member based control mechanism being a factor in democratic governance; the primary AMCOS in the surveyed districts proposed education on members' rights (38.4%). This implies that members were of the

opinion that, increase in member education (which is not provided substantially) can provide member understanding, hence increase member ownership capacities. This is in line with the duties of the Co-operative department and co-operative development commission, where among other duties, they are responsible for education and training to co-operative societies. However, they are faced with financial challenges to implement education provision to primary AMCOS members, Board and managers. This was supported by the concern from the co-operative section presented by Moshi District co-operative officer who (a key informant) that:

"The budget allocation to the section of co-operatives is so little that it cannot do anything. For example, this financial year (2015/16) we requested for three million Tanzanian shillings (TZS 3,000,000) as other charges in the budget allocation. We were given one hundred fifty thousand Tanzanian shillings (TZS 150,000). This amount cannot even repair the car that we have; how can it provide other required services of the co-operative section?" (08/02/2016).

From the comments given above, financial allocation to the co-operative section is a big determinant of co-operatives to enlarge services to reach the AMCOS; absence of financial capacity makes members to lack education on institutional governance where the democratic practice becomes affected. Also, member-owned policies and by-laws were other governance components assessed. Co-operatives are governed by policy and laws in ensuring member control, ownership and use their co-operative firms. These also are in line with the United Nations (UN) recommendation No. 193 of 2002 that calls for co-operatives to be autonomous organizations (ILO, 2002). For the primary AMCOS to have a member-owned policy and by-laws, respondents proposed owned policy and by-laws; the proposed strategies were the existence of

availability and presentation of policies and by-laws in every general meeting (33.5%). This implies that member access to AMCOS by-laws was not at the members' disposal, and the process for acquiring the by-laws was not through members at the general meeting. Furthermore, transparency as a factor in democratic governance was recommended to be present when audits are made annually and outcomes are communicated at the general meetings. Also, all AMCOS reports should be at members' disposal and meeting minutes should be available to all members. The difficulty of transparency was supported by the contention given by a Moshi Co-operative University lecturer who said:

“The transparency of Board and managers is limited to some facts.

Issues related to financial use and expenditure are not transparent;

only transparency is discussed during an election process.”

(12/10/2015).

Hiding of some facts in the primary AMCOS limits member ownership since they are side-lined on some facts. Also, when some information is not known to members the democratic participation to members becomes limited. The co-operative operates its business using an organizational structure, which represents members, Board and management on their positions and their internal relations. In ensuring that, the study assessed strategies that members proposed for ensuring primary AMCOS have structure relations among organs in the AMCOS. The proposed strategies included availability and application of organization structure (32.5%). This implies that members lack understanding of the organisation structure of the primary AMCOS, and with that effect, primary AMCOS were found to have the problem of the absence of power where the decision was found to be made by the Unions. Lastly, primary AMCOS members were assessed on participative decision making, which was also

given to members for identifying how best it could be achieved. The respondents provided the suggestions by looking for action plan to be in place and known to members (37.5%). This implies that planning for the long term and short terms need to be in place in the primary AMCOS so as to make owners know the schedule of activities and their involvement. Members are involved in issues planned by the Board (28.7%) and different information on co-operative business management should be available to members (25%). This implies that members want involvement; the increase in members' involvement signifies an increase in democratic practice. These were among the suggested strategies on democratic governance factors by the members of the primary AMCOS in the surveyed Districts. Members provided these mechanisms for their primary AMCOS to attain democratic sustainability and thought that if they could be addressed the primary AMCOS member ownership would increase.

The democratic governance of primary AMCOS addresses issues of sustaining democratic sustainability. The co-operative democratic sustainability is based on addressing the future wellbeing of members and ensuring members their co-operatives continue to receive primary AMCOS services (Wanyama *et al.*, 2009). Members, being the principal owners, need to be ensured of their democratic participation by having strategies that will indicate the importance of their participation. Birchall and Simmons (2004) describe that sustainability is attained when institutions face intergenerational changes by externalities whereby, in that context, the co-operatives should try to achieve economic growth without adversely affecting future generations. Managers are after profit generation of the firm, as opposed to members who want sharing of the profits obtained without re-

investments. Balancing these two in a democratic way that ensures owners participate democratically to reach an institutional decision is required.

Democratic governance sustainability strategies are key factors for primary AMCOS to embark on the member-owned firm. Ortmann and King (2007) and Maghimbi (2006) argue that, as co-operative members control increases, the co-operatives face the problem of sustaining membership democracy when organization ownership and control are separate. The separation of ownership and control leads to co-operative firms experiencing principal-agent problems due to the divergence of interests between the principal (that is the co-operative members and their representative Board of directors) and the agent (management) (Cook, 1995). In preventing this divergence of interests, member-owned strategies need to be put in place.

The democratic structures in co-operatives that provide a member to utilise systems of the democratic process for providing their views (regardless of their shares) are essential for these member-based organisations (Royer, 1999). However, challenges may come in retaining managers who are institutional experts due to lack of incentive schemes for them. That may be a disadvantage against co-operatives attracting and retaining good managers; conversely, providing managers with incentives can convert their co-operatives into profitable and sustainable institutions (Royer, 1999). The absence of member-owned proposed strategies that contribute to the control challenges identified by members in the primary AMCOS; the ownership should remain on the members, and Boards of directors be limited in monitoring AMCOS activities while supervising the performance of managers.

4.5.5 Challenges facing AMCOS and ways forward

AMCOS face challenges in many ways; different challenges were given to members to rank in order to identify which ones most affected the sustainability of their primary AMCOS. The given challenges were: inadequate financial resource, dependency on coffee only, the existence of dishonest leaders, shortage of qualified staffs, bad programmes and plans, inadequate working tools, financial embezzlement, bad policies and laws, and low competence in criticizing the management. These challenges were drawn from some results of previous related research and suggestions based on the recommendations given. The challenges and suggested solutions are presented in Table 48.

Table 48 : Challenges facing AMCOS members and its solutions (n = 400)

Challenges	Freq.	%	Suggested solutions	Freq.	%
Inadequate financial resources	298	18.6	To look for sufficient funds	288	17.0
Dependency on coffee only	248	15.5	To reduce financial dependency on coffee	220	13.0
The existence of dishonest leaders	106	6.6	To look for qualified and experienced leaders	106	6.2
Shortage of qualified staff	219	13.6	To look for experienced staff	227	13.4
Bad programmes and plans	146	9.1	To formulate good and implementable programmes and plans	148	8.7
Inadequate working tools	84	5.2	To procure sufficient working tools	155	9.1
Financial embezzlement	130	8.1	To fight for and remove corruption	191	11.3
Bad policies and laws	205	12.8	To push for good policies	143	8.4
Low competences in criticizing the management	169	10.5	To build competence and capacity to criticize and influence management	218	12.9
Total	1,605	100		1,696	100

In assessing the challenges facing AMCOS members, the findings indicated that 18.6% of primary AMCOS members said inadequate financial resources. This implies that financial resources to cater for primary AMCOS operating expenses were not sufficient. A report from an FGD conducted between Board management and members of the primary AMCOS showed the same opinions on shortcomings of inadequate funds to cover daily activities of AMCOS and marketing of coffee by

AMCOS members by themselves. Dependency on coffee as the only agricultural products marketed in the AMCOS was also noted as a problem which was said by 15.5% of the respondents. Fluctuation in coffee price and quantity produced due to coffee related diseases and a decrease in coffee farm sizes made members suffer financially. This implies that primary AMCOS had already identified the problem of intensive reliance on one crop which is not sustainable.

