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THE ROLE OF COOPERATIVES ON THE SOCIO-ECONOMIC DEVELOPMENT OF ETHIOPIA

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ABSTRACT: This paper presents the role of cooperatives on the socio-economic development of Ethiopia. It is based on a national survey where 173 cooperatives and 831 cooperatives members were taken as a sample and Focused Group Discussions (FGDs) at eight different regions of the country were considered. The study was based on semi-structured questionnaire. It included a period of ten years (2001-2011). Results of the survey reveal that cooperatives have contributed a lot in the country's economic development besides supporting their members by providing different products, services, as well as variety of benefits such as securing their food, increasing their income, improving life style and social participation, and inputs for their agriculture activities. Moreover, on the average cooperatives support nearly 15.00 to 29.68 descent jobs and spent 28,032.29 up to 122,297.7 birr as wage and salary per cooperative per year. The average contribution of cooperatives to the Ethiopian GDP for the last ten years is found to be relatively less which ranges 1.21% to 12.27%. The overall findings showed that, cooperatives have struggled to impact the socio-economic development of the country and support their members to improve their livelihood with the unpaved economy and policy of the country.

KEYWORD: Cooperatives, Socio-economic, Ethiopia, empowerment of women and youth

INTRODUCTION

A cooperative is an autonomous association of women and men, who unite voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise¹. It is a business enterprise that seeks to strike a balance between pursuing profit and meeting the needs and interests of members and their communities. Cooperatives not only provide members with economic opportunities, but also offer them a wide range of services and opportunities. The cooperative enterprise model exists in many sectors, including agriculture, consumer issues, marketing and financial services, and housing. Cooperatives provide hundreds of million jobs worldwide² and count more than a billion members³. Historically Ethiopia has experienced modern cooperative movement since 1960 (Emana, 2009). Although the cooperative principles and values were introduced in the

¹ International Labor Organization Recommendation 193.

² ILO Coop Fact sheet No.1: Cooperatives and rural employment, 2007.

³Statistical information on the cooperative movement. International Co-operative Alliance.

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last imperial period, was limited to their number, membership and amount of capital with more focused n agricultural activities.

After the 1974 revolution, there was a strong cooperatives' expansion in Ethiopia. But the international principles and values were violated by the government in favor of promoting the socialist ideology throughout the rural areas of the country using cooperatives as means of attaining its objective. This resulted in that; many of cooperatives in rural areas were dissolved during 1991. Since 1991, however; policies of economic liberalization in Ethiopia have been effective in releasing the economy from rigid state control with exposing Ethiopians to domestic and international free market competition. One of central agenda of the Government is to bring about faster and sustainable economic growth and to make sure that the benefits of growth spread to the poor. In line with this policy, the government has given high priority to improve agriculture lead industrialization economic growth partly by stipulating the development of autonomous cooperatives to strengthen the efficiency of market and financial sector in the rural areas.

In a similar way, cooperatives have gained due attention at least in the development discourse as well as programs design to reduce poverty. These programs consider cooperatives as one of the vital institution for employment generation, increasing the incomes of the poor and thereby reduce the level of poverty. In the last few years, some moribund cooperatives were restructured and new ones created all over the country. In urban areas, they have become the largest employment creators for youth and women. The cooperatives allow members easy access to farming equipment, input, and added value through further processing and marketing the farmer produce. In addition, they supply consumer goods and provide credit services to their members in the cities.

As a result, the federal and regional governments of Ethiopia in general and the federal and regional cooperative agencies in particular have been putting tremendous efforts towards alleviating the level of poverty and later on achieving the goals of poverty reduction by creating and facilitating the cooperatives in the country. This paper is therefore, tries to assess the contribution of cooperatives to poverty alleviation and on the socio-economic development of Ethiopia through national survey in the country.

LITERATURE REVIEW

Sustainable development needs a strong and responsible private sector, an influential and inclusive civil society and a vibrant social economy, including cooperatives. Each of these should contribute its individual comparative advantage to collectively work towards the development of a nation. Globally, cooperatives are recognized as an important drivers and instrument for socioeconomic improvement of a country.

