

**A STUDY ON FINANCIAL PERFORMANCE OF MULTIPURPOSE
COOPERATIVE UNIONS OF TIGRAI REGION, ETHIOPIA**

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ABSTRACT: *Performance measurement is defined as the process of quantifying efficiency and effectiveness. Effectiveness is compliance with customer requirements, and efficiency is how the organisation's resources are used to achieve customers' satisfaction levels. Financial performance deals with measuring the results of the firm's policies and operations in monetary terms. These results are reflected in the firm's return on investment, return on assets, value added, etc. The main purpose of this research is to study the financial performance of Multi-Purpose cooperative unions in Tigray Region. Eight unions are selected based on continuous auditing of the targeted unions'. The study considered three years' auditing report with regard to quantitative data analysis using financial analysis tools, such as liquidity ratios, leverage, profitability ratio Trend analysis of balance sheet and income statement, and Ratio analysis for the period of 2000 to 2003(E.C). The result of financial performance analysis illustrated that the financial position of the unions has not maintained satisfactory level of financial assessment; since the Liquidity ratio of the union is not sound enough under the study period. The study results indicated that the borrowing power of the unions and the profitability of the unions are lower than the average. The Asset utilization of the unions is not satisfactory and the unions have to sale additional share capital and unproductive fixed asset to increase own fund. To improve their efficiency in order to gain enough profit, and to save accumulated profit the unions must decrease administrative and operating expense which eventually lead to maximizing profits. Especially the finding of Profitability, Liquidity, Leverage and return on assets are below the average.*

KEYWORDS: Financial Analysis, performance, Ratio Analysis and cooperative unions

INTRODUCTION

Cooperation is an important tool to achieve the living standards. It enables individuals to achieve heights in the level of living through their friendly association (Rochadle Pioneers, 1844). It proved it as an economic vision amidst the industrial revolution war basses of 1947. As the concept spread across the world, philanthropist and associations began to experiment it in other fields. For example, Friedrich Wilhelm Raiffeisen (1818 – 1888) implemented the concept of cooperatives successfully on rural credit in Germany and Schulte Delitzsch (1809 – 1883) on urban credit in Germany (Ahmadu, 2005).

The cooperative movement in Ethiopia, the spirit of self-help and cooperation, has a long history as part of the farming community. Various self-help co-operatives still exist. They are institutions with an organizational base that are indigenous at local level, such as Debo, Iddir, and Iqub. These traditional informal cooperatives could be a base for the development of the formal cooperatives. In Ethiopia modern types of cooperatives were officially introduced on decree No.44/1960 (Bezabih,2009).The main objective of this proclamation was for improving the standard of living of the farmers, ensuring better business performance and improving methods of production (Negaritgazeta,1966).

As per the cooperative society's proclamation number 147/98, to provide for the establishment of cooperative societies had been also declared by the Federal Government of Ethiopia to bring all types of cooperative societies under one umbrella (Federal Negarit Gazeta, 1998). The amendment number 402/2004, Council of Ministers Regulation No. 106 /2004, became important instrumental documents in the cooperative movement of the country and Cooperative Union is composed of more than one primary cooperative society that have similar objectives; federation is a group that consists of unions, and primary cooperative societies with similar objectives (FNG, 2004E.C).

Specially, the Multi-purpose Cooperatives, primary and secondary Unions are organized in the rural agricultural areas. They are owned by farmer-members whose major occupation is agriculture. Thus, their major function is to supply farm inputs; fertilizers, quality seeds, pesticides, farm equipment's, and new technologies on cash and credit bases and searching for market outlets for farmer-members' produce. Besides, they deliver basic consumer goods and house furniture at reasonable price to member-owners and their community. From this, it is possible to see that cooperative unions in Tigray are playing a vital role in the food security program as well as in attaining the Millennium Development Goals in the rural.

