



**WERABE UNIVERSITY**  
**COLLEGE OF AGRICULTURE AND NATURAL RESOURCE**  
**DEPARTMENT OF AGRICULTURAL ECONOMICS**

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**DETERMINANTS OF FINANCIAL PERFORMANCE OF CONSUMER  
COOPERATIVES: THE CASE OF WERABE TOWN, SILTE ZONE  
CENTRAL ETHIOPIA REGION**

**BY: -**  
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**MARCH, 2026**

**WERABE UNIVERSITY**

DETERMINANTS OF FINANCIAL PERFORMANCE OF CONSUMER  
COOPERATIVES: THE CASE OF WERABE TOWN, SILTE ZONE  
CENTRAL ETHIOPIA REGION

A THESIS SUBMITTED TO THE DEPARTMENT OF AGRICULTURAL  
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## DECLARATION

I, the undersigned, declare that this Research entitled “Determinants of Financial Performance of Consumer Cooperatives: The Case of Werabe Town, Silte Zone Central Ethiopia Region” is my original work, prepared under the guidance of Negussie Zera (PhD) and Nefisa Mohammed (MSc.). All sources of material used for the Research have been duly acknowledged. I further confirm that the Research has not been presented either in part or in full for the purpose of earning any degree in any other higher learning institution

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Date

## **APPROVAL SHEET**

This is to certify that the Research prepared by Aschalew Tamirat, entitled “DETERMINANTS OF FINANCIAL PERFORMANCE OF CONSUMER COOPERATIVES: THE CASE OF WERABE TOWN, SILTE ZONE CENTRAL ETHIOPIA REGION” and submitted to the partial Fulfillment of the requirements for the degree of master of Master of Agricultural Economics complies with the regulation of the University and meets the accepted standards with respect to originality and quality.

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Advisor: \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

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## ABBREVIATIONS AND ACRONYMS

|        |                                                                 |
|--------|-----------------------------------------------------------------|
| BLUE   | Best Linear Unbiased Estimator                                  |
| CLRM   | Classical Linear regression Model                               |
| CS     | Capital Structure                                               |
| CSR    | Cooperative's social responsibility                             |
| DWT    | Durbin Watson Test                                              |
| EFCDB  | Ethiopia Federal Cooperative Development Bureau                 |
| GDP    | Gross Domestic Product                                          |
| ILO    | International Labour Organization                               |
| LQ     | Liquidity Ratio                                                 |
| NBE    | National Bank of Ethiopia                                       |
| OLS    | Ordinary Least Square                                           |
| OPE    | Operating Expense Ratio                                         |
| ROA    | Return on Asset                                                 |
| ROE    | Return on Equity                                                |
| ROS    | Return on Sales                                                 |
| SC     | Social Contribution                                             |
| SCCOS  | Savings and Credit Cooperatives                                 |
| SG     | Sales Growth                                                    |
| WTACD  | Werabe town City Administration Cooperative Development         |
| WTAPDC | Werabe town City Administration Plan and Development Commission |

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## **ABSTRACT**

*This study examined the determinants of financial performance of consumer cooperatives in Werabe Town, Silte Zone, Central Ethiopia. A descriptive research design study employed a three-stage sampling technique that allowed for the selection of 152 respondents from four different consumer cooperatives. A structured household questionnaire was the instrument used for collecting primary data, while secondary data consisted of official reports and audited financial statements for the years 2019 to 2023. Descriptive statistics followed by a multiple linear regression analysis were used to analyze demographic and socioeconomic factors, affecting financial performance of consumer cooperatives. The descriptive analysis indicated that the average age of consumer cooperatives in the study area was 7.71 years. Descriptive analysis also indicated that a widespread lack of access to technology (73.03%), lack of formal credit (58.55%), and lack of established market linkages (65.13%). Member perception surveys underlined insufficient financial resources as the most pressing internal challenge. R-squared value of 0.689, indicating that 68.9% of the variation in profitability is explained by model. The result of regression analysis indicated that education level, market linkage, access to technology, training of members, initial capital, and liquidity management were significantly and positively affect the financial performance of consumer cooperatives. The research suggested that cooperative managers focus on capacity building and digital transformation, while policymakers should implement targeted interventions for market access, technology grants, and a revolving fund to alleviate capital constraints.*

**Keywords:** Consumer Cooperatives, Financial Performance, Return on Assets, Werabe Town

# 1. INTRODUCTION

## 1.1. Background of the Study

Cooperatives are member-owned, democratically controlled business enterprises established to meet the common economic, social, and cultural needs of their members. Unlike investor-owned firms, they operate on the principles of self-help, mutual responsibility, and concern for community, balancing both social and economic objectives. In developing nations like Ethiopia, cooperatives are increasingly recognized as vital instruments for poverty reduction, enhancing food security, and fostering inclusive economic growth by empowering local communities (Siebel, 2024).

A consumer cooperative, a specific type of cooperative, is defined as an autonomous association of consumers united voluntarily to obtain their requirements of consumer goods and services on terms of greatest advantage, through a jointly owned and democratically controlled enterprise (Ngui, 2018). These entities play a crucial role in distribution systems by safeguarding consumers from market inefficiencies such as exorbitant prices, adulterated goods, and false labeling. By eliminating layers of middlemen, consumer cooperatives aim to provide quality goods at reasonable prices, thereby increasing the real income and welfare of their members. Their importance is underscored globally; for instance, in some countries, the cooperative sector contributes up to 5% of GDP, demonstrating its capacity to strengthen entrepreneurial networks and foster sustainable development (Hoang *et al.*, 2019).

To monitor this viability, cooperatives like those in Werabe Town are required to measure their financial performance and development regularly, typically through monthly reports prepared using official guidelines. These reports generate a wealth of financial data. The fundamental problem, however, is that these monthly and annual reports are often treated as mere compliance documents. While they are used to calculate financial ratios and assign a performance status (e.g., "fairly healthy"), they stop short of being analyzed to identify the key factors or determinants that drive that performance. As Pantea *et al.* (2014) state, performance measurement is the process of quantifying the efficiency and effectiveness of an action. Simply reporting a ratio does not explain why the ratio is high or low.

The lack of in-depth analysis creates a critical knowledge gap. Cooperative managers and union officials are left without evidence-based insights to inform their strategic decisions. They cannot proactively strengthen what works or address what doesn't, potentially leading

to suboptimal performance and, in the worst case, cooperative failure. Understanding these determinants is a core function of financial management, as profit maximization and sustainability are primary objectives for any business organization, including cooperatives (Fatihudin *et al.*, 2022; Carl *et al.*, 2011). The primary factors are often internal and firm-specific, drawn from analysis of financial statements (Ayako *et al.*, 2015).

## **1.2. Statement of the Problem**

Cooperative societies in Ethiopia aid in the adoption of improved technology, enabling farmers to secure better prices. Despite this, their contribution to commercialization is minimal, with only 10% of marketable surplus processed through cooperatives. Members' lack of knowledge about cooperative principles leads to reliance on government funding, jeopardizing success. Additional challenges include inadequate understanding of the cooperative model, conflict management issues, and limited technical skills, resulting in substandard services. These shortcomings foster dependency on governmental support, complicating the operational efficacy of cooperatives. Consumer cooperatives, which are owned by their members, also face significant hurdles in realizing their potential (Getaw, 2010).

A study by Odetola, *et al.*, (2015) indicated that cooperative societies had impact on members' welfare and played a role in poverty reduction and capital formation in Nigeria. However, the findings revealed that rural poor farmers were not properly served by formal financial institutions since they refrain from advancing loan to them due to bureaucratic procedures and high cost service involved in lending. Therefore, cooperative societies remained crucial to them as they were better placed to recommend them to financial institutions in regard to acquisitions of credit facilities. There is need for formulation of better policies to provide universal platform for developments in the agriculture industry to ease finance access to cooperative members so that they do more and benefit from their produce.

According to Matar & Eneizan (2018), not only for measurement but also which tools and indicator factors mostly affect the profitability of the firm. The factors that affect the profitability of the firm are different from financial institution to non-financial institution and also, they are different with in the same financial institution and same non-financial institution. It was still arguing issue among different researchers' effects of various factors on financial performance. Hence, many researchers have conducted a lot of studies on determinants of financial performance due to its significance for the institutional survival.

According to Kifle (2015), the challenges of cooperative movement in Ethiopia are their people are set well informed about the objective of the movement; the contribution it can make is rebuilding the society.

Jemal (2008) study the role of cooperatives in agricultural input output marketing by selecting 7 multi-purpose agricultural cooperatives and a total of 162 members from Eastern Tigray Zone. Ratios were analyzed by taking the five years financial data to examine the performance. The liquidity analysis, financial leverage and profitability ratio showed that the overall performance of cooperatives under investigation were weak or below the desirable level. Tobit model were adopted to identify factors influencing the participation. The result revealed that, probability of participation were significantly and positively influenced by education status, sex, number of paid up share capital, off-income, livestock owned, access to input credit, membership status, access to alternative marketing and members' satisfaction; while the influence of members' age, off-farm income and access to alternative market had inverse relationship and significant to determine participation.

Alema (2008), conducted his study on 10 primary agricultural multipurpose cooperatives and a total of 208 sample respondents to analyzed role of agricultural multipurpose cooperatives in Tigray Region of Ethiopia. Financial ratios were used to analyzed financial performance of primary agricultural multipurpose cooperatives based on two years audit report and adopted Probit model to identify the factors influencing the participation of cooperative members in input and output marketing. The result of financial ratio revealed that, the cooperatives under investigation had a current ratio of less than 2.00 and financed more of their total asset with creditors' fund and also the profitability ratio were not satisfactory. The econometrics results showed that, own land, shareholding, distance from the cooperatives, output price, membership in other cooperatives and seed price were significantly and positively affected the participation of cooperative members in the agricultural input and output marketing.

Extensive research has been conducted on the determinants of financial performance across various sectors. Empirical studies abound for financial institutions like banks and insurance companies (Ayano, 2016; Murerwa, 2015) and non-financial entities (Matar & Eneizan, 2018; Tailab, 2014). Furthermore, within the cooperative sector, some studies have focused on agricultural cooperatives (Dube & Ozkan, 2019) and Savings and Credit Cooperatives (SACCOs) (Sathyamoorthi *et al.*, 2016).