Today, in an era when many people feel powerless to change their lives, cooperatives represent a strong, vibrant, and viable economic alternative (Bello, 2005). Globally, there is a widely held consensus among many actors, including the United Nations, the International Labor Organization, and the International Co-operative Alliance, that the cooperative enterprise is the type of organization that is most suited to addressing all dimensions of reducing poverty and

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exclusion⁴. The way cooperatives help reduce poverty is important - they identify economic opportunities for their members; empower the disadvantaged to defend their interests; provide security to the poor by allowing them to convert individual risks into collective risks; and mediate member access to assets that they utilize to earn a living. With regard to the socioeconomic impact (Smith and Rothbaum, 2013) examined potential for cooperatives in the context of four prominent socio-economic issues: unemployment, inequality, educational mobility, and innovation revealing how cooperatives can generate employment, especially in times of economic crisis. They have also indicated that the comparative advantages that cooperatives and cooperative unions have in generating innovation and how they can help empower women and foster economic development. Cooperatives are community-based, rooted in democracy, flexible, and have participatory involvement, which makes them well suited for economic development (Gertler, 2001). In the service provision, cooperatives make decisions that balance the need for profitability with the welfare of their members and the community, which they serve. As cooperatives foster economies of scope and scale, they increase the bargaining power of their members providing them, among others benefits, higher income and social protection (Bello, 2005).

For small land-holding, developing and agricultural based economic countries like Ethiopia, cooperative type of business is recommended as a solution to promote income distribution, reduce poverty and vulnerability, and improve quality of life and social welfare. While the number and type and the distribution varies from region to region, during the course of this study there are more than **26,672** registered primary cooperatives accommodating **5,926,433** members throughout the country as reported in Table1.

Region	No. of Prim.	Members			
	coops.	Male	Female		
Tigrai	1,293	339,623	90,146		
Afar	281	8,149	3,079		
Amhara	5,212	2,966,236	306,316		
Oromiya	6,973	511,686	135,490		
Somali	998	12,814	17,973		
Benshangul	135	5,645	1,500		
Debub	5,682	1,623,534	232,917		
Gambela	122	2,281	1,029		
Harari	363	8,409	3,045		
Dire Dewa	888	16,517	11,222		
Addis Ababa	4,725	333,464	168,689		
TOTAL	26,672	4,928,355	971,409		

Table1. Thenumbers of cooperatives and members by Regions

Source: - Federal Cooperative Agency, 2011.

⁴ International Labor Organization www.ilo.org/coop

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METHODOLOGY

The study uses both primary data and secondary data as a source of data to conduct the survey. While it covers the nine regions and two major cities of the country, it mainly focused on the evaluation of house hold income and poverty reduction, job opportunities created, economic empowerment of women and youth in selected districts.

The study also tries to identify the level of acceptance of cooperatives by the society, the negative and positive impacts of the contribution of socio-economic development in the country and the relation of cooperatives to livelihood and business management practices.

Sample design

In order to ensure reliable and representative data for the study, different sampling methods were employed.

The target population for this study was primary cooperatives (26,672) and cooperative unions (173), members from of the cooperatives, individuals, association and other different organizations. Further in order to assure the reliability of data, the study considered primary cooperatives and cooperative union which are audited for the last ten years. However, though the method used to select cooperatives was purposive, simple random sampling was used to select members from both types of cooperatives. The purposive sampling method which is anon-probability sampling was used to select cooperatives to account actively operating cooperatives as well as to distribute the samples according to their locations, regions and levels. Based on these approaches, a sample of 160 primary cooperatives and 13 cooperative unions were considered.

Data Collection

For the primary and secondary data which were required from cooperatives and cooperative unions and others, two different types' questionnaires were designed. While the first category of questionnaires were for primary cooperatives, cooperative unions and members of both with both close ended and open ended questions, the second type was a semi structured questionnaire for the focus group discussions for both cooperatives and cooperative union members. The questionnaires were distributed to 200 cooperatives and 900 cooperative members. A total of 173 cooperatives (160 primary and 13 union cooperatives) with a respondent rate of 86.5% and 831 members (36 from union and 795 from primary cooperatives) with a respondent rate of 92.33% are participated and completed the questionnaires.