The financial performance is measuring the results of the firm's policies and operations in monetary terms. These results are reflected in the firm's return on investment, return on assets, value added and one final way of evaluating financial performance is to simply compare financial statements from period to period and to compare financial statements with other companies. This can be facilitated by vertical and horizontal analysis (Michael, 2011).The study analyzes the financial performance of the unions through measurement of profitability analysis, liquidity analysis, solvency analysis and efficiency analysis from investment by standard ratios analysis.

Statement of the Problem

Cooperative movement in Ethiopia in general and in Tigray in particular has shown a dramatic growth not only in number but also in membership size, capital and operational diversity. This mainly attributes to the efforts exerted by the government and other stakeholders such as VOCA, Ethiopia. Cooperatives have been considered by the government as a potent instrument to lift the poor out of the realm of poverty and are much expected to contribute to the country's Growth and Transformation Plan. Cooperatives in Ethiopia in general and in Tigray in particular need to sustainably serve their members and meet what they are expected to contribute towards the country's national development. In effect, it is vital to monitor how these people's organizations are financially operating. Finance is a blood not only for corporate businesses but also for cooperative societies. Unless the financial position and financial performance of cooperatives are

healthy, it may be a nightmare for cooperative societies to sufficiently serve their members and contribute to the national economic development. So far few attempts are made to examine the financial performance of cooperative unions in Tigray by taking only one Woreda as a case (Tsegay, 2008; Sirak, 2011; and Tewlde berhan, 2011). No attempt is so far made to examine the financial performance of multipurpose cooperative unions in Tigray. The dearth of study encompassing the financial performance of cooperative unions in Tigray in the literature has initiated the researcher to examine the financial performance of the cooperative unions in Tigray. Thus, this study analyzes the financial performance of multipurpose cooperative unions in Tigray over the period 2000, 2002 and 2003. The audit for 2001 E.C is made in 2002 E.C.

However, studies on the financial performance of cooperatives at regional level are not undertaken so far. In view of realizing this gap, the researcher is motivated to undertake this research study to analyze the financial performance of multi-purpose cooperative unions in Tigray Region.

General Objective The General Objective of the study is to analyze the financial performance of multipurpose cooperative unions in Tigray Region.

Specific objective

Based on this broad objective, the study addressed the following specific objectives:

1. Examine the operating efficiency of the unions and
2. Study and analyze the overall profitability of the unions.

Significance of the study

Financial performance analysis through financial statement analysis is the process of examining relationships among financial statement elements and making comparisons with relevant information. So, such results are valuable tools which can be used by members, shareholders and creditors, financial analysts, and others in their decision-making processes related to the cooperative unions under this study.

The main goal of this research is to analyze financial statements of the unions from the past performance and current financial position so as to make predictions about the future financial performance of the unions. This Study will help the unions under investigation to suggest ways and means to improve the efficiency of the unions. Moreover, the study will be serving as a reference material for both academics and practitioners.

Scope of the study

The focus of the study was on analyzing financial performance of all multipurpose cooperative unions in Tigray Region. However, due to lack of complete audit reports of all the 33 cooperative unions in the region, the study ends up with 8 unions with complete 3 years' audit reports. The study has dealt with the financial performance, in terms of financial efficiencies of the 8 multipurpose cooperative unions in the region. The analysis covers the recent three years 2000, 2002 and 2003 (E.C) only because the financial statements of the unions for the year 2004 and 2005 are yet audited. The year 2001 is audited in year 2002, and the year 2002 is considered.

REVIEW OF RELATED LITERATURE

According to Yuvaraj and Biruk (2013), the financial health on the liquidity position of Gohe cooperatives saving and credit union indicated that unhealthy condition. According to WOCCU proposed standards the union may fail to satisfy the deposit withdrawal request due to the fact that the union has no liquid reserve funds to come across the request; deteriorating liquidity position provides members with unsafe place to deposit their money. Solvency or protection of Gohe cooperatives saving and credit union for delinquent loan is greater than 12 months and 1-12 months. There is 100% protection of delinquent loans outstanding that enables the union is survive in a safe status on protection in the study period and the solvency position also comply with the WOCCU model. However, Gohe cooperatives saving and credit union has not followed the specified policy for loan loss provision, bad debt written of, and no delinquency report due to the fact that the credit policy followed in the union is stringent and they make loan recovery for any loan delinquent from the balance of defaulters or from the accounts of guarantors which enables to have hundred percent solvency or protection to cover the possible loan losses from doubtful loans.