Various researches have highlighted the determinants of financial performance in various sectors, particularly within financial institutions and a few segments of the cooperative sector. However, a significant gap exists regarding consumer cooperatives, especially in Werabe town, which lack empirical insights into the factors affecting their profitability and stability. This absence of tailored knowledge leads to strategic decisions based on intuition rather than context-specific data, risking inefficient operations and poor financial health, ultimately harming low-income communities reliant on these cooperatives.

Therefore, this study seeks to address this gap by investigating the determinants of financial performance of consumer cooperatives in Werabe Town, Silte Zone. By moving beyond descriptive reporting to diagnostic analysis, this research aims to provide actionable insights that can enhance the financial sustainability of these vital community institutions.

### **1.3. Research Questions**

According to the problem that stated above, this study give special emphasize to answering the following specific research questions.

1. What are the perceptions of members regarding the consumer cooperative's financial performance in Werabe Town?
2. What are the factors that determine the financial performance of consumer cooperative's in Werabe town?

### **1.4. Objectives of the Study**

#### **1.4.1. General objective**

The general objective of the study is to examine the determinants factors of consumer cooperative's financial performance in Werabe town administration.

#### **1.4.2. Specific objectives of the study**

This study addresses the following specific objectives;

1. To assess the perception that affecting consumer cooperative effectiveness in Werabe town administration; and
2. To assess a factor that determines the financial performance of consumer cooperative's in study area.

### **1.5. Significance of the Study**

This study examines factors affecting the financial performance of consumer cooperatives in Werabe town. It highlights key performance determinants for cooperatives, aiding management and governance improvements, and assists local government in enhancing policy frameworks for economic development. Regional bodies gain empirical data for better interventions, while cooperative members learn the significance of involvement and capital contribution for improved returns. The research provides a foundation for future studies in cooperative finance within urban Ethiopia, focusing on financial performance to inform decisions that boost economic resilience and member welfare.

### **1.6. Scope and Limitations of the Study**

The study identifies firm-specific determinants of financial performance, measured by Return on Assets (ROA), focusing on variables such as member education level, initial capital, access to technology and credit, market linkages, liquidity, operating expense ratio, and training. Conducted in Werabe Town, Central Ethiopia, the findings are context-specific and not generalizable to other areas. Data from 2019 to 2023 was used to capture recent trends, though the five-year period may not suffice for long-term insights. Limitations include data quality, the exclusion of macroeconomic factors, and potential biases in member questionnaires. Nonetheless, the research design was chosen to ensure validity and reliability within its scope, highlighting areas for future study.

### **1.7. Organization of the Study**

This study was organized as follows; following the introduction chapter that contain background of the research, statement of the problem, research question, objective of the research, significance of the research, scope of the research, limitations of the research and organization of the paper. The second chapter provides an overview of related literatures. The third chapter is about research methodology applied for this study work it include research design, research approach, sampling technique, population and sample size, data gathering instruments as well as method of data analysis, forth chapter is about results and discussions and chapter five is about conclusion and recommendations.

## 2. Review of Related Literature

### 2.1. Theoretical Literature

#### Definition of words

**Performance** is an activity applied to a part or all of outcomes of actions in a time period, often with connection to previous or proposed expenditure efficiency, management responsibility or accountability (Khan *et al.*, 2017).

**Finance** is the process of distributing capitals in the form of loans, credit or investible capital to those business entities that need them most or can put them in the most productive use (Van Horne, 2015).

**Cooperatives** as an “autonomous association of individuals, who voluntarily associate on the bases of equal obligation and right; who are grappling with similar economic challenges and tries to solve this challenge mainly by conducting at their own risk and undertaking to which they have transferred one or more of such of their economic activities correspond to their common needs by utilizing their human, material and money by making joint association for their common economic and social benefit. We can understand that people create cooperative society to deter economic and social problem that cannot be achieved individually.

(Linnea & Bråtenius, 2016) defines CSR as “...company activities, voluntary by definition, demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders”

### 2.2. Overview of cooperative society in general context

The cooperative form of enterprise is widespread use throughout the world. It is applied in most market economy countries and to an increasing amount in the newly developing countries. Though cooperatives occurred in the former Eastern Bloc, they differed radically in both form and content from the international mainstream, as well as in the meaning intended here (Zarnan, 2018). Cooperation is an age-old way of attaining a goal that is beyond the resources of an individual or when working together offers a more applied or favorable solution. The co-operative as a different form of company is already over a 150-years old. Its birth occurred at the time when the contemporary market economy was in its infancy and the need arose for an alternative structure than one based on the ownership of capital or in modern terminology, a company owned by its members and/or customer-owners

Despite this glorious background, cooperation remains surprisingly unfamiliar. It is also said with explanation of cooperation will weak in theory but strong in practice. These factors together mean that throughout its long history, cooperation has often suffered from an identity or image problem which includes poor recognition, prejudice and misunderstandings of the society. For this reason, it is relevant to briefly discuss what cooperation is really about theoretically, historically and in practice

The concept of human cooperation is not new. It will exist even before the formation of modern cooperative with its own business principles which made it successful. There are quite considerable differences between countries in structures, regulation and their actual operating principles. However, irrespective of the market conditions in which they operate these cooperatives share a common origin and history in the establishment by the flannel weavers of Rochdale, (Biset Amene & Yadessa, 2018). The Rochdale Society of Equitable Pioneers established in 1844 was the first successful consumer cooperative business, with the concept gaining momentum in Britain during the 1850s amid industrialization and modernization.

Ethiopia has introduced contemporary types of co-operatives in various areas of attempt after the majority of African countries will their co-operatives will established by the Western powers during their colonization period. The first consumer co-operative will established in Werabe town in 1945 and after decree No. 44 of 1960 modern or „imported“ co-operatives will officially introduced (ILO, 1975). And now the Ethiopian government is trying to promote co-operatives with the objective of developing them into autonomous self-help institutions.

Mesganaw, (2015),The Cooperative Society Proclamation No.147/1998 cerate strong forward and backward linkage between government and cooperative society that is Cooperatives have been used as instrument by the government to interfere in the economy and also the legal recognition of special privileges to cooperatives like Government assistance, Income tax exemptions, Priority Claims, Administrative ease like No Business License, Temporary certificate pushing cooperatives from social objective model into investor owned firms (partnership/company) that means the Cooperatives enter into market competition and profit-maximizing model. Government uses Cooperatives as a means to implement policies specially to fight inflation and to control the price and distribution of basic goods Channeling to consumers and the cooperative uses this government motives as a

means of business advantage in the form privileges to cooperatives like Government assistance to get land, Income tax exemptions, Priority Claims, Administrative ease like No Business License, Temporary certificate possible only cooperators are pushing cooperatives from cooperation and social objective model into the realm of investor owned firms (partnership/company)- competition and profit-maximizing model.

### **2.3. Financial performance indicator**

All business entity has an objective of making profit and profit maximization but the extent of appropriate and efficient method used to achieve this objective is determined by firm's overall efficiency and effectiveness of earning its level of asset, sales, capital employed and net worth capital employed (Sheik, 2014). There are many conflicting theories in which the firm profitability (financial performance) can be measure and which criterion is best to measure financial performance. However, many researchers commonly used accounting value profitability indicators as proxy for financial performance because according to (Almajali *et al.*, 2015). The advantages of financial measures are the easiness of calculation and that definitions are agreed worldwide. Traditional, Balance sheet and data in income statement from financial ratios considered as critical measurement tools in determining financial assets of companies and performance (Nizam & Hoshino, 2015).

The determinants of firm financial performances divided into two-part firm specific or internal factors and macroeconomic or external factors (Adjé, 2018) (Al-Tamimi & Hassan, 2014). Firm specific or internal factors are stochastic variables that determine the financial performance firm. These factors are basically influenced by internal decisions of management. In the article of Jensen (1986), Stolz (1990) and Barney (1991-2001) on their strategic management thought, they consider firm-specific internal resources as primary factors of firm's total performance. These are. In the subject of accounting and finance typical firm-specific internal resources or it may also be referred as micro-level variables are capital structure, size, sales growth, operational efficiency and liquidity are the primary determinants of firm's financial performance. Internal factors are individual firm characteristics which affect the financial performance firm. Each of firm specific indicators is further discussed below how it affects firm financial performance.

#### **2.4.1. Capital structure**

Capital structure is measured by the ratio of total liability to total equity i.e. Debt-to-equity ratio. It shows the extent of the amount of loans in total asset. The existing literature on the

effect of leverage on a firm's financial performance has come to mixed results and conclusions (Nikolaus, 2014). There is no common agreement accurate proportion of capital structure in the firm. Generally, cost of equity capital is higher than interest charges on debt while having some debt is good, too much debt is risky. According to Ayana K. (2006) Organizations that are more leveraged are likely to face negative results as there is risk of default, in case the firm is unable to meet its obligations, is difficulty for firm to get new debt from the market. According to Matar & Eneizan, (2018), Leverage is not always bad, however; it can increase the stockholders' earnings on their invested funds and make better utilization of the tax benefits related to the debt financing.. So capital structure plays important role in financial performance of firm. Many empirical literatures showed mixed results on the relationship between capital structure and financial performance. Margaritas and Pillai (2015) found that capital structure is positively related to financial performance of firm. A recent research of Nikolaus, (2014) leads to the conclusion that leverage has a negative relationship with firm performance. He suggested that the efficiency of the country's legal system affects this relationship between firm's financial performance and capital structure. Accordingly, his suggestion is that a country with an efficient legal system, the negative effect of leverage on performance is lessened. leverage will significant and positive. However contrary to this study, Mirza, (2016) in Pakistan found that leverage will significant and positive and (Shah Mohd & Ahmed Siddiqui, 2020) found that capital structure had significant negative impact on financial performance.