Focus Group Discussion (FGD)

The goal of the FGD was to evaluate the contribution of cooperatives to the socio-economic development of Ethiopia. To keep the diversity of opinions and the involvement of all the focus group members, the groups were typically composed of several participants (6 to 12 individuals) and a trained moderator. The moderator was directly responsible for setting the ground rules, raising the discussion topics, and maintaining the focus of the group discussions. Accordingly, FGD was conducted in eight different regions of the country by invited members of cooperative as well as individuals from different organizations that have direct and indirect contribution and responsibility for the growth of cooperatives in the country. Among the participants were executive committee members of the representative cooperatives, members of the cooperatives, traditional leaders, government officials, women associations, Community

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Based Organizations (CBOs), NGOs and other international UN Agencies. The findings of the FGD are discussed along with the quantitative analysis.

RESULTS AND DISCUSSION

While assessing the economic impact of cooperatives on the economic development of Ethiopia, their contribution in terms the amount of employment created, wage and salary they paid, women and youth empowerment, participation in various social activities, contribution to infrastructure development, members' benefit were analyzed thoroughly. With regard to the secondary data, due to poor data handing, only cooperatives which properly responded are included in the analysis.

Employment

Looking into the total employment figure (Table 2), the findings of the survey show that the trend of employment generation has increased each year since 2004 up to 2009, dropped in 2010 and rose again in 2011. The increment may be amounted to the increase in the number of cooperatives. A more reliable figure may be the average rate of employment per cooperatives under each year. The "Mean Total" gives an average total employment size of cooperatives in each year. While the figure for 2002 is, on average, 15 employees per cooperatives and has grown to an average of 29.68 employees per cooperatives in 2011. If we look this growth with respect to gender, female employment rate increased from 6 to 13 in the years 2002 to 2011, which is 116.67% increment. An equivalent employment growth rate for the male has also shown from 9 in 2002 to 17 in 2011, which is 88.89% increment.

	# of			Time loyee		Time oloyee	La	uced bor Joyee	En	Total nploym	ent
Year	Coop.	Sex	Sum	•	Sum	Mean		-	Sum	Mean	Mean Total
2002		M	200			0.91	159				
	45	F	222	4.9	4	0.09	49	1.09	275	6.11	15
		Μ	215	4.4	29	0.59	150	3.06	394	8.04	14.1
2003	49	F	225	4.6	4	0.08	68	1.39	297	6.06) 14.1
		М	225	4.2	33	0.62	162	3.06	420	7.92	13.39
2004	53	F	242	4.6	5	0.09	43	0.81	290	5.47	15.57
		М	249	4.4	42	0.75	190	3.39	481	8.59	14.73
2005	56	F	260	4.6	9	0.16	75	1.34	344	6.14	14.75
		М	636	9.8	59	0.91	265	4.08	960	14.77	18.2
2006	65	F	124	1.9	14	0.22	85	1.31	223	3.43	10.2
		М	672	9.1	89	1.2	310	4.19	1071	14.47	19.04
2007	74	F	217	2.9	24	0.32	97	1.31	338	4.57	17.04
		М	736	9.3	117	1.48	415	5.25	1268	16.05	21.71
2008	79	F	253	3.2	43	0.54	151	1.91	447	5.66) 21.71

 Table 2. The number of employment from the year 2002 to 2011

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		М	584	6.8	171	1.99	651	7.57	1406	^{16.35} 25.14
2009	86	F	571	6.6	40	0.47	145	1.69	/36	8.79
		Μ	704	7.1	178	1.8	467	4.72	1349	^{13.63} 21.25
2010	99	F	546	5.5	71	0.72	137	1.38	/54	1.62
		Μ	1005	9.8	219	2.13	529	5.14	1753	17.02 29.68
2011	103	F	1053	10.2	94	0.91	157	1.52	1304	12.66

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Wage and Salary

With regard to the amount of money paid as wage and salary, Table3presentedthat for all categories of employments. The result indicated that, though there are some fluctuation in the result quality of data, the annual wage and salary per cooperative are increasing from the year 2002 (28,144.26) to 2011 (83,203.05).