The factors related to mono-cropping leads to a decrease in member participation on selling their produce; member ceased their membership due to the absence of production in the products marketed by the primary AMCOS. However, the shortage of qualified staff was another reported challenge (13.6%). This implies that, for the primary AMCOS to operate productively so as to meet members' (owners') needs the aspect of professional managers is of importance. The reports from FGD with Board, management and staff of the surveyed primary AMCOS showed that none of the primary AMCOS had managers who had any co-operative profession. Most of them were Form Four leavers without professional qualifications. This was due to the absence of primary AMCOS financial capacity to pay professional managers and absence of knowledge on co-operative business by Board of directors; this led to poor performance of the primary AMCOS and in most cases caused financial embezzlement. That was supported by an argument provided by the Moshi District Co-operative Officer (a key informant) who said:

"The theft and financial embezzlement experienced by AMCOS at different co-operative movements need a deliberate strategy from the government and co-operatives themselves. These crimes are from the level of Primary, Union, and Federation. The crime doers are known, but who should take such responsibility of instituting the cases? The

laws have weaknesses on the aspects that give members to be the last persons to decide on the welfare of their institutional fate, and criminals pass through that free gate by colluding with members. However, the establishment of a special court dealing with co-operative cases would be the best alternative to rescue the situation". (08/02/2016).

Basing on the above argument, members of the primary AMCOS did not have the capacity to hold crime doers accountable using the democratic system that existed; holding them accountable waited for the general meetings to decide about their fate. The legal process of endorsing surcharge to wrongdoers did not provide grounds to institute measures to hold crime doers accountable for what crimes they had committed. That was due to the fact that at the end members were again given chances to decide using general meetings. Also, members proposed solutions to alleviate the above shortcomings, and the assessment results showed that looking for sufficient funds would be the best solution to manage AMCOS business (said by 17.0%). This implies that primary AMCOS need to invest in other projects that can be of profits to cover AMCOS operating expenses. Also, members suggested electing and employing honest leaders (13.4%) whereby Board and management would be selected based on their honest characters to lead the AMCOS. Character assessment for managers would be based on the same criteria. This implies that honest leadership is among the important characters required by primary AMCOS for increasing institutional performance and it will lead members to develop trust in their institution.

Furthermore, financial dependency reduction was another solution; it was suggested by 13% of the primary AMCOS members. This was due to the fact that most of the primary AMCOS depend on loans to purchase members produce, and dependency would be reduced by changing strategies from primary AMCOS buying members' produce to AMCOS collecting produce and look for markets. This was supported by the information from the FGDs done in primary AMCOS of Bukoba and Moshi district where it was found that Bukoba District AMCOS depended on KCU capital to purchase coffee. Also, in Moshi District, some primary AMCOS like Kilema north primary AMCOS were still depending on KNCU capital to buy members' produce while other primary AMCOS depended on bank loans. The study found that it was only Kibosho Central AMCOS from the study areas that had internal capital sources due to its capital base raised from internal sources from the performing assets.

The democratic governance problem in co-operatives is caused by managerial governance problem whereby the structure of leading co-operatives is through agents that dictate the rights to be received by members from co-operative benefits over a given time period (that is until these leaders are in tenure of their leadership) (Maghimbi, 2007). The principal (members) needs to understand their capacities in managing the agents (management); this increases the ability to own their primary co-operatives when members' capacity to manage their co-operative societies increases. According to Royer (1999) and Vitaliano (1983), when co-operative challenge lacks members' inputs on their strategic plan to solve the institutional problem, members in co-operatives will tend to under-invest in assets with long-term payoffs. This indicates that members' ideas are important in building their capacity to continue investing in their co-operative society; it can be done by increasing holding their views on their strategic options in the discussion on co-operative society

development agenda. Cook (1995) and Royer (1999) argue that when members do not become part of institutional solutions, Boards of directors and managers become under pressure to increase current payments (payment of meeting allowances and dividend) to members instead of investing in additional assets for capital expansion. This implies that the sustainability of primary AMCOS depends on members' capacity to own the institution decision. When members who are the principle owners have understanding of their rights and privileges available at their institutions, it is most likely that the democratic sustainability of the primary AMCOS becomes apparent.

CHAPTER FIVE

5.0 CONCLUSIONS AND RECOMMENDATIONS

This chapter presents conclusions on the four objectives of the study. It also presents the study's recommendations for improvement as far as member ownership and democratic sustainability in primary AMCOS in Tanzania are concerned, drawing evidence from Bukoba and Moshi Districts.

5.1 Summary of the Key Findings

On the socio-demographic characteristics of respondents, it was found that there were great discrepancies across districts on member activeness; Moshi District had more numbers of members as compared to those of Bukoba District AMCOS. Also, the age of the respondents varied between the two districts; Bukoba District primary AMCOS members had lower average years compared to those of Moshi district Primary AMCOS. However, the average age was above 50 years which indicates that old age of members would affect the sustainability of the co-operative institution due to absence of the youth majority. Comparatively, it was also found that Moshi District represented more dropouts of members as compared to that of Bukoba with the main reason being decrease in member engagement in coffee farms.

On members' democratic participation in decision making in primary AMCOS, it was found that membership and member obligation fulfilment were not given their due importance, as members were found not paying all their statutory payments. That indicates that primary AMCOS had members who, legally, were not true members based on primary AMCOS by-laws and Co-operative Societies Act. Similarly, some members were found to receive their membership by just selling their produce in the primary AMCOS, where the process such as registration and being presented to the

general meetings were not followed. The internal democracy in the surveyed areas was found to be low as members' democratic rights on the scaled measured indicated low scores. This affects the primary AMCOS members, who are the owners, in accessing their democratic rights. Moreover, basing on member ownership and decision making, it was found that most of primary AMCOS in Bukoba District, the ownership and decision making were in the hands of the Union unlike Moshi District primary AMCOS where members had more power on ownership and decision making. The governing instruments were not available in primary AMCOS in both districts' primary AMCOS, which affected members' understanding on how their primary AMCOS were managed; for the few governing instruments available they were not at the members' disposal for perusal.