#### **2.4.2. Liquidity**

Liquidity can be measured by calculating the ratio between current assets to current liabilities (current ratio) (Matar & Eneizan, 2018). It refers to the capability of a business to discharge its current liabilities which liabilities being mature in the next one year can be repaid from current assets of the firm. If the liquidity ratio is higher, the firm's ability to meet its current liabilities is higher in terms of the margin of safety. However, too high a ratio is an indication of poor asset management. According to Khan *et al.*, (2017), more liquidity will facilitate company to face unforeseen events and to manage its responsibility during operational activities of minimum profits. In general, many empirical studies show that there is inverse relationship between Liquidity and financial performance. The studies of show that liquidity have positive significant effect on profitability of the American firms (Tailab, 2014). Matar & Eneizan, (2018), reveal that the variable of liquidity is positively related with the return on assets (ROA) (Nikolaus, 2014), (Mirza, 2013) , (Demirgünes, 2016) on the fertilizer industry

of India conclude that liquidity in terms of current ratio has statistically negative effect on financial performance. Even though these evidences support the theory, some empirical studies reveal contradictory to the theory also exist. According to the studies of (Khan *et al.*, 2017) on textile industry in Pakistan, Ghosh and Maji (2003), (Borhan *et al.*, 2014), (Hoang *et al.*, 2019) , and (Tailab, 2014) analyzing factors effecting profitability of non-financial U.S. firms, liquidity in terms of current ratio has statistically positive effect on financial performance.

### **2.4.3. Social Responsibility**

According to Cho *et al.*, 2019) social responsibility refers broadly to a firm's legal, economic, ethical, and philanthropic responsibilities. (Nana *et al.*, 2018) defines social responsibility as the pursuit of the right policy in terms of social goals or values, describing it as the duty of businesspeople to follow such decisions and actions. When to conclude the relationship between firms's social responsibility and financial performance we should have to be consider the size of the firm (Zoubir, 2015). The size is therefore a factor of mediation in the relationship between CSR and financial performance. For large firm in the correlation between CSR performance and profitability (ROA), only social contribution has a positive (+) relationship at a significance level below 5%. (Cho *et al.*, 2019) but small firm has negative impact of CSR on the performance measured by several indicators (Zoubir, 2015). And also as reviled by (Linnea & Bråtenius, 2016) there will no significant reaction for the top performing companies' stock returns, but the general direction of the impact will negative.

### **2.4.4. Operating Expense Ratio**

The operating expense ratio is the ratio between the total operating expenses (TOE) and operating income or the effective gross income for an income producing property. This ratio represents the total amount of expenditures the society pay for earning total revenue. Therefore, the lower percentage of this ratio means that the societies earn better income in the particular year. Accordingly, from the above profitability ratio everybody understands that the society incurs high expenditure to earn revenue, therefore this imply that the societies financial performance is unhealthy and inefficient to generate income by using less expenditures. (Mugun, 2020) indicated that operating expense ratio had negative and statistically significant relationship with return to assets ratio.

## **2.5. Review of Empirical Literature**

This sub chapter provides so many evidences which identify the major determinants of financial performance and Consumer Satisfaction. In case, some studies are conducted on particular institution and the others on panel of institutions. Hence many researchers have conducted a lot of research on determinants financial performance and Consumer Satisfaction due to its significance for the institutional survival. In this case, the researcher starts reviewing empirical related literatures from the study made across cooperative institution, non-financial institution studies and also review of previous studies on different types of financial institution in different countries. There are a plenty of variables that affect financial performance institutions. In this study, the researcher focused on both consumer cooperative specific and macroeconomic determinants of financial performance consumer cooperative and Consumer Satisfaction in Werabe town. consumer cooperative specific variables like; firm size, capital structure, liquidity, operational Efficiency, Inventory turnover, sales growth and macroeconomic variables like gross domestic product and inflation.

when we see empirical studies on determinants of financial performance of cooperatives especially in consumer cooperative is difficult to get literature but in agricultural cooperatives. Consequently, different ratios measurements that will commonly utilized to measure the financial performance of cooperatives will liquidity ratios, leverage and profitability ratio of nine Multi-Purpose cooperatives will examined for the period of 2015/16 and 2016/17. The final conclusion of this study indicates that the cooperative's financial position had not maintained a satisfactory level of financial assessment. Dube & Ozkan, (2019) concluded that the current ratio of these cooperatives indicated that these cooperatives had enough liquid assets to pay off their short-term obligations. Consequently, The Liquidity ratio of the cooperative will not sound enough under the study period. Similarly, the capital structure that measured by debt to asset ratio as an indication of the financial risk of the cooperatives also implied that the cooperatives have a shortage of their own capital.

The variables include Interest expense percentage, Net profit ratio, Return on Total Assets, Total assets turnover, Sales to capital employed, Fixed interest cover, Interest on loans to interest on savings, Current ratio, Net book value per share, Earnings per share are independent variables and Return on capital employed is considered as dependent variable. The approach used to estimate the parameters of the model is the analytical techniques used include descriptive statistics of financial aggregates and ratios, correlation, regression and common size analyses. The study revealed that the selected SACCOSs had appreciable profitability potential which could be associated with effective utilization of resources,

controlled spending on administrative and financial expenses and effective control over credit. The findings of this study further revealed that the selected SACCOSs had a sound short term and long-term solvency positions supported by huge cash and cash equivalent balances and very low external funds (Sathyamoorthi *et al.*, 2016).

The study Singh *et al.*, (2019) on the determinants of financial performance of U.S agricultural cooperatives indicated that there are certain internal as well as macroeconomic determinants that influence Agricultural cooperatives' performance in a significant manner. Conducted research allowed them to investigate the possibility of macro aspect of economic policy uncertainty. The results also suggest that economic policy uncertainty in the U.S. in recent years may have harmed the Agricultural cooperatives' financial performance. In the case of internal factor, Growth is found positively associated with performance, While Size indicates that small Agricultural cooperatives usually earn higher rate of return on asset than large asset rich cooperative firms. With respect to size, it could be hypothesized that small Agricultural cooperatives, with a relatively small asset base, prefer to maintain higher liquidity and have a better market access ability than large firms.

## **2.6. Analytical Framework**

The analytical framework for this study, which examines the determinants of consumer cooperatives' financial performance in Werabe town administration, provides the methodological blueprint connecting theoretical concepts to empirical analysis. This framework is essential as it ensures that the research systematically addresses its objective through a structured approach to data collection, variable specification, and econometric analysis. The framework draws upon the positivist research paradigm, which assumes that financial performance can be objectively measured and that relationships between determinants and performance can be statistically estimated. In the Ethiopian context, consumer cooperatives face unique challenges related to governance, capital structure, and external environmental factors that necessitate a comprehensive analytical approach. By integrating insights from previous studies conducted in Addis Ababa, Chiro Town, and other Ethiopian localities, this framework ensures methodological rigor while remaining sensitive to the specific context of Werabe town administration. The framework ultimately guides the selection of appropriate analytical techniques, with Ordinary Least Squares (OLS) regression serving as the primary method based on its established validity in cooperative finance research across Ethiopia.

A systematic examination of previous empirical studies on consumer cooperatives in Ethiopia reveals a consistent methodological tradition that provides valuable precedents for this research. Shimber (2023) conducted a comprehensive study examining factors affecting financial performance of consumer cooperatives in Addis Ababa using panel data from 2016 to 2020. This study employed a random effects panel regression model selected through the Hausman specification test, analyzing audited financial statements alongside macroeconomic data from the National Bank of Ethiopia. The findings revealed that operational expense ratio, firm size, social contribution, and inflation had negative and statistically significant effects, while capital structure, sales growth, and liquidity ratio demonstrated positive and significant effects on financial performance. Similarly, Asrat (2017) utilized OLS regression with STATA version 12 to analyze the economic contribution of consumer cooperatives in Addis Ababa's Kolfie Keranyo Sub City, identifying that total income, household size, distance from cooperative shops, and member age significantly influenced economic gains. Gebre (2021) employed linear regression and correlation analysis using SPSS version 23.0 to examine success factors of consumer cooperatives in Kolfe Keraniyo Sub-City, finding that political influences, technology adoption, and management skills collectively explained 56.4% of the variability in cooperative success. More recently, Jemal and Abas (2024) applied multiple linear regression in SPSS version 24.0 to identify management, political, technological, and marketing factors affecting consumer cooperative performance in Chiro Town. Across these studies, the consistent application of regression-based methods whether OLS, panel regression, or multiple linear regression—establishes a robust empirical foundation for the methodological choices in the current study. Additionally, the study by Shewa et al. (2025) on agricultural cooperatives in Gamo Zone employed Tobit model regression, demonstrating that analytical method selection depends on the specific nature of the dependent variable and research context.

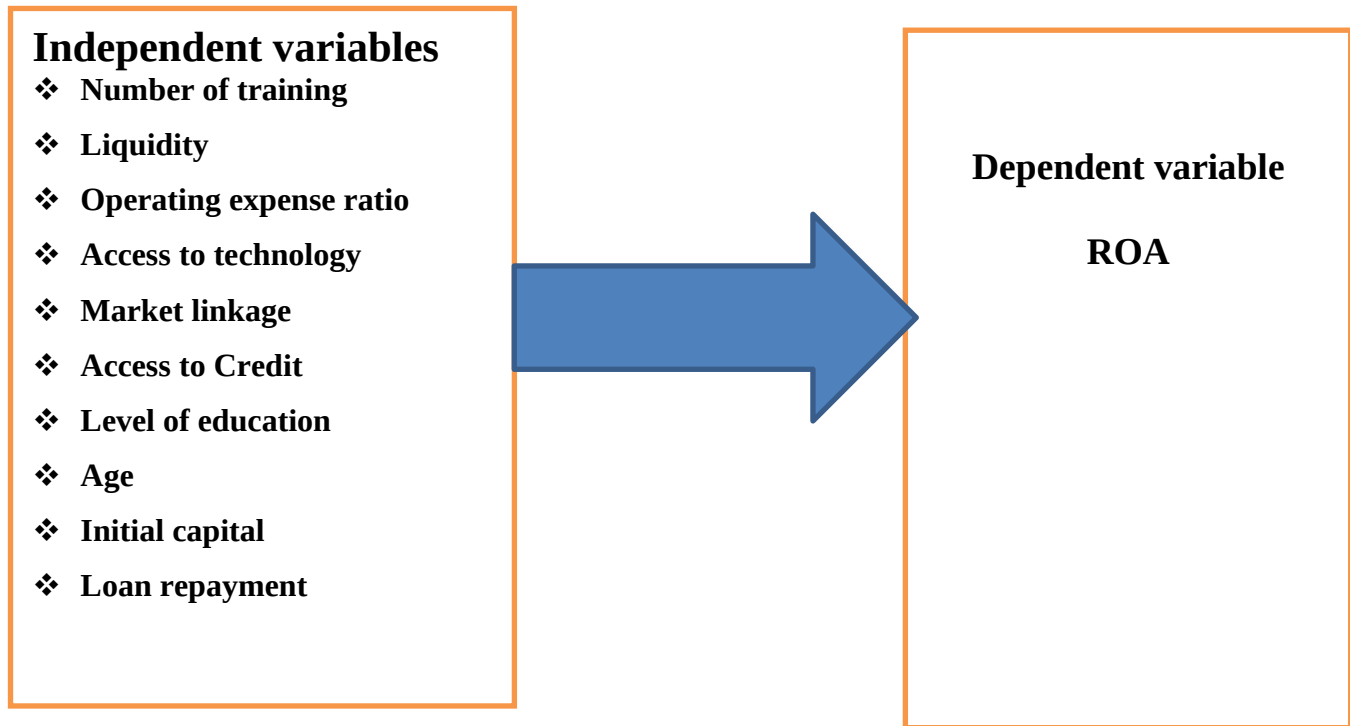
The selection of Ordinary Least Squares (OLS) regression as the primary analytical method for this study is justified through a comprehensive evaluation of theoretical considerations, empirical precedents, and the specific characteristics of the Werabe town research context. Theoretically, OLS estimation provides the Best Linear Unbiased Estimator (BLUE) under the Gauss-Markov theorem when the classical linear regression model assumptions of linearity, random sampling, no perfect multicollinearity, zero conditional mean, and homoscedasticity are satisfied. Shimber (2023) emphasized that these assumptions must be fulfilled for OLS to yield reliable estimates, and the study employed diagnostic tests including the Hausman specification test to validate model selection. From an empirical