According to Nadezhda (2009), the financial performance of marketing cooperative enterprises operating in the agro-food market was examined empirically concluded that there are many other factors which affect the financial performance of the food cooperatives. Some of them are weak management, which causes problems of ineffective resource allocation in their use; high loan burdening and low liquidity levels; under developed marketing management, including the absence of certain market niches and non-recognizable brand names; and lack of knowledge concerning the rural society. Furthermore, the absence of competitive market strategies such as product differentiation, market segmentation, specialization, and diversification, prevents increases in profit margins and expansions in demand. To overcome the problems which were mentioned above, not only changes within the enterprises, but also government and cooperative organizational supports are required.

As described by Tsegay, (2008) the system of cooperatives is suffering by many problems like poor management and corruption. Furthermore, despite of its inherent characteristics of cooperative, it is true that different social, cultural, economic and political scenarios determine their success and failure. Mostly the potential of cooperatives and the extent of their development have in many cases failed due to low standard of performance and bad management.

According to Alema (2008), the liquidity ratios of the cooperatives were fluctuating during the consecutive years. This is because of the difference in the amount of the loan from year to year with the results for fluctuating in interest payable. Here, the impact of borrowing has shown in decreasing the liquidity ratio. Therefore, cooperatives should increase their capital to minimize the loan. Jemal, (2008) also used ratios analysis to evaluate performances of cooperatives taking the two years financial data (2001/2 and 2002/3) in the study districts. The liquidity analysis showed that the cooperatives under investigation were below the satisfactory rate (a current ratio of less than 2.00) for two consecutive years. All of the cooperatives under investigation in the two districts use financial leverage (financed more of their total asset with creditor's fund that is on average 89.35 per cent of the assets of the cooperatives was financed with creditors fund in the two years).

The profitability ratio of the cooperatives under investigation in the two districts showed that the profitability of the cooperatives was weak. All the cooperatives earn return on their asset below the interest rate the financial institution extend credit. The debt ratio shows the financial risk that is as debt becomes an increasing percentage of the cooperatives' financing source, the cooperatives face inability to meet debt obligations (Jemal, 2008).

In Ethiopia, several coffee farmers' multipurpose cooperative unions have been established to support peasants who are handicapped by their lack of negotiating power in the global economy. Coffee cooperatives have become more market-oriented and are now relatively democratic compared to the former Marxist cooperatives of the previous regime. Thus, the coffee cooperatives have provided higher profits to coffee farmers than have private traders. The actual volume of purchase, however, it is limited due to financial constraints. Because of this, the majority of cooperatives continue to rely on conventional marketing channels rather than on unions. Considering their weak financial condition, it is too early to judge the sustainability of the cooperatives because international prices have been high recently, and it is not yet clear how they would survive a downward international price trend (Kudama, 2007).

METHODOLOGY

For the purpose of the study the researcher employed as a research strategy design the survey study mainly it is cross sectional: collecting relevant data at one point in time from a sample selected to describe same large population at a time. For this research, quantitative data were employed and with regarding to the source of data, this study used only secondary sources of data. Secondary sources data were collected particularly from the three year 2000, 2002, 2003 (E.C) audited financial reports of the unions from Tigray cooperative Agency, woreda cooperative office and from the union's office.

The population of the study was multi-purpose cooperatives in Tigray Region. Even though there are 33 multi-purpose cooperatives in Tigray region, most of them were not regularly audited. The researcher considered multi-purpose cooperatives which have been regularly audited for three years. Therefore, the study deals with only 8 Multi-Purpose Cooperatives Unions which are properly audited in the consecutive three years (2000, 2002, and 2003).