On accountability of board and management to members in primary AMCOS, the findings indicted that, on the managerial accountability assessment, managers were more accountable to the Union than to the board which is the immediate office to managers. The information dissemination in the primary AMCOS was done through village meetings which are more based on village leaders where owners of AMCOS have no voice and cannot question. AMCOS meetings and notice boards were used to a lesser extent. In decision compliance, it was found that members do not comply with decisions made by the board and management since they decide outside members' suggestions. Leadership succession plan in primary AMCOS was found not to be in place, and most primary AMCOS were found uninformed on how it could be practiced. Furthermore, based on the findings from internal and external interfaces which promote co-operative sustainability; the internal factors were assessed and the results showed that members did not understand the functional roles of the board and management. Members as owners of the primary AMCOS were

expected to fully understand functional roles since they are the ones who had formulated the roles.

Furthermore, members were found ignorant of the AMCOS assets and governing instruments. These are the important items which determine member institution ownership. Also, internal primary AMCOS capitalisation was found to be based on external financing than generating the institutional capital to expand and increase owners' benefits in terms of better prices and dividend. On deterring owners' voice in price determination of members' produce, it was found that government and buyers controlled produce price. With regard to external interfaces which promote primary AMCOS sustainability, the findings indicated that the government's role was found in taxing members' produce than creating enabling environment for the primary AMCOS. Also, auditing of primary AMCOS was found not to be done on an annual as it is directed in the Co-operative Societies Act and AMCOS by-laws.

Basing on members' views on factors for AMCOS sustainability, the findings based on districts cross-tabulation showed that Bukoba District primary AMCOS had higher member decrease as compared to Moshi District AMCOS. In assessing crop business sustainability, it was found that due to a decrease in coffee production that could affect membership and business sustainability, members opted to market coffee with other crops to sustain primary AMCOS. Also, in democratic governance and AMCOS sustainability, the extent of prevalence of good governance and democratic practices was found to be low. In assessing the future co-operative governance in its democratic practice from 2015 to 2025, which is ten years from when the data were collected, it was found that the democratic governance sustainability would be

apparent for the years to come and the AMCOS members had good hope in their organisations.

5.2 Conclusions

Members' participation in Primary AMCOS in co-operative societies is important for a democratic decision making system as indicated in Section 4.2 of this study. The Co-operative Act and AMCOS by-laws, especially in areas that demonstrate how members can participate in democratic processes, are essential to enhance members' capacity to participate in institutional decisions that will increase members' ownership of AMCOS. This was evident in the findings presented in Table 5 and Table 6 from which it is concluded that share payments and the procedures to become a member were distorted. Also, co-operative decision power in Bukoba District primary AMCOS, unlike Moshi District where some primary AMCOS is owned by the Union; Union controls constrained member ownership at primary level (as presented in Table 11). The study concludes that the historical imprints those direct primary co-operatives to be under the Union are still affecting negatively most of the primary co-operatives.

Furthermore, the participation of members in meetings discussions (as presented in Tables 13, 14, 15 and 17) in primary AMCOS was not found; the study concludes that members were denied democratic rights of meeting participation and access to meetings proceedings since meeting minutes were not even accessible to all members. Similarly, the governing instruments in the primary AMCOS were not available (as shown in Table 18), and the study concludes that the absence of the governing instruments was an important aspect which makes AMCOS members ignorant of their institutional governance.

The democratic practice systems that entail accountability in primary AMCOS are the factors that make members to own their institutions (as indicated in 4.3). Absence of managerial accountability to members guided by policies, laws and regulations was found to be an important component limiting members' ownership; the study concludes that policies, laws and regulations are not adhered to by members, Boards, managers, government and other co-operative stakeholders as indicated in Tables 22, 23 and 24. Similarly, education on co-operative business management and governance was not provided as shown in Table 25 where education to members in co-operative societies was a legal right; the study concludes that education to members is a key factor for primary AMCOS to embark on member owned co-operatives and to have sustainable democracy. Also, the decision making processes in the primary AMCOS do not follow the democratic practice that would mainstream members' decisions at the primary AMCOS meetings. The study concludes that failure to mainstream members' decision in democratic practice led to absence of decision compliance as indicated in Table 27 where members do not comply with their leaders' ideas.

Also, succession plan in co-operatives (as indicated in 4.3.5) was found to be a vital engine to ensure sustainability of co-operatives, the study concludes that members of the primary AMCOS do not know how they can implement leadership succession plans. Furthermore, succession plan was affected by the oldness of members on age assessment where by most of the members in the studied co-operatives were of old age (section 4.1), and the Board members were of more or less the same age (where the mean age was 62.8 years and 54.4 years in Moshi and Bukoba respectively). Therefore, basing on evidence drawn from Table 35 on leadership succession, it is

concluded that, primary AMCOS new strategies have to involve youth members in the boards of primary AMCOS.

Primary AMCOS operate their businesses within an environment that is subjective to internal and external variables as presented in Section 4.4.1. The internal factors indicated in Section 4.4.1.1 showed members' understanding on functional roles of board and management (see Table 31); the study concludes that the shareholders do not understand the agents' role. On members' understanding of AMCOS assets as indicated in Table 32, members' understanding was very low, the study concludes that members' understanding is affected by absence of members' capacity to demand their rights which is attributed to low member educations on co-operative governance.

Similarly, the external factors (as indicated in Section 4.4.2) such as government roles indicate government to have more power in primary AMCOS; the study concludes that government efforts are more directed to taxing members produce and fixing price margins than creating enabling environment for primary AMCOS to do their businesses basing on their established democratic systems as presented in Tables 36.

Also, the members' capacity in controlling AMCOS external capitalisation as indicated in Table 39 indicated low members' capacity to control external funding sources; the study concludes that primary AMCOS that depend on their capital building from external sources such as loans decrease returns on members' produce Farm Gate Price (FGP); hence they are not beneficial to members.. Also, bank loans were for buying member produce before auctioning of members coffee, which made

members sell their produce to the AMCOS rather than AMCOS being used as produce collection centres. In that case, the study concludes that members lose produce ownership as primary AMCOS buy members' produce rather than collecting them.

The democratic practice in agricultural co-operatives was found to be seasonal (as indicated in section 4.5) since members meet during harvest. The study concludes that primary AMCOS need to have a continuity of democratic practice by engaging in multiple crops as assessed in Table 44 and 45 to bring sustainable democracy. Also, members' views in projecting democratic governance availability indicated a future hope for existence of sustainable AMCOS as indicated in Table 46. The study concludes that employing tangible strategies for primary AMCOS democratic suitability is important in order to build existence of sustainable member owned society.

5.3 Recommendations

5.3.1 Recommendations on member participation and decision making in co-operatives

Membership and registration process in primary AMCOS is mismanaged as indicated in section 4.2 and 4.2.1. The study recommends to Tanzania Co-operative Development Commission (TCDC) and co-operative departments that TCDC should provide guidelines that enforce primary AMCOS to abide by legal requirements on membership and registration process. This will ensure the primary AMCOS have members who abide by instructional guidelines provided in the Co-operative Societies Act and co-operative by-laws.

Member ownership in coffee marketing were found not to be under member control due available marketing procedures, the study recommends to the AMCOS board and management that the board members should embark on collecting produce and look for markets rather than buying members' produce; this can be done by either using warehouse receipt system, or by having SACCOS on the AMCOS which could be lending to AMCOS members and give them produce receipts. This system would make AMCOS have ample time of finding better markets and get rid of capital problems.