perspective, OLS has been consistently validated across Ethiopian cooperative research contexts. Asrat (2017) successfully employed OLS with STATA to demonstrate that four explanatory variables significantly influenced members' economic gains, with total income, household size, and distance showing significance at the 1% level .

Gebre (2021) demonstrated that OLS regression effectively explained over 56% of the variability in cooperative success, with independent variables showing significant correlations with the dependent variable at  $p < 0.01$  . The comparison with alternative methods further strengthens the OLS justification. Logit and probit models, while useful for binary dependent variables, are inappropriate for this study as financial performance is measured as continuous variables through ratios such as Return on Assets and Net Profit Margin. Stochastic Frontier Analysis (SFA) and Data Envelopment Analysis (DEA), while valuable for efficiency measurement, are less suitable for directly estimating the marginal effects of specific determinant factors. Panel data models, which offer advantages for longitudinal analysis, are not applicable given the cross-sectional nature of the Werabe town data. The Tobit model, employed by Shewa et al. (2025) for agricultural cooperatives, is specifically designed for censored dependent variables, which is not the case for this study where financial performance ratios are continuous and fully observable . Therefore, OLS regression represents the most appropriate analytical method given the research objective, data structure, and established precedent in Ethiopian cooperative research.

## **2.7. Conceptual Framework**

From the theoretical and empirical literature reviews suggested that the financial performances of institutions are determined by firm specific (internal) and macro (external) factors. Both firm specific and macro factors used in this study includes capital structure, Firm Size, Operating Efficiency, Growth in sales, Inventory Turnover, Liquidity, Real GDP growth rate and Inflation rate only for the study proposed dependent variables



**Figure 1 conceptual frame works.**

Source: Researchers review of literature, 2024

### **3. METHODOLOGY**

This chapter consists of narrates of study area, development of research design and approaches, types, sources and method of data collection, sampling procedure and sample size, method of data analysis and definition of variables and hypothesis of variables.

#### **3.1. Description of the Study Area**

This research was conducted in Werabe Town, which serves as the administrative capital of the Silte Zone in the Central Ethiopia Regional State. Werabe Town is strategically located approximately 171 kilometers south of Addis Ababa, the national capital of Ethiopia. This proximity to the major economic and administrative hub of the country provides the town with a unique position for trade and commerce, while also presenting specific challenges and opportunities for local businesses, including consumer cooperatives. The town administration encompasses a total area of 2,786.09 square kilometers. Administratively, it is organized into three primary kebeles (the smallest administrative units in Ethiopia): Kebele 01, Kebele 02, and Alkaso Kebele. This administrative structure is crucial for understanding the distribution and governance of local institutions, including the cooperatives under study.

With an estimated total population of 120,000 people, Werabe Town is a significant urban center within the region. This population size indicates a substantial market base and highlights the potential demand for the goods and services provided by consumer cooperatives. The socio-economic dynamics of this population including livelihoods, income levels, and consumption patterns form the essential context within which these cooperatives operate and strive for financial sustainability.

As the zonal capital, Werabe is a focal point for administrative activities, trade, and services in the Silte Zone. This status makes it an ideal location for this study, as the performance of consumer cooperatives here is likely influenced by a concentration of economic activity and policy implementation, providing critical insights into the determinants of their financial performance.



Figure 2 Map of study area

### 3.2. Research Design

The study were used descriptive research design to explore relationship between the dependent variable ROA (profitability of consumer cooperatives) and the independent variables like, Age of the cooperatives, size of cooperatives, number of Training, Market linkage, technology access, credit access, loan payment period and initial capital.

### 3.3. Sources and Methods of Data Collection

The Primary data were collected from selected cooperatives Performance using structured questionnaires. The study was collected relevant information about the cooperatives from managers/owners as well as employee of the consumer cooperatives who represent the enterprise as business entity. Furthermore, secondary data were collected from cooperatives' annual financial statements (revenue authority department) and different published and unpublished sources.

### 3.4. Sampling Procedure and Sample Size

The study was employed three-stage sampling to achieve objectives of the study. **Firstly**, Werabe town administration was selected purposely due to large number of cooperatives compared with other wereda administration and town administration and its being the main town administration to Silte Zone. **Secondly**, 4 cooperatives with income statement were

selected purposely from 9 cooperative according their data in werabe town cooperative authority. **Thirdly**, the desired sample sizes were selected proportionally from each consumer cooperatives using a technique of random sampling method. Cooperatives established during the survey year were excluded from the sample as those cooperatives are startups and may not produce as such sufficient capital asset.

The study were employed (Yamane, 1967) sample determination formula to determine the desired number of samples from the total population.

$$n = \frac{N}{1 + N(e)^2}$$

Where, n= sample size, N = the total number of members in cooperatives in Silte Zone Werabe Town, and e is the level of precision (7 %). Accordingly, out of cooperatives registered in Silte Zone Werabe Town and that have income Statement, from these cooperatives, the study sampled cooperatives according to their proportion by (Yemane, 1967) formula. Here below, the study described the way how to compute the representative sample from cooperatives.

$$n = \frac{585}{1 + 585(e)^2} = 152$$

$n = 585 / 1 + 585 (0.07)^2 = 152$  to take Proportional sample from cooperatives members,

The sum of the total sample were =152

**Table 1: Sample respondents by cooprtatives**

| No | Name of co-operatives       | Population | Sample |
|----|-----------------------------|------------|--------|
| 1  | Werabe town youth coop      | 45         | 12     |
| 2  | Werabe town 1 consumer coop | 78         | 20     |
| 3  | Werabe town 2 consumer coop | 42         | 11     |
| 4  | Alkeso town consumer coop   | 420        | 109    |
|    | Total                       | 585        | 152    |

### 3.5. Methods of Data Analysis

**Profitability is simply the capacity** to make a satisfied, and a business needs to make a profit to provide a return to the customers or consumers and to grow the business. Hence, this study used Return on Assets (ROA) was used to examine the performance of cooperatives in Silte Zone Werabe Town. A multiple linear regression model was employed to estimate the profitability performance of consumer cooperatives ‘In the study area. The dependent variable profitability performance was measured by return on asset (ROA), which is a quantitative dependent variable. As cooperatives’ profitability performance necessarily can be quantified or measured according to their profitability performance amount in Ethiopian Birr. Financial status of the Trend of cooperatives in the study area were be analyzed by using Descriptive statistics & charts.

#### Specification of econometric Model

To estimate a profitability performance, and a business needs to make a profit to provide a return to the cooperatives and to grow the business. Hence, this study used Return on Assets (ROA) measured by the ratio of net income to total asset to examine the profitability of cooperatives, the following general empirical research model is developed as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_k X_k + \varepsilon,$$

where Y represents financial performance,  $\beta_0$  is the constant term,  $\beta_1$  through  $\beta_k$  are the coefficients of the determinant variables, and  $\varepsilon$  is the error term. This specification allows for direct estimation of the marginal contribution of each determinant factor while controlling for the effects of all other variables in the model.

### 3.6. Analysis of Diagnostic Tests

The coefficient estimators of constant and independent variables were checked for desirable features using tests including normality, heteroscedasticity, autocorrelation, and multicollinearity.

### 3.7. Definitions and Hypotheses of Variables

#### Dependent Variables:

**Profitability:** is used to measure the ability to earn profit by satisfying customers of cooperatives during the last five years (Since 2019-2023). The ability to earn performance of profits (by the ratio of net income to total asset) depends on the assets the company has

available for use in its operations. It is measured by the ratio of net income divided by Total Asset (ROA).

### **Independent Variables:**

The independent variables are those factors that affect the profitability of cooperatives.

**Age of the cooperatives:** it is continuous variable that is expressed as age of cooperatives which is measured by the number of years over which cooperatives exist in the business until the data is collected. As profitability of cooperatives is strongly influenced by their lifecycle stage and the growing process is also determined by the age of the cooperatives. Cooperatives, which stay for a long period, are expected to achieve economies of scale and generate high returns on the asset (Youssef, Salloum and Al Sayah, M., 2022). Whereas cooperatives with extended period of time have diminishing marginal rate of return and negatively affect asset profitability (Pilar Pérez-Gómez, *et al.*, 2018). Therefore, in this study, this variable is expected to have either positive or negative effect on the asset profitability of cooperatives.

**Education level of members:** It is a continuous variable measured in years of formal schooling of the enterprise **members** attended. Therefore, the education level of enterprise **members** is hypothesized to influence the profitability of cooperatives positively of (Endris, & Kassegn, 2023). As a result, this variable is hypothesized to affect the profitability of cooperatives positively

**Market linkage:** It is a dummy variable, which takes 1 if the enterprise had market linkage in their business operation and 0 otherwise. The use of Market linkage in their business might have a positive influence on the profitability of cooperatives. As a result, Market linkage might influence the profitability of cooperatives positively (Eshetu, 2021). As a result, this variable is hypothesized to affect the profitability of cooperatives positively

**Initial capital:** It is continuous variable which is expressed in the form of money assigned for the startup of establishing cooperatives. According to the deep study of (Youssef, and Al Sayah, 2022), who confirmed that working capital of the firm represent firm-specific independent variables have positive & significant effect on profitability. As a result, this variable is hypothesized to influence the profitability of cooperatives positively.