The collected data were analyzed using the techniques of ratio analysis, Common size analysis, and trend analysis to find out the true picture of the financial performance of the cooperative unions over the recent three years. This study tried to analyze the data using profitability analysis, liquidity analysis, and leverage ratio analysis.

RESULT AND DISCUSSIONS

This part deals with the analysis and results of the study. Tables with percentages were used to analyze the ratios that are related to liquidity, leverage, profitability ratio, and common size income statement and trend of the financial performance of multipurpose cooperative unions.

Liquidity Analysis of the Unions: To measure the liquidity of the unions the study used current ratios and net working capital as indicated in Table 1.

Table 1: Liquidity Analysis of the unions

R N ^o	Name of Unions	Year	Current ratio CA/CL Standard (2:1)	Net working capital CA-CL Standard (>CA)
1	Aheforom	2000	2.51	348440.225
		2002	1.029	634082.04
		2003	1.03	1452123.56
2	Geter Aduwa	2000	1.449	347465.546
		2002	1.031	212368.53
		2003	1.122	2524653.75
3	Werei	2000	3.69	294232.268
		2002	1.015	174472.32
		2003	1.11	1975137.92
4	Welwalo	2000	1.012	57553.34
		2002	1.52	1949091.72
		2003	0.882	979534.83
5	Selam	2000	1.57	153847.91
		2002	1.04	467831.03
		2003	1.128	3651155.19
6	A/Gudom	2000	14.49	212436.30
		2002	14.49	211731.69
		2003	1.08	1676234.44
7	D/Ansa	2000	2.898	91884.28
		2002	1.026	421275.36
		2003	1.014	393238.49
8	DanshaAwerera	2000	2.00	3749872.25
		2002	2.90	3096935.27
		2003	1.052	2975761.10

Source: Audit report of the unions 2000-2003 (E.C)

The Current ratios of unions were presented in table 1. Table 1 indicates the current ratios of Geter-Aduwa, Welwalo, and Selam unions are 1.449:1, 1.012:1, and 1.57:1 respectively in the year 2000 E.C. This indicates that the current ratio is below the industry standard of 2:1 in the same year. It means that the unions are not capable of paying their short term obligations. Therefore, it indicates that some unions should keep their current ratios up to the industry standard to keep their financial solvency. Besides, in the year 2002 E.C, the current ratio of Selam, Geter Aduwa, Ahferom, Werei, and D/Ansa unions are, 1.05:1, 1.031:1, 1.02:1, 1.015:1, and 1.014:1 respectively. This indicates that the financial position of the union was not satisfactory to fulfill its short term obligation in the respective year.

Furthermore, Table 1 shows that in the year 2003 E.C the current ratios of Selam, Geter Adwa, Werei, A/Gudom, Aheforom, D/Ansa, and Welwalo unions are 1.128:1, 1.122:1, 1.11:1, 1.08:1, 1.03:1, 1.052:1, 1.014:1 and 0.882:1 respectively. This implies that the financial position of the unions were not satisfactory to fulfill their short term obligation in the respective year. The highest

ratio of the union which is above the standard were, Aheforom 2.51:1, Werei 3.69:1 A/Gudom 14.49:1, D/Ansa 2.898:1, D/Awerera 2:1 and, A/Gudom and D/Awerera 14.49:1, 2.9:1 in year 2000 and 2002 respectively. The value of current assets were decreased the ability of the Cooperative to meet their immediate obligation of all Unions in the described years.

The working capital of the unions was greater than current asset of the Unions. This indicated that the net working capital ratio of the Cooperative union were in good sound. As a result the financial positions of the union have enough liquid assets to pay off their short term obligations. Therefore, the union has a better liquid asset to meet their current obligation in the study period.

To measure the Leverage ratio of the unions the study used total debt to asset ratio and Total asset to debt ratio as indicated in Table 2.