Members and boards of Primary AMCOS were found lacking co-operative education that would assist them in extending member ownership and democracy, the study recommends to the board of Primary AMCOS to develop plans to put in place member education on their budgets and on their strategic plans. This will make primary AMCOS members understand their decision power and increase their capacity to practise their democratic rights (as discussed in sections 4.2.3, 4.2.4 and 4.2.6); programmes which are member-driven from co-operative promoters and co-operative movement that can take inputs from MEMCOP and CRMP need to be taken back on board in areas where primary co-operatives are still under Union control (as indicated in 4.2.5) and in co-operatives which have insufficient understanding on co-operatives governance.

Member ownership in services that were available at the primary AMCOS as discussed in section 4.2.2, indicated selling of produce as one of the main functional activities of the primary AMCOS. The study recommends that the primary AMCOS board and management should ensure proper management of the AMCOS to extend services. They should also prepare strategies that ensure members get access to

services offered by the primary AMCOS. Auditing firms that audit primary AMCOS need to add auditing on the primary AMCOS democratic practice.

Members' voice as a democratic practice indicates seems to be lousy; TCDC, primary AMCOS board and management should make sure primary AMCOS adhere to AMCOS by-laws and Co-operative Act by ensuring primary AMCOS meetings and minutes are at members' disposal for perusal as discussed in section 2.2.6 on democratic rights and in section 2.2.7 on governing instruments. Adherence to by-laws and Co-operative Act, meetings' minutes will increase members' participation since the co-operatives operate in line with legal requirements. They should also ensure members' views voiced out in meetings are respected.

All co-operative governing instruments should be mandatory items (as discussed in 2.2.7 on governing instruments). All primary AMCOS, in the study areas, were found missing the governing instrument; the Co-operative Departments and Tanzania Co-operative Development Commission should ensure all primary AMCOS have the governing instruments at their disposal, and can be educated on their uses in the primary AMCOS.

5.3.2 Recommendations on accountability of board and management to members

Absence of information and information flows to members from their primary AMCOS were found to be problematic. The study recommends to board and management of primary AMCOS to embark on effective use of notice boards placed at the co-operatives societies, village meetings, local authority notice Boards, religious meetings and other necessary areas where members can access information

(as discussed in 3.3.2 on information dissemination procedures). Also, the primary AMCOS management should have databases that contain members' contacts to enable easy sending of information to them.

Absence of member compliance on decisions made by the board was another challenge. The study recommends to the primary AMCOS Board and managers to make use of documents which have been made and passed by members to comply with members' needs and aspirations (See Section 4.3.3 on decision compliance). Documents such as meeting minutes, co-operative by-laws, business plans, co-operative work plans, budgets, and other documents for making decisions should be available.

Leadership succession plan was found to face difficulties (as analysed in 4.2.6). This succession challenge in primary AMCOS requires multiple strategies to be adopted by co-operatives to promote government and primary AMCOS by themselves. The study recommends to the board and management of primary AMCOS to formulate strategies that should aim at increasing youth membership and preparing youth leadership positions. Moreover, co-operative promoters and co-operative training institutions such as Moshi Co-operative University should have programmes with the primary AMCOS which aim at providing education on succession plan to members and Boards. Also, policy makers should address land ownership policy and ensure the youths own land. In addition, Primary AMCOS should adopt new crops that are grown by the youths in the primary AMCOS.

5.3.3 Recommendations on interfaces which promote co-operative sustainability

The functional roles of the board and managers in their Primary AMCOS were found to be unknown to members (owners) (as discussed in 4.4.1.1). The study recommends to the board and managers to disclose these roles and functions and make them available to all members to increase managerial accountability. The study also recommends to the board and managers at the primary AMCOS that they should be more responsible for ensuring members are aware of managerial roles and functions.

Furthermore, Primary AMCOS assets were found not known to members; the study recommends to the board and managers to disclose all AMCOS assets to ensure the future existence of the primary institution rests in the hands of the owners (as discussed in 4.4.1.2 on member understanding of AMCOS assets and governing instruments). Managing primary AMCOS assets is a challenge since they are out of members' knowledge. Board and managers should prepare documentation guiding primary AMCOS assets and process asset legal registration as well as making members aware of all AMCOS assets and governing instruments.

Absence of primary AMCOS capital to run members' crop business was found to be challenge in the surveyed areas. The study recommends to the board and managers of primary AMCOS to prepare strategies that will expand the capital base of their firms in order to have a sustainable capital system that capacitates all AMCOS activities (as shown in 4.4.1.3 and 4.4.2.4 on primary AMCOS capitalisation). Co-operative promoters and stakeholders should plan for capacity building programmes that will

educate Primary AMCOS in project entrepreneurship and capital expansion strategies.

The Government tax authorities should create enabling environment to co-operatives rather than taxing co-operative members as the main source of income because that constrains members' income generation (as discussed in 4.4.2.1). Despite the efforts made in the 2016 government budget whereby coffee tax was reduced, the government should do more coffee tax reduction, reduce deductions from coffee sales and reduce District cess on coffee so as to increase primary AMCOS Farm Gate Price.

The auditing firms that audit primary AMCOS should include all dimensions of management, finance, human resource and others to generate a broader general picture of how best the Primary AMCOS fare in their performance (as presented in 4.2.2.3). Also, the legal procedures in tender provision when doing primary AMCOS audit should follow proper channels as it is directed by the Co-operative Act and other laws.

Co-operatives need government protection; primary AMCOS need to be protected from private buyers if we need to ensure co-operative sustainability (as discussed in 4.4.2.1 on the roles of government and in 4.4.2.4 on external capitalisation). Members' produce are not sold to co-operatives due to uncontrolled coffee business. TCB which is a government agency to regulate coffee marketing should have strategies that control unregistered coffee buyers and registered ones but without coffee business license.

5.3.4 Recommendations on members' views on factors for AMCOS sustainability

Due to coffee production having tremendously declined, primary AMCOS, in ensuring business sustainability and continuity of member democratic participation, should promote alternative crops that can be traded with coffee integration strategies. Primary AMCOS Board and managers as well as co-operative promoters need to take coffee integration strategies on board by educating coffee affiliated co-operatives to look for the best crops that can be traded alongside coffee.

The ministry responsible for co-operative (Ministry for Agriculture and Irrigation) and TCDC should revise the Co-operative Societies Act to sharpen the procedures for holding accountable those who are found stealing primary AMCOS assets (as discussed in 4.5.3 on democratic governance and primary AMCOS sustainability). The surcharge procedures take a long time leading to co-operative assets getting lost. The government should establish a special tribunal specifically dealing with co-operative cases since they are many.

The sustainability of democratic governance of the primary AMCOS will be achieved if members participate fully in creating solutions to their challenges and become part of strategy implementation (as discussed in 4.5.5 on challenges and ways forward). This will increase institutional ownership which is governed by members.