**Access technology:** It is a dummy variable, which takes 1 if the cooperatives access to ICT in their business operation and 0 otherwise. The use of ICT adoption in their business might have a positive influence on the asset profitability of cooperatives. As a result, access to ict might influence the asset profitability of cooperatives positively ((Endris, & Kassegn, 2023). As a result, this variable is hypothesized to influence the profitability of cooperatives positively

**Number of training:** It is a continuous variable, which refers to the number of formal training cooperatives members or employees have obtained since the startup of the business. Entrepreneurial skills and financial training enhance cooperatives competitiveness, thereby improving their asset profitability. Therefore, the number of training is expected to have a positive effect on the profitability of cooperatives (Endris, & Kassegn, 2023). As a result, this variable is hypothesized to influence the profitability of cooperatives positively.

**Credit access:** It is a dummy variable, which takes 1 if the cooperatives used credit in their business operation and 0 otherwise. The use of credit in their business might have a positive influence on the profitability cooperatives ((Endris, & Kassegn, 2023). As a result, credit use might influence the profitability of cooperatives positively.

**Loan repayment:** It is a continues variable which is expressed in the form of the length of year in which cooperatives payback to money for financial institutions. As of (Carvalho *et al.*, 2013) confirmed that Long term debt positively influences the profitability of the firm. As a result, this variable is hypothesized to influence the profitability of cooperatives positively

**Liquidity:** Liquidity can be measured by calculating the ratio between current assets to current liabilities (current ratio) (Matar and Eneizan, 2018). It is continuous variable which is measured by Ethiopian Birr which is the calculated by the ratio between current assets to current liabilities (Current Ratio). In in previous literatures, many empirical studies show that there is inverse relationship between Liquidity and financial performance (Khan *et al.*, 2017). The studies of show that liquidity has positive significant effect on profitability of the American firms (Tailab, 2014; Matar and Eneizan, 2018) reveal that the variable of liquidity is positively related with the return on assets (ROA).

**The operating expense:** The operating expense ratio is continuous variable which is measured by the ratio between the total operating expenses (TOE) and operating income which is explained by Ethiopian Birr that can also be calculated by the ratio between the total

operating expenses (TOE) and operating income or the effective gross income for an income producing property. Accordingly, from the above profitability ratio everybody understands that the society incurs high expenditure to earn revenue, therefore this imply that the societies financial performance is unhealthy and inefficient to generate income by using less expenditures. According to the study of Mugun, (2020) indicated that operating expense ratio had negative and statistically significant relationship with return to assets ratio. As a result, this variable is hypothesized to influence the profitability of cooperatives negatively.

**Table 2: summary of variables**

| Variable                       | Variable Type | Measurement                                                                                              | Expected Sign        |
|--------------------------------|---------------|----------------------------------------------------------------------------------------------------------|----------------------|
| Profitability (ROA)            | Continuous    | Ratio of Net Income to Total Assets (Net Income / Total Assets)                                          | N/A                  |
| Age of the cooperative         | Continuous    | Number of years the cooperative has existed in business until data collection                            | +/-                  |
| Education level of members     | Continuous    | Years of formal schooling attended by enterprise members                                                 | Positive             |
| Market linkage                 | Dummy         | 1 = if cooperative has market linkage in business operation; 0 = otherwise                               | Positive             |
| Initial capital                | Continuous    | Amount of money (in Ethiopian Birr) assigned for startup of the cooperative                              | Positive             |
| Access to technology (ICT)     | Dummy         | 1 = if cooperative has access to ICT in business operation; 0 = otherwise                                | Positive             |
| Number of training             | Continuous    | Number of formal training sessions cooperative members or employees have obtained since business startup | Positive             |
| Credit access                  | Dummy         | 1 = if cooperative used credit in business operation; 0 = otherwise                                      | Positive             |
| Loan repayment (Loan maturity) | Continuous    | Length of year in which cooperatives repay borrowed money to financial institutions                      | Positive             |
| Liquidity (Current Ratio)      | Continuous    | Ratio of Current Assets to Current Liabilities (Current Assets / Current Liabilities)                    | Positive or Negative |
| Operating expense              | Continuous    | Ratio of Total Operating Expenses (TOE) to Operating Income                                              | Negative             |

## **4. RESULTS AND DISCUSSIONS**

### **4.1. Descriptive Analysis of Continuous Variables**

This part presents descriptive statistics for the following variables, derived from a sample of five consumer cooperatives, with return on assets (ROA) serving as the main indicator of profitability.

The result of descriptive analysis indicated that the cooperatives have an average operational history (age) of about 8 (7.71) years, ranging from five years to an established entity with twenty years of experience. The average of natural log of initial capital is 19.31. The standard deviation of 1.367 indicated that disparity in the initial capital among the cooperatives, with values varied from 8.10 to 21.89. The result of descriptive analysis indicated that average of return on asset was 30.6%, which showed there was good profitability. However, the range from (0.25% to 60.4%) indicated that the disparities in financial performance across different consumer cooperatives. On average, cooperative members have approximately 5 years of formal education, with some having no schooling and others having up to 15 years. Members attended an average of approximately 5 training conferences, though this ranges from zero to 12 sessions, indicating inconsistent access to capacity-building programs. The average loan repayment period was 4.81 years. The range from 0 to 10 years suggested varying levels of financial stress or differences in loan term agreements with financial institutions.

The average current ratio of 1.28 showed that, on average, cooperatives possess adequate short-term assets to cover their immediate liabilities. However, the minimum value of 0.0056 revealed that at least one cooperative faces severe liquidity constraints. On average, 36.7% of operating income is consumed by expenses. The highest value of 89.5% indicates that some cooperatives operate with very high cost structures, which likely severely impacts their profitability.

**Table 3: Descriptive statistics of continuous variables**

| <b>Variable</b>           | <b>Obs</b> | <b>Mean</b> | <b>Std. Dev.</b> | <b>Min</b> | <b>Max</b> |
|---------------------------|------------|-------------|------------------|------------|------------|
| Log of initial capital    | 152        | 19.31       | 1.367            | 8.1        | 21.89      |
| Return on asset (ROA)     | 152        | 0.306       | 0.112            | 0.0025     | 0.604      |
| Age (years)               | 152        | 7.71        | 3.49             | 5          | 20         |
| Education level (years)   | 152        | 4.58        | 4.4              | 0          | 15         |
| Training (sessions)       | 152        | 4.53        | 3.32             | 0          | 12         |
| Loan repayment (years)    | 152        | 4.809       | 1.233            | 0          | 10         |
| Liquidity (ratio)         | 152        | 1.28        | 0.51             | 0.0056     | 2.444      |
| Operating expense (ratio) | 152        | 0.367       | 0.317            | 0.102      | 0.895      |

Source: Own survey result, 2025

#### **4.2. Descriptive Analysis of Dummy Variables**

This section examines how dummy variables, including access to technology, credit, and market linkages, impact the financial performance of cooperatives. It provides descriptive statistics for these variables based on a sample of five consumer cooperatives, using return on assets (ROA) as the primary profitability indicator.

The result of descriptive analysis indicated that a significant part (73.03%) of consumer cooperatives lack of access to technology. This limited adoption of digital tools (like accounting software, digital payment systems) likely affects financial performance of the cooperatives. But a 26.97% of respondents have access to technology probably advantage from more efficient transactions and record-keeping, possibly leading to stronger financial performance consumer cooperatives. The result of descriptive analysis also indicated that a significant part of respondents (58.55%) reported that lack of access to credit. This constraint limits consumer cooperative member's ability to finance inventory, invest in technology, or expand infrastructure, thereby financial performance consumer cooperatives but 41.45% of respondents get access to credit are better positioned to manage liquidity and expand operations.

The result of descriptive analysis also indicated that the significant portion of cooperatives members (65.13%) have not established formal market linkages with suppliers, buyers, or distributors. This lack of incorporation exposes them to higher risks of price volatility, spoilage, and unsold stock, impacting revenue stability, thereby financial performance consumer cooperatives. The 34.87% with established linkages likely benefit from bulk purchasing, guaranteed sales and access to more profitable markets.

**Table 4: Descriptive results of dummy variables**

| Variable             | Category                 | Frequency | Percentage |
|----------------------|--------------------------|-----------|------------|
| Access to technology | Has access to technology | 41        | 26.97      |
|                      | No access to technology  | 111       | 73.03      |
| Access to credit     | Has access to credit     | 63        | 41.45      |
|                      | No access to credit      | 89        | 58.55      |
| Market linkage       | Has market linkage       | 53        | 34.87      |
|                      | Has no market linkage    | 99        | 65.13      |

Source: Own survey result, 2025

### **4.3. Perception toward Consumer Cooperative**

This section analyzes the perceptions of members regarding the factors influencing the effectiveness of their consumer cooperatives.

#### **4.3.1. Perceived challenges to effectiveness**

The table presents respondents' perceptions of factors influencing the effectiveness of consumer cooperatives in Werabe Town. The responses are categorized into Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D), and Strongly Disagree (SD).

Table 4 presents members' perceptions of key internal challenges. The data reveals that “Insufficient financial resources” is the critically perceived issue, with a significant portion of respondents (52.6% combining SA and A) identifying it as a major constraint. This is a strong consensus indicated a fundamental operational obstacle. While a combined 46.0% agree that a “lack of transparency and accountability” is a problem, a significant 40.1% disagree, indicating this is a polarizing issue within the cooperatives.

Perceptions of “lack of sense of ownership” (35.4% SA+A vs. 48.6% D+SD) and “Corruption and lack of good governance” (28.3% SA+A vs. 51.3% D+SD) are not seen as primary concerns by the majority of members.

The “lack of capacity of the leaders” is acknowledged by 50.6% of respondents, but a substantial 35.4% disagree, suggesting that leadership competence is not a universally held concern.