Table2: Analysis of leverage ratio of the unions (2000-2003E.C)

R. N ^o	Name of Unions	Year	TD to AR Standard <0.5:1	TA to DR Standard >1:1
1	Aheforom	2000	0.22	4.5
		2002	0.934	1.07
		2003	0.94	1.06
2	Geter Aduwa	2000	0.665	1.5
		2002	0.86	1.16
		2003	0.89	1.12
3	Werei	2000	0.199	5.02
		2002	0.588	1.04
		2003	0.877	1.14
4	Welwalo	2000	0.965	1.06
		2002	0.60	1.65
		2003	0.96	1.04
5	Selam	2000	0.55	1.80
		2002	0.94	1.05
		2003	0.878	1.14
6	A/Gudom	2000	0.042	23.39
		2002	0.49	2.02
		2003	0.899	1.11
7	D/Ansa	2000	0.326	3.06
		2002	0.95	1.05
		2003	0.93	1.07
8	DanshaAwerera	2000	0.467	2.14
		2002	0.20	4.91
		2003	0.90	1.11

Source: Audit report of the Unions 2000-2003E.C

As depicted in Table 2, the debt-to-asset ratio of the unions of Welwalo, Geter Aduwa, and Selam were 0.965, 0.665, and 0.55 in the year 2000 E.C, respectively. Furthermore, in year 2002E.C the debt-to-asset ratio of the unions of Selam and D/Ansa, Aheforom, Selam, Geter Aduwa, Welwalo, and Werei were, 0.95, 0.934, 0.90, 0.86, 0.60, and 0.588 respectively. Besides, in year 2003, the

debt-to-asset ratio of the unions of Welwalo, Aheforom, D/Ansa, DanshaAwerera, A/Gudom, GeterAduwa, Selam, and Werei are 0.96, 0.94, 0.93, 0.90, 0.899, 0.89, 0.787 and 0.877 respectively. This implies that the debt-to-asset ratios of the unions are above the average. This means that the unions have higher debt-to-asset ratio in all the respected years in the study areas. To measure the profitability and efficiency of the union study used gross profit margin, operating profit margin, net profit margin and return on net asset ratio as indicated in Table 3.

Table 3: Analysis of Profitable Ratio/amount in birr

	Name of Unions	Year	GPM Standard 25%-30%	OPM 75%-85%	NPM	R ONAR
1	Aheforom	2000	22.35	-2.86	-5.64	-2.41
		2002	7.49	13.2	2.87	2.7
		2003	9.68	7.89	7.89	5.35
2	Geter Aduwa	2000	18.35	10.65	9.30	7.04
		2002	11.22	69.02	1.07	1.23
		2003	17.87	14.58	9.28	14.38
3	Werei	2000	12.35	4.80	2.24	1.92
		2002	4.23	1.06	0.19	0.27
		2003	11.72	14.83	4.82	9.63
4	Welwalo	2000	9.45	9.24	-5.19	-2.84
		2002	27.13	26.91	19.06	32.25
		2003	6.17	7.31	0.87	0.75
5	Selam	2000	16.28	0.87	0.13	-0.27
		2002	9.14	8.72	9.90	7.34
		2003	8.87	12.98	9.90	8.68
6	A/Gudom	2000	7.48	0.29	-0.53	-1.02
		2002	5.35	-1.63	-1.63	-0.99
		2003	23.69	19.75	8.00	10.79
7	D/Ansa	2000	*37.71*	12.97	11.81	33.03
		2002	10.21	8.06	5.49	4.55
		2003	12.54	5.24	5.24	5.70
8	DanshaAwerera	2000	11.49	11.97	9.63	0.35
		2002	2.93	3.54	2.23	14.25
		2003	17.11	0.83	0.83	0.36

Source: Audit Report of the Unions 2000-2003 E.C

The Profitability ratios are used to assess the ability of a business to generate earnings as compared to its expenses and other relevant costs over a specified time frame. As we can see from Table 3 above, the gross profit margins of the unions are efficient in which management produces in each unit of products and services. These ratios indicated that the average spread that exists between the cost of goods sold and the sales revenues. A high gross profit margin relatively implies that the union was able to operate relatively at lower cost.