	Amount in ETB							
				Average				
				per				
Year	Minimum	Maximum	Total	Cooperative				
2002	153.00	568,080.00	1,350,924.45	28,144.26				
2003	153.00	621,436.00	1,641,614.01	31,569.50				
2004	150.00	621,436.00	1,980,787.52	38,092.07				
2005	150.00	568,080.00	1,570,101.80	29,075.96				
2006	150.00	574,080.00	1,822,098.59	28,032.29				
2007	150.00	547,080.00	2,071,088.30	29,586.98				
2008	150.00	584,850.00	2,775,349.97	34,263.58				
2009	160.00	6,941,000.00	11,495,924.78	122,297.07				
2010	160.00	723,739.24	5,110,318.86	47,759.99				
2011	160.00	2,378,538.00	10,233,974.81	83,203.05				

Table 3.Wages and salaries from the 2002 to 2011.

Empowerment of Women and Youth

The other area of interest where cooperatives are expected to contribute in the socio economic development of the country was empowering women and youth in different areas. In the process of empowerment and development of women and youth, cooperative involvement is assessed using 14 questions. All in all, the findings shows only that 2(1.2%) to 6(3.9%) of the respondent replied that they don't know to the questions. This indicates that cooperatives have high awareness on their involvement to empower women and youth in different social and economic activities. Whereas the extent of their participations and level of involvement varies, from the findings reported in Table), it is clear that from 89% to 95% of the cooperatives have made valid response as to whether they have involved or not for all the 14 items.

As can be seen in the same table136 (82.40%) of cooperatives are involved to increase the participation of women, followed by 128 (80.5%) of cooperatives involvement to increase women's income. The third level of involvement, rated by 115 (71.9%) of cooperatives

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involvement in supporting women to possess their own resources. Increasing the participation of youth was also addressed to the fourth level as 112 (70%) of the respondents conformed that their involvement in these activities.

Looking into the very least level of cooperatives involvements, only 72 (46.5%) and 80 (51%) of the cooperatives believe their involvement to support the youth and women, respectively, in starting and operating their own business.

	IDK			No	Yes		Total	
	No		No					
Areas of Cooperatives Involvement	•	%	•	%	No.	%	No.	%
1. increase the participation of				16.	13	82.	16	95.
women	2	1.2	27	4	6	4	5	4
2. increase the household income of				16.	12	80.	15	91.
women	5	3.1	26	4	8	5	9	9
3. Support women to possess their				26.	11	71.	16	92.
own resources	3	1.9	42	3	5	9	0	5
4. Train women to increase their				29.	10	67.	15	91.
self-esteem	5	3.1	47	6	7	3	9	9
5. Train women to increase their				33.	10	63.	15	91.
decision making power	5	3.2	53	5	0	3	8	3
6. Train women to increase their				32.	10	65.	15	91.
management power	4	2.5	51	3	3	2	8	3
7. Organize women to start and				45.		51.	15	90.
operate their own business	5	3.2	72	9	80	0	7	8
8. Increase the participation of the				27.	11	70.	16	92.
youth	4	2.5	44	5	2	0	0	5
9. Increase the household income of				34.		63.	15	90.
the youth	4	2.5	54	4	99	1	7	8
10. Support youth to possess their				39.		57.	15	91.
own resources	5	3.2	62	2	91	6	8	3
11. Train youth to increase their self-				39.		59.	15	89.
esteem	3	1.9	60	0	91	1	4	0
12. Train youth to increase their				42.		54.	15	89.
decision making power	4	2.6	66	9	84	5	4	0
13. train youth to increase their				45.		52.	15	88.
management power	4	2.6	69	1	80	3	3	4
14. Organize the youth to start &				49.		46.	15	89.
operate their own business	6	3.9	77	7	72	5	5	6

Table 3. Cooperatives' role in empowering women and youth

Moreover, from the findings it is revealed that cooperatives role and involvement in empowering women seem to have given relative higher priority than the involvement made to empower the youth. For example increasing participation of women is rated by 82% of the cooperatives whereas 70% of the cooperatives have worked to increase the youths'

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participation. Similarly, in supporting women to possess their own resources 72% of cooperatives have made some form of assistances, while 58% have worked to assist the youth in possessing their own resources.

Overall, the cooperatives involvement to empower women and youth are found to be the concern of the majority of the cooperatives. However, cooperatives have higher inclination in support of women (their participation, increase their household income, to possess their own resources and organizing and providing training in different aspects) than the youth.