Notably, half of the respondents (50.0%) disagree that an “Absence of clear vision and goal” is a hindrance, suggesting that most cooperatives are perceived to have adequate strategic direction.

**Table 5: Factors affecting consumer cooperative effectiveness**

| Factors affecting consumer cooperative effectiveness   | SA   |      | A    |      | N     |      | D    |      | SD    |     |
|--------------------------------------------------------|------|------|------|------|-------|------|------|------|-------|-----|
|                                                        | Freq | %    | Freq | %    | Freq. | %    | Freq | %    | Freq. | %   |
| Absence of clear vision and goal                       | 10   | 6.6  | 33   | 21.7 | 31    | 20.4 | 76   | 50   | 2     | 1.3 |
| Corruption and lack of good governance                 | 14   | 9.2  | 29   | 19.1 | 28    | 18.4 | 78   | 51.3 | 3     | 1.9 |
| lack of sense of ownership by members                  | 12   | 7.8  | 42   | 27.6 | 24    | 15.8 | 71   | 46.7 | 3     | 1.9 |
| Lack of transparency and accountability to the Members | 18   | 11.8 | 52   | 34.2 | 16    | 10.5 | 61   | 40.1 | 5     | 3.3 |
| Lack of Capacity of the Leaders                        | 11   | 7.2  | 66   | 43.4 | 21    | 13.8 | 44   | 28.9 | 10    | 6.5 |
| Insufficient financial Resources                       | 71   | 46.7 | 9    | 5.9  | 23    | 15.1 | 42   | 27.6 | 7     | 4.6 |

Source: Own survey result, 2025

#### 4.3.2. Perceived benefits of membership

Table below outlines the benefits members derive from the cooperatives. The most benefit obtained from consumer cooperative is the “Availability of the product at nearby” locations, with 74.3% (SA+A) in agreement. This underscores a key competitive advantage for consumer cooperatives in providing accessible goods.

“Source of income” (67.6% SA+A) and “job opportunity” (65.1% SA+A), confirming the cooperatives' vital role in local employment and livelihoods.

Members also recognize the provision of “quality products” (63.1% SA+A) and their role in providing “basic commodities with fair price” (46.1% Agree), though a notable 37.4% (D+SD) disagree on pricing, indicating room for improvement. A majority (60.5% SA+A) also agree that cooperatives contribute to the “stability of the local economy.”

**Table 6: What benefit do you get from consumer cooperatives?**

| 1. What benefit do you get from consumer cooperatives | SA   |      | A    |      | N     |      | D     |      | SD    |      |
|-------------------------------------------------------|------|------|------|------|-------|------|-------|------|-------|------|
|                                                       | Freq | %    | Freq | %    | Freq. | %    | Freq. | %    | Freq. | %    |
| job opportunity                                       | 26   | 17.1 | 73   | 48   | 23    | 15.1 | 16    | 10.5 | 14    | 9.2  |
| Source of income                                      | 10   | 6.5  | 93   | 61.1 | 29    | 19.0 | 15    | 9.8  | 5     | 3.3  |
| Stability of the economy                              | 21   | 13.8 | 71   | 46.7 | 19    | 12.5 | 26    | 17.1 | 15    | 9.8  |
| Basic commodities with fair price                     | 0    | 0    | 70   | 46.1 | 25    | 16.4 | 37    | 24.3 | 20    | 13.1 |
| Quality products                                      | 11   | 7.2  | 85   | 55.9 | 13    | 8.5  | 39    | 25.6 | 4     | 2.6  |
| Availability of the product at nearby                 | 23   | 15.1 | 90   | 59.2 | 8     | 5.2  | 31    | 20.4 | 0     | 0    |

Source: Own survey result, 2025

#### 4.3.3. Attitude towards cooperative objectives and management

Table below gauges member attitudes toward the cooperatives' management and outreach efforts.

A majority of members (54.6% SA+A) are confident that the cooperatives are “effective in achieving their objectives,” though a significant 21.1% are dissatisfied (D+SD).

Promotion and awareness efforts are viewed positively, with 72.4% (SA+A) agreeing that sufficient work has been done, making this the strongest-performing area.

However, membership drives are perceived as inadequate. This is the weakest area, with only 37.5% positive perception (SA+A) and 36.2% negative perception (D+SD), indicating a strong need for revised recruitment strategies.

Perception of government support is mixed; while 57.8% agree it is continuous (SA+A), a significant 30.9% disagree (D+SD), suggesting inconsistent experiences or expectations.

**Table 7: What is your attitude towards the Consumer cooperative’s in achieving their objectives?**

| What is your attitude towards the consumer cooperatives in achieving their objectives | SA   |      | A    |      | N    |      | D    |      | SD   |      |
|---------------------------------------------------------------------------------------|------|------|------|------|------|------|------|------|------|------|
|                                                                                       | Freq | %    | Freq | %    | Freq | %    | Freq | %    | Freq | %    |
| Attitude towards Consumer’s cooperative are effective in achieving their objectives   | 17   | 11.2 | 66   | 43.4 | 34   | 24.3 | 24   | 15.8 | 8    | 5.3  |
| sufficient promotion work has done to make known to the consumer/the public at large  | 20   | 13.2 | 90   | 59.2 | 14   | 9.2  | 28   | 18.4 | 0    | 0    |
| Adequate work has done to increase the number of members                              | 21   | 13.8 | 36   | 23.7 | 40   | 26.3 | 46   | 30.3 | 9    | 5.9  |
| Continuous support has got from the government                                        | 13   | 8.5  | 75   | 49.3 | 17   | 11.2 | 18   | 11.8 | 29   | 19.1 |

Source: Own survey result, 2025

#### 4.3.4. Member satisfaction levels

High satisfaction is reported for “Availability of basic products” (69.7% SA+A) and “Reasonable price of the products” (64.5% SA+A).

Significant dissatisfaction exists regarding “Convenience of location” (44.0% D+SD) and the “Consistency of supply of basic commodities” (32.9% D+SD), pointing to logistical and supply chain issues.

Satisfaction with “the commitment of the leaders” (50.0% SA+A) and “Timely distribution” (46.6% SA+A) is moderate, but the high disagreement levels (36.8% and 40.1% D+SD, respectively) reveal considerable concerns about management effectiveness and operational reliability.

**Table 8: What is the level of your satisfaction?**

| What is the level of your satisfaction about          | SA   |      | A    |      | N    |      | D    |      | SD   |     |
|-------------------------------------------------------|------|------|------|------|------|------|------|------|------|-----|
|                                                       | Freq | %    | Freq | %    | Freq | %    | Freq | %    | Freq | %   |
| Availability of basic products                        | 20   | 13.2 | 86   | 56.5 | 21   | 13.8 | 25   | 16.5 | 0    | 0   |
| Reasonable price of the products                      | 17   | 11.2 | 81   | 53.3 | 16   | 10.5 | 38   | 25   | 0    | 0   |
| Consistency of supply of basic commodities            | 28   | 18.4 | 36   | 23.7 | 38   | 25   | 46   | 30.3 | 4    | 2.6 |
| Convenience of location of consumer cooperative Shops | 24   | 15.8 | 27   | 17.7 | 34   | 22.4 | 64   | 42.1 | 3    | 1.9 |
| The commitment of the leaders                         | 12   | 7.9  | 64   | 42.1 | 20   | 13.2 | 42   | 27.6 | 14   | 9.2 |
| Timely distribution of basic products has carried out | 9    | 5.9  | 62   | 40.7 | 20   | 13.1 | 47   | 30.9 | 14   | 9.2 |

Source: Own survey result, 2025

#### 4.4. Regression Model Diagnostic Tests and Results

Prior to interpreting the regression results, it is essential to verify that the underlying assumptions of the Ordinary Least Squares (OLS) regression are met. This ensures the validity, reliability, and unbiased nature of the coefficient estimates.

##### 4.4.1. Test for multicollinearity

Multicollinearity exists when independent variables in a regression model are highly correlated, which can inflate the standard errors of the coefficients and make them unstable and difficult to interpret. To detect this, the Variance Inflation Factor (VIF) is used. A common rule of thumb, as noted by Gujarati (2003), is that a VIF value above 10 indicates severe multicollinearity.

As shown in Table 9, the VIF values for all independent variables are very low, ranging from 1.18 to 1.91. The mean VIF is 1.48, which is significantly below the threshold of 10. This confirms that there is no severe multicollinearity problem in the model. Each variable provides unique information, and the estimated coefficients are reliable and can be trusted for inference.

**Table 9: Variance Inflation Factor**

| Variables                | VIF   | 1/VIF |
|--------------------------|-------|-------|
| Access to credit         | 1.911 | .523  |
| Access to technology     | 1.858 | .538  |
| Education level          | 1.691 | .591  |
| Market linkage           | 1.656 | .604  |
| Training                 | 1.41  | .709  |
| Ln initial capital       | 1.358 | .736  |
| Liquidity                | 1.357 | .737  |
| Loan repayment of period | 1.233 | .811  |
| Operation ratio          | 1.184 | .845  |
| Age                      | 1.18  | .848  |
| Mean VIF                 | 1.484 | .     |

**Source:** Own survey result, 2025

#### 4.4.2. Test for normality

The assumption of normality stipulates that the residuals of the model should be normally distributed. This is crucial for conducting valid hypothesis tests (t-tests, F-tests) on the coefficients.

The D'Agostino-Pearson test in Table 9 formally tests this assumption. The null hypothesis ( $H_0$ ) is that the data is normally distributed. The p-values for both skewness (0.979) and kurtosis (0.829) are far above the common significance level of 0.05. The joint test's p-value of 0.977 leads us to fail to reject the null hypothesis. This indicates that the dependent variable, ROA, is normally distributed, satisfying the normality assumption and allowing for the use of parametric statistical tests.

**Table 10:Skewness/Kurtosis tests for Normality**

| Variable | Obs | Pr(Skewness) | Pr(Kurtosis) | adj_chi2(2) | Prob>chi2 |
|----------|-----|--------------|--------------|-------------|-----------|
| ROA      | 152 | 0.979        | 0.829        | 0.050       | 0.977     |

**Source:** Own survey result, 2025

#### 4.4.3. Test for Heteroskedasticity

Heteroskedasticity occurs when the variance of the error terms is not constant across observations, leading to inefficient estimates and biased standard errors. The Breusch-Pagan test checks for this.