5.5 Theoretical Recommendation

The principal agency theory, which was the dominant theory guide, was found to be effective if and only if members (the principal) have all legal requirements before assessment of ownership and democratic sustainability. The absence of member obligation fulfilment such as applying for membership, paying all the shares and members being present in the general meetings leads to ineffective member ownership and causes the principal to be controlled by the Agent (board and managers). The study recommends to co-operatives members as they are the primary AMCOS principal owners to fulfil their membership obligations for effective ownership that will accelerate effective democratic sustainability.

5.6 Suggested Areas for Further Research

- (i) Since member ownership and democratic sustainability in primary co-operatives vary from one agricultural crop to another one, depending on who owns the produce between members of the households, and ownership of crop produce may change over time as culture changes with technological and legal changes; a similar study is recommended to be conducted in other parts of Tanzania to establish the extents to which member ownership and democratic sustainability fare in primary AMCOS in those areas.
- (ii) Research is also recommended to ascertain how Tanzania's primary AMCOS own co-operative institutions within the co-operative movement from primary, secondary (i.e. Union, Network and Joint Venture), Apex and federation. Research along these lines will produce essential information on alternative approaches to be used for improving member ownership factors that influence AMCOS in Tanzania to attain democratic sustainability of these members owned institutions.

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APPENDICES**Appendix 1: A Questionnaire for AMCOS Board and Ordinary Members****MOSHI CO-OPERATIVE UNIVERSITY (MoCU)****P.O. BOX 474****MOSHI, TANZANIA**

A Questionnaire for AMCOS Board and Ordinary Members for Research on:

Member Ownership and Democratic Sustainability in Agricultural Marketing Co-Operative Societies in Tanzania: Cases of Bukoba and Moshi Districts

By

Gratian Cronery Rwekaza (Mobile Phone 0755-628460; Email gcronery@yahoo.com), PhD Student and Lecturer, Department of Management, Faculty of Business and Information Science, Moshi Co-operative University

SELF INTRODUCTION

My name is **Gratian Cronery**, a PhD student of Moshi Co-operative University and a member of academic staff of the same University. Among other mandates, the University does research on economic, social, political and technological development aspects. This research is about co-operative governance, assessing the aspect of member ownership for democratic sustainability. I hereby request for your time to respond to my questions for the success of my research. I hereby ensure you that the information you will provide will be used only for the purpose of this research and will remain confidential.

SECTION A: SOCIAL DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

1. Name of the institution.....
2. Year of formation of the AMCOS.....
3. Village
4. Ward
5. District
6. Region
7. Name of the respondent.....
8. Gender 1. Male 2. Female.....
9. Age (Years) or year of birth.....
10. Position in the AMCOS.
 1. Ordinary member 2. Board member 3. Employee 4. Member and employee
11. Duration of membership (years)

SECTION B: MEMBERS' DEMOCRATIC PARTICIPATION IN DECISION MAKING IN AMCOS

12. Who is the founder of the AMCOS?
 1. Colonialists, 2. Tanzania Government, 3. Local leaders, 4. Local communities, 5. Political parties, 6. Others (*Specify*).....

13. The original reasons for the establishing the AMCOS was

Reasons	Explanation
Colonial Government related reasons	
National related reasons	
Economic related reasons	
Social related reasons	
Environmental related reason	
1. Other (<i>Specify</i>)	

15 14. Are you a member of the AMCOS?

1. Yes 2. No.....

16 If yes, did you apply for membership?

1. Yes 2. No.....

17 If no, how did you become a member

1. By replacing my parent’s membership 2. Just by selling my produce 3. I don’t know

18 Have you paid membership shares

- 1 Yes I have paid all
2 Yes, I have paid some
3 No, I have never paid any

19 Which service do you receives in the AMCOS

Service	No = 0	Yes = 1
Selling of produce		
Dividends		
Member education and training		
Attending meetings		
Accessing agricultural input		
Agro credits		
Total score		

19. What factor mainly determines membership in the AMCOS?

- 1 Registration and be represented in the general meetings
2 Selling of produce in the AMCOS
3 Receiving memberships from their parents
4 Become member of the ward where the AMCOS is established
5 Others

20. What can you say on the internal democracy?

(Answer the questions in the following index summated scale that are about internal democracy)

Items about internal democracy	Not at all (=0)	A little (=1)	Much (=2)
1. Freedom to join and exit			
2. Periodic election			
3. Member, Board and management adherence to by-law			
4. Member Participation in decisions			

5. Transparency of information to members			
6. Separation of power between management and board members			
7. Availability of Leadership succession planning			
8. Participation of members in AMCOS policy formulation			
9. Participation of members in AMCOS policy implementation			
10. Member participation in projecting future markets			
Total score			

21. To what extent you are engaged in the AMCOS activities

1. Not engaged at all 2. Less engaged 3. Highly engaged 4. I don't know

22. Do you think members sell all their produce in the AMCOS?

1. Yes..... 2. No.....

23. If No, why?.....

24. Do you think members own anything in the AMCOS? 1. Yes.....2.

No.....

25. If yes, what do they own?

1.....

2.....

3.....

4.....

26. By practice, who have more ownership power of AMCOS?

1 Union

2 Management

3 Board members

4 Members

5 Governments

6 Not known

27. Who decides the amount of dividends to be given to the members?

- 1 Union
- 2 AMCOS board
- 3 AMCOS management
- 4 Members at the annual general meeting
- 5 Others

28. Do members of AMCOS attend meetings? 1. Yes..... 2. No.....

29. To what extent members attend meeting

- 1. No one 2. Few attend 3. Half attend 4. Few don't attend 5. All attend

30. if no, why don't they attend meetings?

31. What is the status of holding the meetings?

- 1 Meetings are regular and predicable
- 2 They are irregularly held
- 3 They are almost absent
- 4 They are called on someone's wishes
- 5 Others

32. Are minutes kept available for members?

- 1 .Yes, kept but not available to all members
- 2 .Yes, they are kept for all members
- 3 .Sometimes kept sometimes not

4. They are not kept at all

33. How do you grade the extent of member participation in decision making on the AMCOS?

1. High 2. Moderate 3. Low 4. Not at all 5. I don't Know

35. Which of the following governing instruments are present for your AMCOS?

Co-operative governing instrument	Put V or X
1. AMCOS Vision	
2. AMCOS mission	
3. AMCOS core values	
4. By-laws	
5. Financial regulations	
6. Employment policy	
7. Business plans	
8. Strategic plans	

36. Who should formulate these governing instruments?

1.Members 2 Management 3. Board 4. Union 5. Co-operative officers.