Contribution to Infrastructure Development

Cooperatives are also part and parcel of the society and are expected to have involved themselves (directly or indirectly) in building new or supporting different existed infrastructures as part of their social services. The result presented in Table 8, show the participation level of cooperatives in the infrastructure development which ranges from the least 2% (establishment of libraries/reading centers/) to the highest 15% (in building schools). Again, though only very small numbers of cooperatives have some level of participation to support/build infrastructure in their community, fairly an encouraging proportion of them 26 (15%) found to have been involved in the recreation and sport centers development for youth.

Items (part E) economical				Amount In Birr							
infrastructures	Ν	%	Min.	Max.	Sum	Mean					
1. Building clinic	9	5	500	50,000	113,663.90	12,629.32					
2. Building schools (any level)	26	15	300	1,000,000	2,240,521.50	86,173.90					
3. construction road (any type)	11	6	172	176,000	350,172.00	31,833.82					
4. supplying clean water (tap or well water)	10	6	400	300,000	624,627.00	62,462.70					
5. building toilet	17	10	300	300,000	405,454.00	23,850.24					
6. establishing libraries and reading centers	4	2	912	49,000	53,512.05	13,378.01					
7. Youth and recreational centers	15	9	150	220,000	287,350.00	19,156.67					
8. Sport centers	11	6	200	50,000	91,300.00	8,300.00					
9. Flour mill	14	8	400	15,000,000	30,055,891.85	2,146,849.42					

Poverty alleviation

Cooperatives are also expected to play an important role in providing different products and services as well as improving the income and lively hood of their members. When cooperatives provide good services and/or products, it is obvious that, members will be benefited more. To this effect, the findings of the result are presented in table 2.7 show that the members' benefits are immense as the majority of the respondents (from 45.1% to 92.1%) have agreed or strongly agreed for the above stated benefits. Hence, both the cooperatives and their members shared the same feeling that members of the cooperatives are really receives several benefits in most of the benefits expected. However, in some of the benefits (considering both Strongly Disagree and Disagree), such as: have better toilet (29.6%), able to buy better farm equipment (36.2%),

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have possessed better house (30.3%), have better livestock (36.0%), have better communication tools (30.7%) and access to clean water (34.6%), almost one-third of the members showed their level of dissatisfaction.

Benefits Received		SDA*	DA	IDK	Α	SA	Total
T	Ν	23	56	13	313	400	805
Increases your household income	%	2.9	7.0	1.6	38.9	49.7	96.9
Variante Campan fam fam d	Ν	29	98	17	300	342	786
You are Secures for food	%	3.7	12.5	2.2	38.2	43.5	94.6
have access to bottom advantian	Ν	24	95	24	289	359	791
have access to better education	%	3.0	12.0	3.0	36.5	45.4	95.2
have income for better cloth	Ν	35	134	28	291	290	778
have income for better cloth	%	4.5	17.2	3.6	37.4	37.3	93.6
have income for better health service and	Ν	47	170	58	277	227	779
medicine	%	6.0	21.8	7.4	35.6	29.1	93.7
Have better communication tools	Ν	71	171	54	226	265	787
(Telephone: fixed/Mobile)	%	9.0	21.7	6.9	28.7	33.7	94.7
have better toilet	Ν	69	164	39	251	264	787
have better toilet	%	8.8	20.8	5.0	31.9	33.5	94.7
Hann an ann ta al ann ann tan	Ν	74	198	48	214	252	786
Have access to clean water	%	9.4	25.2	6.1	27.2	32.1	94.6
1	Ν	62	174	38	233	272	779
have possessed better house	%	8.0	22.3	4.9	29.9	34.9	93.7
Have better household appliances	Ν	53	138	31	303	265	790
(TV, Radio, sofa etc.)	%	6.7	17.5	3.9	38.4	33.5	95.1
he able to huy agricultural input	Ν	49	135	106	206	231	727
be able to buy agricultural input	%	6.7	18.6	14.6	28.3	31.8	87.5
Do able to have better form againment	Ν	61	192	131	158	157	699
Be able to buy better farm equipment	%	8.7	27.5	18.7	22.6	22.5	84.1
have better livestock	Ν	76	180	122	175	158	711
(ox, cow got, sheep or horse)	%	10.7	25.3	17.2	24.6	22.2	85.6
Vour life stule is shanged	Ν	40	128	33	313	265	779
Your life style is changed	%	5.1	16.4	4.2	40.2	34.0	93.7
Your attitude towards work is	Ν	18	36	16	238	490	798
changed/improved	%	2.3	4.5	2.0	29.8	61.4	96.0
Your attitude towards poverty reduction is	Ν	16	35	12	237	495	795
changed/improved	%	2.0	4.4	1.5	29.8	62.3	95.7
Your way/mode of life is changed/improved	Ν	5	9	2	77	65	158
Tour way/mode of me is changed/improved	%	3.2	5.7	1.3	48.7	41.1	19.0
your feeding style is changed/improved	Ν	31	125	28	334	269	787
your recuring styre is changed/improved	%	3.9	15.9	3.6	42.4	34.2	94.7
Your dressing style is changed/improved	Ν	33	118	31	332	255	769
	%	4.3	15.3	4.0	43.2	33.2	92.5
Increased/improved your participation	Ν	22	46	16	304	395	783
to the social service	%	2.8	5.9	2.0	38.8	50.4	94.2