The null hypothesis ( $H_0$ ) for this test is homoskedasticity (constant variance). The test result yields a chi-square statistic of 0.37 with a p-value of 0.5436. Since this p-value is greater than 0.05, fail to reject the null hypothesis. This confirms that the error variance is constant, meaning the model's standard errors are efficient and the inferences drawn from t-statistics and p-values are valid.

Thus, all critical diagnostic tests multicollinearity, normality, and heteroskedasticity have been passed. This confirms that the Multiple Linear Regression model is well-specified, and the results are robust and reliable for drawing conclusions.

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

$H_0$ : Constant variance

Variables: fitted values of ROA

chi2(1) = 0.37

Prob > chi2 = 0.5436

#### Auto-correlation /Durbin–Watson / test

Durbin-Watson used to test for serial correlation between errors. The test statistic can vary

between 0 and 4, with a value of 2 meaning the residuals are uncorrelated Field, (2006). A value greater than 2 indicates a negative correlation between adjacent residuals, whereas a value below 2 indicates a positive correlation. If serial correlation is suspected, then the proposed multiple regression models are inappropriate and some alternative must be sought. Referring this and the Durbin-Watson value of this research is 1.83. Therefore, the auto-correlation assumption has almost certainly met, since it falls between 1.5 and 2.5.

#### Model Summary<sup>b</sup>

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1     | .830 <sup>a</sup> | .689     | .667              | .064800                    | 1.83          |

a. Predictors: (Constant), Number of training, operating expense , log of initial capital, Age of the cooperatives: , Loan repayment, market linkage, Liquidity, Education level, Access technology, access to credit

b. Dependent Variable: Return on asset

## 4.5. Determinants of Profitability in Consumer Cooperatives

The model was used to analyze the determinants of profitability, measured by Return on Assets (ROA). **R-squared = 0.689:** indicates that the independent variables in the model explain approximately 68.9% of the variation in the profitability (ROA) of consumer cooperatives in Werabe Town suggesting an excellent model fit. **F-statistic = 31.283 (p-value = 0.000):** This is highly significant ( $p < 0.01$ ), allowing to reject the null hypothesis that all the coefficients in the model are jointly equal to zero. This confirms that the model is statistically significant and that the set of independent variables has a strong explanatory power on the dependent variable.

**1. Education Level:** The result of multiple linear regression analysis indicated that education level statistically and positively affects ROA (profitability of consumer cooperative) at 1% level of significance. A one-year increase in the average education level of members is associated with a 0.8 percentage point increase in ROA, holding all other factors constant. This finding aligns with human capital theory. Educated members are likely better at strategic decision-making, financial management, and adopting modern business practices. Endris, & Kassegn, (2023) similarly found that human capital is a critical asset for cooperatives, enhancing their operational efficiency and profitability through improved governance and innovation.

**2. Market Linkage:** The result of multiple linear regression analysis revealed that market linkages statistically and positively affects ROA (profitability of consumer cooperative) at 1% level of significance. Cooperatives with established market linkages have, on average, a 6.5 percentage point higher ROA than those without. This result underscores the importance of integration into value chains. Market linkages reduce transaction costs, guarantee sales

outlets, minimize price volatility, and often provide access to premium markets. Singh *et al.* (2019), in their study of U.S. agricultural cooperatives, emphasized that market access is a key driver of performance, allowing cooperatives to achieve economies of scale and scope.

**3. Log of Initial Capital:** The result of multiple linear regression analysis revealed that this variable statistically and positively affects ROA (profitability of consumer cooperative) at 5% level of significance. A 1% increase in the initial capital is associated with a 0.009 percentage point increase in ROA. This finding supports the resource-based view of the firm. Higher initial capital provides a financial cushion for investment in technology, quality inventory, and infrastructure, leading to better performance. This aligns with the work of Eshetu (2021), who confirmed that working capital is a significant firm-specific factor positively affecting profitability, as it enables smoother operations and investment in growth opportunities.

**4. Access to Technology:** The result of multiple linear regression analysis revealed that access to technology statistically and positively affects ROA (profitability of consumer cooperative) at 5% level of significance. Cooperatives with access to technology have, on average, a 3.4 percentage point higher ROA than those without. Technology adoption enhances efficiency, reduces operational costs, and improves record-keeping and market communication. This result is consistent with global studies on technology adoption in small and microenterprise. Endris, & Kassegn, (2023) have specifically highlighted that technology access is a key determinant of performance for Ethiopian enterprises, enabling them to overcome information asymmetry and operational inefficiencies.

**5. Liquidity:** The result of multiple linear regression analysis revealed that this variable statistically and positively affects ROA (profitability of consumer cooperative) at 1% level of significance. A one-unit increase in the current ratio (liquidity) is associated with a 4.1 percentage point increase in ROA. This positive relationship suggests that maintaining adequate liquidity is crucial for operational smoothness. It allows cooperatives to meet short-term obligations, seize purchase discounts, and avoid costly external financing. While some studies like (Tailab, 2014) found an inverse relationship (suggesting excess cash may be unproductive), your finding aligns with (Matar & Eneizan, 2018) and (Khan *et al.*, 2017), who argue that sufficient liquidity is a sign of financial health and managerial prudence, preventing operational disruptions.

**6. Training:** The result of multiple linear regression analysis revealed that this variable statistically and positively affects ROA (profitability of consumer cooperative) at 10% level

of significance Each additional training session attended by members is associated with a 0.4 percentage point increase in ROA. This variable is significant at the 10% level. Training builds the capacity of members and employees in key areas like financial literacy, customer service, and inventory management. This finding is supported by Eshetu (2021), who noted that continuous training is essential for improving the competitiveness and operational efficiency of small businesses and cooperatives.

**Table 11: Multiple regression result**

| ROA                    | Coef.    | St.Err.  | t-value |
|------------------------|----------|----------|---------|
| Age                    | 0.003    | 0.002    | 1.48    |
| Education level        | 0.008*** | 0.002    | 4.00    |
| Market linkage         | 0.065*** | 0.014    | 4.49    |
| Log of initial capital | 0.009**  | 0.004    | 2.17    |
| Access to technology   | 0.034**  | 0.015    | 2.19    |
| Access to credit       | 0.006    | 0.015    | 0.41    |
| Training               | 0.004*   | 0.002    | 1.91    |
| Loan repayment         | 0.001    | 0.004    | 0.16    |
| Liquidity              | 0.041*** | 0.012    | 3.43    |
| Operating experience   | -0.01    | 0.018    | -0.56   |
| Constant               | -0.029   | 0.079    | -0.37   |
| Mean dependent var     |          | 0.306    |         |
| R-squared              |          | 0.689    |         |
| F-test                 |          | 31.283   |         |
| Akaike crit. (AIC)     |          | -389.940 |         |

Source: Own survey result, 2025

## **5. CONCLUSIONS AND RECOMMANDATIONS**

### **5.1. Conclusion**

This study set out to examine the determinants of financial performance of consumer cooperatives in Werabe Town, Silte Zone, Central Ethiopia. The research was motivated by the critical role these cooperatives play in local socio-economic development and the identified gap in empirical knowledge regarding the specific factors that drive their profitability and sustainability. The study used a descriptive research design to explore the relationship between the dependent variable financial performance of consumer cooperatives measured by Return on Assets (ROA) and independent variables such as cooperative age, size, training frequency, market linkage, technology access, credit access, loan payment period, and initial capital. Data were obtained through structured questionnaires from cooperative managers and employees, alongside secondary data from financial statements and published sources. A three-stage sampling method was applied, with a focus on Werabe town due to its cooperative density, leading to the purposive selection of four out of nine cooperatives based on income statements, resulting in a sample size of 152 representatives.

The study successfully achieved its general and specific objectives. The analysis revealed that the financial performance of consumer cooperatives in Werabe Town is not a matter of chance but is significantly influenced by a set of identifiable and manageable firm-specific factors. In response to the first specific objective, the assessment of member perceptions revealed a clear consensus on the most pressing challenges and benefits. Insufficient financial resources emerged as the most critical internal challenge, highlighting a fundamental constraint on cooperative growth. Furthermore, while members highly value the cooperatives for providing accessible goods, job opportunities, and a source of income, significant dissatisfaction was noted regarding inconsistent supply, inconvenient locations, and perceived shortcomings in leadership commitment and timely distribution.

In response to the second specific objective, the econometric analysis provided robust, evidence-based answers. The regression model, which passed all critical diagnostic tests, demonstrated excellent explanatory power, accounting for 68.9% of the variation in profitability (ROA). The findings lead to the following conclusive points: The education level of members and the number of training sessions they receive are important positive drivers of profitability. This underscores that investing in people enhancing their financial literacy, managerial skills, and technical knowledge yields direct financial returns by improving decision-making and operational efficiency. Access to formal market linkages was identified

as one of the strongest determinants of performance. Cooperatives integrated into value chains through connections with suppliers and buyers outperform their isolated counterparts by achieving economies of scale, reducing transaction costs, and securing more stable revenue streams. Cooperatives utilizing digital tools for record-keeping, transactions, and communication operate with greater efficiency and transparency, directly boosting their profitability in a modernizing economy. Adequate starting capital provides a foundation for investment and quality operations, while strong liquidity management ensures cooperatives can meet short-term obligations and avoid disruptive financial crises, thereby sustaining smooth operations. The study found that variables such as access to credit, the age of the cooperative, the loan repayment period, and the operating expense ratio were not statistically significant determinants in this specific context. This suggests that simply having access to credit or being older does not guarantee success; rather, it is how resources are managed and what strategic choices are made (e.g., pursuing markets and technology) that truly matters.

In conclusion, the financial sustainability of consumer cooperatives in Werabe Town is primarily a function of strategic investments in human capital, technology adoption, and the development of robust market networks, all underpinned by sound financial management practices. This study successfully moves beyond generic description to provide a diagnostic, empirical model for understanding and improving cooperative performance in this specific context.

#### **5.1.1. Recommendations**

Based on the conclusive findings of this study, the following targeted recommendations are proposed for various stakeholders to enhance the financial performance and sustainability of consumer cooperatives in Werabe Town and similar contexts.

- Actively **proactively** market linkages: Move beyond passive operation. Management should proactively seek out and formalize contracts with bulk suppliers, regional distributors, and potential institutional buyers (e.g., schools, hospitals) to secure better prices and guaranteed outlets for goods.
- Digital Transformation: concerned body need to prioritize the adoption of basic ICT tools. This could start with mobile banking for transactions and simple spreadsheet-based inventory management systems to drastically reduce errors, improve record-keeping, and enhance transparency.