37. Do you think AMCOS makes changes in by-law as per changes in the National Co-operative Policy and Act? 1Yes.....2. No.....3. I have no idea

38. What complaint about the governance of AMCOS have members had (*if no complaint skip question 38*)

39. What proportion of demands query has been acted upon for improvement of the AMCOS?

None has

A few have

Most have

Not applicable [*If None (1) or a few (2), skip Qn 39*]

40. Does the AMCOS respond to query?

1. Yes

2. No

3. Others

41. Rate by order among the following aspects which members are involved in, in making decisions

Members Involvements	Not applicable = 0	Applicable = 1	Very applicable = 2
1. Preparation and approval of budgets			
2. Preparation and approval of by-laws and policies			
3. Approve expenditure budgeting			
4. Marketing of the collected produce			
5. Rehabilitation of the AMCOS			
6. Election of board members			
7. Approving dividend distribution			
8. AMCOS Policies formulation			
9. Designing AMCOS marketing strategies			
10. Participation in influencing selling price			
Total score			

**SECTION C: ACCOUNTABILITY OF THE BOARD AND MANAGEMENT
TO MEMBERS IN THE AMCOS**

42. Rank the following in their degree of holding managers accountable by the given organs of accountability?

Items	Not at all = 0	A little = 1	Much = 2
1. Board			
2. Co-operative officers			
3. Union			
4. Members			
5. Political leaders			

43. Do members receive training and education?

1. Provided substantially
2. Provided a little

- 3. Is not provided
- 4. Is not provided but planned to be provided
- 5. No plan to provide at all

44. What is the system of information dissemination in the AMCOS?

(Tick against one or more factors)

- 1 Meetings 2. Notice Board 3. Rumours 4. Village meetings 5. None

45. Do members comply with decisions made by the leaders?

- 1. Yes, they all do
- 2. Yes, most of all do
- 3. Yes, a few of them do
- 4. Non does
- 5. Other

46. Do you think decisions in the meetings are implemented as members agreed?

1. Yes..... 2. No.....

47. If no, what are the reasons that limit its implementation?

.....

48. Rank the following rights in order of how members fare in the AMCOS

Rights to members	Not at all = 0	A little = 1	Much = 3
1. Rights to use AMCOS assets			
2. Rights to have access to information			
3. Rights of attending meetings			
4. Right to be heard in the meetings			
5. Right to get dividend			
6. Right to influence decisions on investments			
7. Right to co-operative education			
8. Right to sell their produce in the AMCOS			

9. Right to chose leaders of the AMCOS			
10. Right to be chosen as a leader in the AMCOS			
Total score			

49. Who has more power in decision making in the AMCOS?

1. Management 2. Board 3. Union 4. Government

50. How can a member hold management accountable?

Accountability factors	Answer (Tick against one or more factors)
1. Through general meetings	
2. Through direct confrontation to the management	
3. By influencing board to enforce laws to managers	
4. Through by-law made, and followed	
5. By removing them to office through board	
6. By special meeting called by members	

51. How do you assess the accountability of AMCOS managers and board to members?

(Answer the questions in the following index summated scale that are about accountability)

Items about accountability	Not at all (=0)	A little (=1)	Much (=2)
1. The Board controls well the AMCOS budget			
2. The members controls the boards through annual meetings			
3. The boards control the management			
4. The member receiving feedback of the decision made at the AGM			
5. Implementation of the decisions made at the Annual General Meeting			
6. Following the by-laws in decisions made by the Board members			
7. Following the by-laws in decisions made by the managers			
8. The members adherence to by-laws			
9. Boards involving members on AMCOS assets maintenance			
10. Members responsiveness to AMCOS assets maintenance			
Total score			

52. Do you think there are any succession leadership planning in by the AMCOS?

1. Yes... 2. No*(If Yes, Skip question no 53; If No, Skip question no 54)*

53. If no what are the reasons?.....

54. If yes; how is it done?.....

SECTION D: INTERNAL FACTORS FOR CO-OPERATIVE SUSTAINABILITY

55. What is the role of the government in the AMCOS? *(Fill in relevant numbers in the following index summated scale)*

Government roles	Not at all "0"	A Little "1"	Much "2"
1. Audits			
2. Providing AMCOS Business enabling environment			
3. Providing governing rules and regulations			
4. Providing enabling environments for markets to AMCOS			
5. Regulate produce rice			
6. Providing AMCOS business education			
7. Providing agricultural inputs to AMCOS members			
8. Making valuation and assessment of AMCOS assets			
9. Quality control of produce			
10. Tax members produce			
Total score			

56. What is the role of AMCOS board and management?

Roles of board and management	Not at all "0"	A Little "1"	Much "2"
1. Providing by-law to members			
2. Influence Managers follow the co-operative law			
3. Providing loan to AMCOS members			
4. Preparing contracts of the AMCOS			

5. Enhance members to sell produce through AMCOS			
6. Quality control of the produce			
7. Rehabilitation of the AMCOS assets			
8. Provide agriculture inputs support			
9. Provide social support to public			
10. Promotion of its service to attract more members			
Total score			

57. What are the criteria for selecting the managers? (*Tick against one or more factors*)

- 1 Its advertised and qualified candidate is selected
- 2 They are chosen among the members at the AGM
- 3 They are chosen among the members by the board
- 4 They are employed by the Union
- 5 They are selected by the government on behalf of the AMCOS
- 6 Others

58. Do you know exactly the following aspects in your AMCOS?

Item	Not at all = 0	A little = 1	Much = 2
1. AMCOS by-law			
2. All AMCOS physical assets			
3. The value and number of shares			
4. The land ownership contracts			
5. The auditing report			
6. House rent agreement contracts			
7. Meeting minutes			
8. The planning budget			
9. The expenditure budget			
10. The employment contract of staffs			
11. AMCOS membership registration in the Union			
12. AMCOS registration certificate in other institutions affiliated			
13. Certificate of registration			

Scores			
--------	--	--	--

59. AMCOS funding sources (*Tick against one or more factors*)

- 1 Membership fee
- 2 Retained earnings
- 3 Financial aid
- 4 Lease of assets
- 5 Funds from the Union
- 6 Government funds
- 7 Others (*Specify*)

60. Are the available internal generated funds enough to support AMCOS activities?

- 1 Adequate for all activities
- 2 Adequate for most of the activities
- 3 Adequate for a substantial number of activities
- 4 Adequate for only few activities
- 5 Not adequate at all
- 6 Other (*Specify*)

61. Specify the 3 most important strategies used to increase internal sources of financing your AMCOS.

- 1.
- 2.
- 3.

62. Do members pay their dues specified in the AMCOS by-law?

- 1. Yes, to a larger extent

- 2. Yes, to small extent
- 3. They have not been paying enough
- 4. They are not paying at all
- 5. Others (*Specify*)

63. Have members been paying voluntary contributions to the AMCOS?

- 1 Yes, all have made some contributions
- 2 Yes, most have made some contributions
- 3 Yes, few have made some contributions
- 4 None has made a contribution
- 5 Others (*Specify*)

64. What do you consider are the three most problem facing the AMCOS?

- 1.
- 2.
- 3.

65. What kind of assistance does your AMCOS require to solve these problems?

- 1.
- 2.