Table 2.1	Members	benefit	received	from	cooperatives
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* SDA=strongly Disagree, D= Disagree, IDK= I don't Know, A = Agree, and SA= Strongly Agree.

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Contributions to Ethiopian GDP

As of the report of Ethiopian National Accounting Statistics (2005), the amount of money generated from the goods and services from cooperatives would be considered and aggregated as a value added to the GDP provided that, the intermediaries are deducted accordingly.

In the product or value added approach, goods and services are counted in gross domestic product (GDP) at their market values/price. According to this approach, the value addition of

cooperatives (union and primary) would be considered from the gross sales generated yearly. This is akin to the national Gross Domestic Product (GDP) measure without considering depreciation of capital goods. Since cooperatives are randomly selected in each region, the point estimation was used in the GDP inference. The finding also shows that the value added to GDP of the country is increased from the year 1993 to the year 2001. On the average the value added to the GDP for the last ten years is 8.01%.

Further, the total percentage contribution is improved and showed an increment except the year 2010.

Year	Value added by cooperatives to the GDP	Country's GDP	% contribution to the GDP
2002	760,077,069.49	62,832,596,000.00	1.21
2003	2,271,515,779.02	68,026,808,000.00	3.34
2004	1,444,798,509.84	66,556,647,000.00	2.17
2005	1,761,666,768.02	73,432,220,000.00	2.40
2006	3,232,842,774.24	86,660,951,000.00	3.73
2007	10,090,825,057.56	106,472,755,000.00	9.48
2008	11,046,966,291.35	131,641,453,000.00	8.39
2009	21,103,408,545.21	171,989,141,000.00	12.27
2010	19,527,518,024.57	248,302,677,000.00	7.86
2002	36,947,997,131.91	335,379,890,000.00	11.02

Table 2.8 Total percentage contribution

CONCLUSION

The many examples listed and arguments developed in this paper clearly demonstrate that cooperatives can make substantial, if not unique contributions to the achievement of the economic dimensions of the future sustainable development goals. From the findings of the survey it can be concluded that members' overall benefits, satisfaction levels are nearly attractive except in some areas. It can be also argued that cooperatives are highly involved in supporting women and youth to participate in the social service, to increase their income and possess their own resources. The contribution on the empowerment of women and youth as

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well as their participation of in various social infrastructure developments is an indication of their role in the country's social and economic development. The encouraging starts of their participation on various social clubs was also found be to an indication of their role in every aspect of the nation's development.

With respect to creation of job and employment, cooperatives have played a major role in the society as well as in the country. As the proportion of employment; cooperatives have also spent a portion of their earning to wage and salary for their employees.

From the findings, it can also be concluded that, cooperatives have contributed considerably in improving the lively hood of their members as well as non-members around them by providing better benefits such as improving their life, providing and fulfilling the basic needs, increasing their social participation, providing a diversity of products and services and also supporting and building different physical and social infrastructures. Moreover, cooperatives' contribution in the area of generating income to their members, making investment, and contribution to the GDP of the country for the last ten years are also encouraging and improving. All these contributions have increased year to year and have a significant impact on the socio-economic of the country directly or indirectly.

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