The percentage of gross profit to net sales of the unions shows that there is very low or less than the expected proportion or percentage when compared to the total sales of the unions. The main reason for this problem may be the higher cost of purchasing or selling of the agricultural inputs that are delivered by the unions. There is no rigid in determining the performance of the unions are good or risky. The result indicated that there is a variation among the unions in the respective years. Thus it implies that the unions were operating their business less than the cost of their sales. As a result the gross profit ratios of the unions were very low. However, in the following two unions were differing: D/Ansa in year 2000, *37.71%* and Welwalo union in the year 2002, 27.13% of the gross profit margins were high. This implies that the levels of sales were increased and the costs of Merchandise sold were decreased.

The operating margin ratio of Selam union was increased continuously in the three consecutive years, while operating margin ratio of D/Awerera was decreased continuously in the three consecutive years. However, in most of the unions showed that the operating margin ratio of the given union was varying from time to time and from one union to the other. So, we can understand that the unions operating profit margin ratio was very poor which is far from the standard ratio for manufacturing is 75% to 85%.

The net profit margin of the unions was varying from one to other and with the union in the consecutive years. It shows that there was a loss for every birr in sales and also contributed a loss from every birr sales. The loss that occurred in the Multipurpose Cooperative unions the management cannot control cost of sales, purchases and operating expenses under the study period.

Table 4: Trend Analysis of Balance Sheet and Income statement of MPCU

Name of unions	2000/ Base 100 year	Particulars												
		Balance sheet							Income statement					
		CA	AR	INV	FA	TA	LIAB	OEQ	Sales	COGS	GP	IFOP	OP	NI
Aheforom	2002	3822.17	4308.28	2552.00	186.84	2197.88	9320.31	184.76	4837.66	5763.38	1621.84	7417.71	1707.	2359.8
	2003	6526.18	92257.99	242.89	184.96	3692.88	15753.84	283.92	5857.06	6812.84	2536.77	--	1424.54	8288.32
Geter Aduwa	2002	616.81	622.34	3398.4	2078.7	668.25	866.41	273.5	1017.1	1102.79	621.87	12453.	1470.71	117.1
	2003	2028.	207.08	11579	1170.	1997.86	2674.46	650.1	4093.51	4105.76	3985.39	59641	5464	4083.
Werei	2002	2843.92	2035.96	6282.85	188.26	2142.	10342.99	101.86	3613.87	394.84	1238.	203.39	14.25	300.55
	2003	4665.44	5597.29	7361.22	604.35	3500.97	15421.82	535.35	8166.67	8225.35	7750.58	6145.43	84.3	17555
Welwalo	2002	124.29	8819.88	29.03	461.33	131.7	82.50	1514.8	406.64	327.24	1166	185.73	221.26	1592.
	2003	481.82	46747	121.71	3616.4	555.02	553.19	606.47	874.35	906.06	570.8	1987.6	441.34	247.28
Selam	2002	2828.8	4800.4	45369.	256.56	2497.27	4373.8	280.5	1426.07	1586.78	821.03	2603.87	457.81	68737.
	2003	7594.9	18629.5	76584	441.26	6672.82	10583.	1814.	2888.7	3144.62	1573.24	9651.7	635.78	216952.96
A/Gudom	2002	240.83	41.87	438.99	96.75	185.51	2145.69	99.25	59.00	60.35	42.15	22.88	460.72	19.38
	2003	9747.65	13482.98	44890.14	448.94	6193.2	130637.72	658.8	4371.85	360.60	13835.5	133.37	1776.06	65658.26
D/ansa	2002	11484.65	74073.15	46274.	4494.62	11108.	32421.5	780.63	3296.47	4751.76	692.96	41654.3	1343.63	1529.95
	2003	19919.	254182.	45429.	20580.	19954.	56932	2036.54	7770.48	10910.37	2584.68	66016.7	2743.98	3444.18
DanshaAwerera	2002	63.12	232.6	703.79	531.45	100.03	43.58	149.54	173	189.73	44.12	2429.46	165.01	40.22
	2003	797.31	4086.98	5953.29	643.01	787.48	1517.99	146.8	92.25	86.39	137.33	452.05	326.92	7.94