- **Implement prudent liquidity management:** Develop a formal cash management policy. Maintain an optimal level of liquidity to cover operational needs without tying up excessive capital in unproductive assets, thereby ensuring financial resilience.

Members of cooperatives:

- **Demand Accountability and Transparency:** Actively participate in general meetings and use the findings of this study to advocate for better management practices, especially in areas of concern like supply consistency and leadership commitment.
- **Invest in them:** Avail themselves of training opportunities provided by the cooperative or external agencies to enhance their own capacity to contribute effectively to the cooperative's governance and success.
- **Facilitate Market Access:** The Bureau should act as a catalyst by organizing regular trade fairs, creating a digital marketplace platform for cooperatives, and brokering linkages between cooperatives and larger buyers in the region.
- **Design Targeted Intervention Programs:** Shift from generic support to evidence-based programs.
- **Develop and subsidize financial literacy and managerial training schemes specifically for cooperative leaders.**
- **Establish a revolving fund specifically designed to address the identified challenge of "insufficient financial resources,"** offering accessible credit for inventory and technology investment based on a cooperative's performance potential, not just collateral.
- **Promote capital formation:** Encourage and facilitate policies that help cooperatives build their initial capital base through improved savings mobilization schemes and matching grant initiatives.

Future Researchers:

- **Longitudinal Study:** Future research should employ a longitudinal design to track the impact of these determinants over a longer period, providing deeper insights into causal relationships.
- **Expand the Scope:** Investigate the impact of macroeconomic factors (e.g., inflation, national policy changes) on cooperative performance, which were beyond the scope of this study.

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## APPENDIX

| ROA                                       | Coef.    | St.Err. | t-value              | p-value  | [95% Conf | Interval] | Sig |
|-------------------------------------------|----------|---------|----------------------|----------|-----------|-----------|-----|
| Age                                       | 0.003    | 0.002   | 1.48                 | 0.141    | -0.001    | 0.006     |     |
| Education level                           | 0.008    | 0.002   | 4.87                 | 0        | 0.005     | 0.011     | *** |
| Market linkage                            | 0.065    | 0.014   | 4.49                 | 0        | 0.036     | 0.093     | *** |
| Log of intial capital                     | 0.009    | 0.004   | 2.17                 | 0.031    | 0.001     | 0.017     | **  |
| Access to techninology                    | 0.034    | 0.015   | 2.19                 | 0.03     | 0.003     | 0.064     | **  |
| Access to credit                          | 0.006    | 0.015   | 0.41                 | 0.679    | -0.023    | 0.035     |     |
| Training                                  | 0.004    | 0.002   | 1.91                 | 0.058    | 0         | 0.008     | *   |
| Loan repayment                            | 0.001    | 0.004   | 0.16                 | 0.873    | -0.007    | 0.009     |     |
| Liquidity                                 | 0.041    | 0.012   | 3.43                 | 0.001    | 0.017     | 0.064     | *** |
| Operating expence                         | -0.01    | 0.018   | -0.56                | 0.578    | -0.047    | 0.026     |     |
| Constant                                  | -0.029   | 0.079   | -0.37                | 0.711    | -0.185    | 0.126     |     |
| Mean dependent var                        | 0.306    |         | SD dependent var     | 0.112    |           |           |     |
| R-squared                                 | 0.689    |         | Number of obs        | 152      |           |           |     |
| F-test                                    | 31.283   |         | Prob > F             | 0.000    |           |           |     |
| Akaike crit. (AIC)                        | -389.940 |         | Bayesian crit. (BIC) | -356.677 |           |           |     |
| *** $p < .01$ , ** $p < .05$ , * $p < .1$ |          |         |                      |          |           |           |     |

## APENDIX

### Survey Questionnaire

Dear sir/madam, please I would like to inform you, this questionnaire is prepared only for the academic research purpose for partial fulfillment of Master's Degree in arts. The title of the research is "Determinants of financial performance of consumer cooperatives: the case of werabe town, silte zone central Ethiopia region. And this questioner is to be filled by the members/consumers of consumer cooperative and its staff.

Please use (✓) mark

Questionnaire on Factors Affecting Profitability of Cooperatives

#### Section 1: Demographic Information

1. Cooperative Name: \_\_\_\_\_
2. Location: \_\_\_\_\_
3. Year Established: \_\_\_\_\_
4. Cooperative's Age: \_\_\_\_\_
5. Number of Members in the Cooperative: \_\_\_\_\_

#### Section 2: Profitability Information

##### 6. Net Income for the Past Five Years (2019-2023):

Year 2019: \_\_\_\_\_

Year 2020: \_\_\_\_\_

Year 2021: \_\_\_\_\_

Year 2022: \_\_\_\_\_

Year 2023: \_\_\_\_\_

##### 8. Total Assets for the Past Five Years (2019-2023):

Year 2019: \_\_\_\_\_

Year 2020: \_\_\_\_\_

Year 2021: \_\_\_\_\_

Year 2022: \_\_\_\_\_

Year 2023: \_\_\_\_\_

#### Section 3: Independent Variables

##### 9. Amount of Loan Obtained (in Ethiopian Birr):

Current Amount: \_\_\_\_\_

##### 10. Current Ratio (Liquidity) (Current Assets / Current Liabilities): \_\_\_\_\_

11. Operating Expense Ratio (Total Operating Expenses / Operating Income): \_\_\_\_\_

12. Access to Technology:

Do you have access to ICT in your operations? 1. Yes 2. No

13. Access to Market:

Do you have established market linkages? 1. Yes 2. No

14. Access to Credit:

Have you used credit in your business operations? 1. Yes 2. No

15. Training Received:

Number of formal training sessions completed since starting the cooperative: \_\_\_\_

16. Members Level of Education (Years of Formal Schooling): \_\_\_\_\_

17. Experience of the Firm (Years in Operation): \_\_\_\_\_

18. Initial Capital Invested (in Ethiopian Birr): \_\_\_\_\_

19. Loan Repayment Period (Years): \_\_\_\_\_

## 2. General information about the respondent

1.1 Gender a) Male ☐ b) Female ☐

1.2 Age

1.3 Educational status \_\_\_\_\_ grade

1.4 For how long have you been Consumer's cooperative as a member/user

a) Less than 1 year b) 1-2 years c) 2-5 years d) more than 5 years

|     |                                                        |    |   |   |   |    |
|-----|--------------------------------------------------------|----|---|---|---|----|
| 1   | Factors affecting consumer cooperative effectiveness   | SA | A | N | D | SD |
| 1.1 | Absence of clear vision and goal                       |    |   |   |   |    |
| 1.2 | Corruption and lack of good governance                 |    |   |   |   |    |
| 1.3 | lack of sense of ownership by members                  |    |   |   |   |    |
| 1.4 | lack of transparency and accountability to the Members |    |   |   |   |    |
| 1.5 | Lack of Capacity of the Leaders                        |    |   |   |   |    |
| 1.6 | Insufficient financial Resources                       |    |   |   |   |    |
| 1.7 | lack of institutional autonomy                         |    |   |   |   |    |
| 2   | What benefit do you get from consumer cooperatives     | SA | A | N | D | SD |
| 2.1 | job opportunity                                        |    |   |   |   |    |
| 2.2 | Source of income                                       |    |   |   |   |    |

|     |                                                                                       |           |          |          |          |           |
|-----|---------------------------------------------------------------------------------------|-----------|----------|----------|----------|-----------|
| 2.3 | Stability of the economy                                                              |           |          |          |          |           |
| 2.4 | Basic commodities with fair price                                                     |           |          |          |          |           |
| 2.5 | Quality products                                                                      |           |          |          |          |           |
| 2.6 | Availability of the product at nearby                                                 |           |          |          |          |           |
| 3   | What is your attitude towards the consumer cooperatives in Achieving their objectives | <b>SA</b> | <b>A</b> | <b>N</b> | <b>D</b> | <b>SD</b> |
| 3.1 | attitude towards Consumer's cooperative are effective in achieving their objectives   |           |          |          |          |           |
| 3.2 | sufficient promotion work has done to make known to the consumer/the public at large  |           |          |          |          |           |
| 3.3 | Adequate work has done to increase the number of members                              |           |          |          |          |           |
| 3.4 | Sufficient work has done to generate additional income                                |           |          |          |          |           |
| 3.5 | Continuous support has got from the government                                        |           |          |          |          |           |
| 3.6 | Timely distribution of basic products has carried out                                 |           |          |          |          |           |
| 4   | What is the level of your satisfaction about                                          | <b>SA</b> | <b>A</b> | <b>N</b> | <b>D</b> | <b>SD</b> |
| 5.1 | Availability of basic products                                                        |           |          |          |          |           |
| 5.2 | Reasonable price of the products                                                      |           |          |          |          |           |
| 5.3 | Consistency of supply of basic commodities                                            |           |          |          |          |           |
| 5.4 | Convenience of location of consumer cooperative Shops                                 |           |          |          |          |           |
| 5.5 | Appropriateness of customer handling and customer services                            |           |          |          |          |           |
| 5.6 | The commitment of the leaders                                                         |           |          |          |          |           |
| 5.7 | The quality of products                                                               |           |          |          |          |           |
| 5.8 | The participation of Members                                                          |           |          |          |          |           |
| 5.9 | Distribution of basic Products                                                        |           |          |          |          |           |

6. What major problems are faced by your consumer cooperatives?

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7. What remedial actions are taken to overcome this problem answered in question number 5?

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8. What are your recommendations for the effectiveness of Consumer's Cooperatives in future?

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9. What measures should be taken to improve the Consumer's Cooperatives in order to give better services to the community in the future?

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10. What do you say all about your consumer cooperative?

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11. What challenges have you faced in accessing technology? \_\_\_\_\_

12. How has your cooperative's age influenced its profitability? \_\_\_\_\_

13. In your opinion, how important is training for the profitability of your cooperative? \_\_\_\_\_

13. Do you believe that liquidity affects your cooperative's profitability? How?

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15. What strategies have you implemented to improve profitability? \_\_\_\_\_

16. Any additional comments on factors influencing your cooperative's profitability? \_\_\_\_\_