SECTION E: EXTERNAL FACTORS FOR CO-OPERATIVE SUSTAINABILITY

66. Is your AMCOS audited every year? 1. Yes..... 2. No.....

67. If no, what is the course

68. Do co-operative officers regularly visit the AMCOS?

- 1 Yes, they always make visits
- 2 Yes, they sometimes make visits
- 3 They quite often visit the AMCOS
- 4 They don't visit the AMCOS at all
- 5 I don't know

69. How many visits made by co-operative officers for the five years past? (since 2011-15)

- 1 Once every year
- 2 More than once every year
- 3 Three times in five years
- 4 Twice in five years
- 5 Once in five years
- 6 Not at all
- 7 I don't know

70. Has your AMCOS received any loan from banks in the past 5 years?

1. Yes, 2. No, 3. Don't know

71. What was the use of loan received (*more than one response is acceptable*)

1. for AMCOS daily activities
2. To buy coffee
3. For renovation
4. For purchase of assets
- 5 To open new projects

72. Does your AMCOS have ability to accept or reject loan from a financial institution?

- 1. Yes, 2. No

73. What are the procedures to sell AMCOS members' produce?

- 1 Direct to the Coffee market,
- 3.Through the Union (KNCU or KCU),
- 4. To local private buyers
- 5. Through the coffee processors

74. Who determines the price of the produce?

- 1 Board 2. Management 3. Members 4. Buyers

SECTION F: MEMBERS’ VIEWS ON FACTORS FOR AMCOS SUSTAINABILITY

75. Has you AMCOS member increased or decreased for the past ten years?

Items	1 = Yes	2=No
No change		
Increased		
Decreased		
No change		
Score		

76. Has your AMCOS updated the member register in the past five years?

- 1. Yes.

How.....

- 2. No.

Why.....

77. If you were to choose alternative crops for the AMCOS, which one would you choose?

1. Coffee is enough
2. Coffee and other cash crops
3. Coffee and other food crop
4. A different crops from coffee
5. Coffee, food crops and other cash crops

78. Different from coffee, mention crops you think can be traded through your

AMCOS
(If the answer in question 77 is 1, skip question 78)

SN	Cash crops	Food crops
1		
2		
3		

79. What is the reason for the choice in question 78 above

.....

80. Does the AMCOS currently have the following aspects, which reflect chances of sustainability of democratic governance?

Measures	Before 2015			From 2015 to 2025		
	0 = Not al all	1 = A little	2 = Much	0 = Not al all	1 = A little	2 = Much
Variables						
1. Participative decision making process						
2. Adequate frequency and quorum meeting attendance						
3. Active member Participation in meetings						
4. Presence of organisation structure						
5. Transparency of board and employee						
6. Accountability of board and employee						
7. Member owned policy and by-laws						
8. Member based control mechanisms						
9. Provision of feedback to members						
10. Availability of leadership succession planning						
11. Application of government co-operative policy , Act, rules and regulation						
Total points						

81. What are your suggestions to make these factors to exist in the AMCOS?

Variables	Suggestion
1. Participative decision making process	
2. Meeting attendance and participative	
3. Presence of structure relations	
4. Transparency of board and managers	
5. Member owned policy and by-laws	
6. Member based control mechanism	
7. Projecting future markets	
8. Participative leadership	
9. Periodic election for leaders	
10. Board Accountability to members	
11. Good relations among members, board and managers	

82. What are the shortcomings facing AMCOS? Please point out the relevant ones in the list below.

1. Inadequate financial resource
2. Dependency on coffee only
3. Existence of dishonest leaders
4. Shortage of qualified staffs
5. Bad programs and plans
6. Inadequate of working tools
7. Financial embezzlement
8. Bad policies and laws
9. Low competences in criticizing the management
10. Others (specify).....

83. What can you advise to solve the problem facing the AMCOS

1. To look for sufficient fund
2. To reduce dependency
3. To look for qualified and experienced leaders

4. To look for honest leaders
5. To formulate good and implementable programs and plans
6. To procure sufficient working tools
7. To fight for and remove corruption
8. To push good policies
9. To build competence and capacity to criticize and influence management
10. Others (specify).....

THANK YOU FOR YOUR COOPERATION

Appendix 2: Interview guide for key Informants and Focus Group Discussion

MOSHI CO-OPERATIVE UNIVERSITY (MoCU)

P.O. BOX 474

MOSHI TANZANIA

A Guide for Interviews with Key Informants (Union Board Members and Managers, Co-operative Officers, Co-operative Trainers and NGO Officers) and focus group discussion with AMCOS Board Management and Members for Research on

Member Ownership and Democratic Sustainability in Agricultural Marketing Co-Operative Societies in Tanzania: Cases of Bukoba and Moshi Districts

By

Gratian Cronery Rwekaza (Mobile Phone 0755-628460; Email gcronery@yahoo.com), PhD Student and Lecturer, Department of Management, Faculty of Business and Information Science, Moshi Co-operative University

SELF INTRODUCTION

My name is **Gratian Cronery**, a PhD student of Moshi Co-operative University and a member of academic staff of the same University. Among other mandates, the University does research on economic, social, political, technological development aspects. This research is about co-operative governance, assessing the aspect of member ownership for democratic sustainability. I hereby request for your time to respond to my questions for the success of my research endeavour. I hereby ensure

you that the information you will provide will be used only for the purpose of this research.

1. The motivation of member to join the co-operative
2. Co-operative education to new members
3. Registration process of members
4. Willingness of members to join the co-operative society
5. Freedom of entry and exit in the co-operative
6. Buying of shares and payment of membership fee
7. The democratic process in the selling of produce in the AMCOS
8. Aspects of member ownership in the AMCOS
9. Meeting attendance by embers in the AMCOS
10. Process for formulating the governing instruments in the AMCOS
11. Changes in by-law as per changes in the National Co-operative Policy and Act
12. Involvement of members in decision making in the AMCOS
13. The procedures to market AMCOS members' produce
14. Determination produce selling prices
15. Transparency in the decisions made by board members and managers
16. Member ownership of policy and by-laws
17. Participative leadership
18. Availability and use of AMCOS governing instruments
19. The system of information dissemination in the AMCOS
20. Meetings decision implementations as members agreed
21. Succession leadership planning in the AMCOS
22. The role of the government in the AMCOS
23. AMCOS auditing
24. Loan to the AMCOS from the banks to market produce
25. Decision for AMCOS to accept or reject loans from financial institutions
26. Member based control mechanisms
27. Projecting future markets
28. Periodic election for leaders
29. Leadership accountability to members
30. Aspect needed for AMCOS to be democratically sustainable