Source: Audit report of the unions 2000-2003 E.C

KEY: CA =Current asset, AR= Accounts receivable, INV= Inventory, FA= Fixed asset, LIAB= Liability, OEQ= Owners Equity

The trend analysis of balance sheet and income statement of multipurpose cooperative unions were presented in table 4. According to the result demonstrated in Table 4 above Dansha Awerera was decreased from 100% to 63.12% in the year 2000 to 2002 respectively. Besides, D/Ansa increased from 100% to 11484.60% in the year 2000 to 2002 respectively. This indicates that current assets of the unions were fluctuating throughout the study year. Thus, it implies that the unions were not able to pay some of its obligation during the year under the study.

The table 4 shows that the fixed assets of the union were varying across the study period. A/Gudom was decreased from 100% to 96.75% in the year 2000 to 2002 respectively. However, D/Ansa was increased from 100% to 4494.62% in the year 2000 to 2002 respectively. Besides, even though it varies almost all unions were increased their fixed assets in the year 2002 to 2003. This indicates that purchasing power of the union was increased during the study period.

As indicated in Table 4, owner's equity of the unions is varying across the study period. So, this implies that the unions were not in a position to expand their activities and social fund from profit earning and even they could not pay the dividend fund to their members. As the data displayed in the above Table, the cost of goods that are sold by the unions were in different levels, which means in some of them was increasing and in some of them was decreasing. For instance, the cost of goods in Aheforom was increased from 100% to 5763.38%, while, in Selam was decreased from 100% to 60.35% in the year 2000 to 2002 respectively. On the other hand, in D/Ansa the cost of goods was increased from 100% to 10910.37% while in D/Awerera it was decreased from 100% to 86.39% in the year 2002 to 2003 respectively. Table 4 shows that the gross profits of the unions were fluctuating across the study period. On the other hand, almost all unions increased their gross profit in the year 2002 to 2003. This is because of the unions cost of goods sold was increased in the same years that is while the gross profit of the union increased under the study. Table 4 described that the net profit differs from one to another across the study period.

RECOMMENDATIONS

- Based on the study results, the following recommendations are suggested to concerned officials and cooperative managers to improve financial performance of the cooperative unions.
- To progress the liquidity position of the union, the unions should adopt some strategies like the union should work hand to hand with agricultural offices collecting all the receivables distributed on agricultural inputs to the farmers on credit bases.
- The unions should increase their own capital to finance fixed assets in order to reduce solvency ratio, this can be improved by selling additional share capital and unproductive fixed asset.
- The net profit margin ratio of the unions was low. So, to improve the profitability of the unions, the management of the unions has to minimize the operating expense and administrative expense and advance their working efficiency to gain enough profit and save accumulated profit for capital growth.
- The unions need collateral from governments in order to borrow from banks. However, the credit service provided through this mechanism does not allow for long-term investment options that could potentially add value to farmers' products. Almost all cooperative unions in the region

did not access long-term credit service for investment purposes. Therefore, the credit arrangements should not only focus on short term loans but also on long term loans.

- Cooperative financial and physical data management system should be improved. A cooperative audit report should also be kept at safety place with the cooperative agency of Tigray office.
- Finally, while cooperative unions play an important role in economic development of developing countries like Ethiopia, other researchers may conduct further researches on the cooperatives financial performance in other regions, financial planning and control of cooperatives and the application of accounting and auditing in cooperatives to find solutions to problems found in cooperatives operations. Therefore, this study could be an input for the future researchers

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