THANK YOU FOR COOPERATION

Appendix 3: Data analysis by objectives

Objectives	Variables	Indicators	Analytical Models	Measurement Scale
One	members' democratic participation in decision making	Membership and member obligation fulfillment	NF	Nominal
		Membership and primary AMCOS services	MRA Chi-Square	Nominal
		Primary AMCOS internal democracy	t-test	Ordinal
		Members engagement in co-operative business	Likert scale NF	Interval
		Member ownership and decision making in the primary AMCOS	Cross tabulation Chi-Square MRA	Nominal
		Primary AMCOS democratic rights	NF Cross tabulation	Nominal
Two	accountability of the board and management to members	Governing instruments in the primary AMCOS	t-test	Nominal
		Co-operative governance complaints	MRA Cross tabulation	Nominal
		Managerial accountability assessment	t-test	Nominal
		Information dissemination in agricultural marketing co-operative societies	MRA Cross tabulation Chi-Square	Interval
		Decision compliance in co-operative societies	Likert scale Cross tabulation	Interval
		Decision making in the primary AMCOS	NF Cross tabulation	Nominal
Three	internal and external interfaces which promote co-operative sustainability	Membership rights in the primary AMCOS	t-test	Ordinal
		Leadership succession planning in primary co-operative societies	Likert scale Cross tabulation	Ordinal
		The role of AMCOS board and managers in their institutions	t-test	Ordinal
		Members' understanding of AMCOS assets and governing instrument		
		The internal capitalization of primary AMCOS	Likert scale Cross tabulation Chi-Square	Nominal Interval
		Price determination power of member produce	Cross tabulation	Nominal
Four	Members' views on factors for AMCOS democratic sustainability	The role of Government	t-test	Ordinal
		Procedure for becoming a manager in the primary AMCOS	Cross tabulation	Nominal
		AMCOS and auditing	Cross tabulation Chi-Square	Nominal
		The co-operative offices and co-operative sustainability	Cross tabulation Chi-Square	Nominal
		AMCOS and external capitalization	Cross tabulation Chi-Square	Nominal
		Registration status of members	NF Cross tabulation	Ordinal
		Sustainability of crops in primary AMCOS to sustain co-operative business	NF Cross tabulation	Nominal
		Democratic governance and AMCOS sustainability	t-test	Ordinal
		Members' suggestions for primary AMCOS to embark on democratic governance	MRA	Nominal
		Challenges facing AMCOS and ways forward	MRA	Nominal

**Appendix 4: Kilimanjaro and Kagera coffee sales & tax deduction
for the past 4 years (2012/13 to 2015/16)**

CROP YEAR		Research		Tanzania		District	Total
		Cess to	TACRI	Coffee Dev.	Fund	Cess	Deduction
CROP YEAR 2012/13							
Region	KGS	USD	(US\$)	(US\$)	(US\$)	US\$	
Kilimanjaro	3,671,174	10,677,978	80,085	21,356	NA	101,441	
	37,584,70						
Kagera		77,475,604	581,067	154,951	NA	736,018	
	1						
CROP YEAR 2013/14							
Kilimanjaro	4,267,695	13,420,837	100,656	26,842	NA	127,498	
	19,425,17						
Kagera		36,132,209	270,992	72,264	NA	343,256	
	9						
CROP YEAR 2014/15							
Kilimanjaro	3,590,852	14,536,381	109,023	29,073	NA	138,096	
	16,034,61						
Kagera		32,069,537	240,522	64,139	NA	304,661	
	8						
CROP 2015/2016							
Kilimanjaro	3,800,570	10,349,324	77,620	20,699	NA	98,319	
	24,555,29						
Kagera		43,209,740	324,073	86,419	NA	410,493	
	5						

Source TCB, 2016

Appendix 5: Tax and levies induced in co-operatives (charged on gross sells)

Item	Description	Amount	%
TCB levies	Research		0.375
	Coffee Development fund		0.20
	Export fee		0.01
	Buyers license	1,020 USD	
	Processing	1,020 USD	
	Premium coffee export	1,020 USD	
	Warehousing	520 USD	
	Roosting	270 USD	
TRA	Corporate tax		20
	Skill development levy		5
	Directors remuneration		
District	Rental tax on warehouse		
	Cess		3
	Trading license	150,000 TZS	
	Ant smuggling contributions	350,000 TZS	
	Seeding	350,000 TZS	
OSHA inspection fee			
Fire safety fee			
Coffee factory environmental inspection			

Source: KCU Export office (2017)

**Appendix 6: Union levy on produce deduction on net pay to
AMCOS members**

Produce costing	Measures of deductions
Financial transaction and transportation cost	On net collection
Crop insurance	On net collection
Financial insurance	On net collection
Produce parking bags	On each bag of farmer
Clearing and forwarding	On net collection
Warehouse charges	On net collection
Weighing verification charges	On net collection
Books and stationeries	On net collection
Interest on loan	On each Kg of produce
Union contribution	On each Kg of produce
Insurance management cost	On net collection
Processing cost deductions	On net collection
Export bags	On net collection
Bags transportation costs	On net collection
Coffee processed coffee transportation	On net collection
General meetings costs	On net collection
Sample chargers	On net collection

Source KCU Export (2016)

**Appendix 7: Changing Ministries in Co-operative Department
since independence (1961-2017)**

Name of Ministry	Year
Ministry of Trade and Co-operatives	1961-1964
Ministry of Trade and Co-operative Societies	1964-1976
Prime Minister's Office	1985-1990
Ministry of Agriculture and Co-operatives	1990-2000
Ministry of Co-operatives Development and Marketing	2000-2005
Ministry of Agriculture, Food and Co-operatives	2005-2015
Ministry of Agriculture, Food and Irrigation	2015 to date

Source: Tanzania Co-operative Development Commission Reports

Appendix 8: Schedule for key informant interview and FGD

Type	Institution	Respondents	Date	
Key Informant Interview	MoCU	Lecturers	12/10/2015	
	DCO Moshi	District co-operative officer	08/02/2016	
	DCO Bukoba	Assistant District co-operative officer	01/12/2015	
	RCO Kagera	Assistant I co-operative registrar	16/10/2015	
	RCO Kilimanjaro	Assistant I co-operative registrar	14/02/2016	
	TCB	Manager	09/02/2015	
	TCDC	Co-operative education office	16/10/2016	
	TFC	Manager	20/10/2016	
	KNCI	Manager	16/02/2016	
	COASCO Kagera	Manager	02/11/2015	
	COASCO Kilimanjaro	Manager	15/02/2016	
	Focus Group Discussion	Kagege Primary Co-operative Society	Board members, ordinary members and manager	10/11/2015
		Mweyanjale Primary Co-operative Society	Board members, ordinary members and manager	11/11/2015
		Buma primary co-operative society	Board members, ordinary members and manager	16/11/2015
Kobushwi Co-operative Primary Society		Board members, ordinary members and manager	18/11/2015	
Izimbya Co-operative Primary Society		Board members, ordinary members and manager	20/11/2015	
Kilema North Rural Co-operative Society		Board members, ordinary members and manager	01/02/2016	
Mwika North East Co-operative Society		Board members, ordinary members and manager	04/02/2016	
Kiruwa Vunjo Rural Co-operative Society		Board members, ordinary members and manager	08/02/2016	
Kibosho Central Rural Co-operative Society		Board members, ordinary members and manager	16/02/2016	
Mawela Co-operative Society		Board members, ordinary members and manager	20/02/2016	
Kagera Co-operative Union		Board members and manager	03/12/2015	
Kilimanjaro Native Co-operative Union		Board members and manager	19/02/2016	
Tanzania Co-operative development commission		TCDC offices	17/10/2015	