COOPERATIVE SOCIETY AND UGANDAN ECONOMIC DEVELOPMENT: A STUDY OF CENTENARY RURAL DEVELOPMENT BANK, KAMPALA

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Abstract

Co-operative is a unique form of business used by people and businesses for their mutual benefits. Cooperatives are community-based, rooted in democracy, flexible, and have participatory involvement, which makes them well suited for economic development. An economy based on one form of business organization alone is neither desirable nor possible in modern times. To justify their existence and fulfil their purpose, cooperatives must make a significant and unique contribution to solving some of the massive problems facing mankind today. This paper examines the impact of cooperative societies in economic development. With specific objectives on assessing the impact of cooperative society on Ugandan economy, to identify the nature of cooperative society in Ugandan economy, Both quantitative and qualitative approaches will be adopted in this study; Cross-sectional design will be use so as

to take a random sample across participants at one point of time and on account of its rapid turnaround in data collection. Survey design will be chosen because it enabled the researcher to collect data from a large number of respondents and a case study research design will be chosen because it enables the researcher to understand the variables in more details (Saunder, Lewis & Thornhill, 2003). A quantitative correlation will be chosen because variables were measured in numbers and analysed with Statistical procedures, in order to determine the relationship between public enterprise and an economics well (2003). However due to time the researcher will employ qualitative technique where data review and face to face interview is employed. Findings from the sourced data showed that cooperative society have great importance in economic growth and development of Uganda. Even though the impact of cooperative society on Ugandan economy has been hindered by regime change since independent, cooperative society still plays a leading role on enhancing Ugandan economic growth and development. Although cooperative societies in Uganda have witnessed tremendous successes, they have some retrogressive issues that tend to often stall the good will, progress and prosperity of these societies. Some of the issues listed in this paper include poor management and lack of trained staffs, insufficient financial resources on the part of members, dishonesty, corruption, gang up by the capitalists to frustrate cooperative advancement and growth in order to protect their own business (Kidd, 1968), and the absence of felt need among members essential to the survival spirit of the cooperatives. It is hereby suggested that cooperative societies at all levels should be strengthened, controlled and owned by cooperative members themselves without undue government interference. Thus, government presence in this sector of the economy should be limited by

all means to the training of manpower for cooperatives and developing national policies that will make it easier for cooperative members to group themselves properly and achieve maximum breakthroughs in their organizations. Government should as a matter of urgency and priority review the cooperative laws and regulations of the country from time to time in order to meet the desired needs and aspirations of the cooperatives.

Keywords: *Cooperative Society, Ugandan Economic Development,*

Introduction

Today, in an era when many people feel powerless to change their lives, cooperatives represent a strong, vibrant, and viable economic alternative. Cooperatives are formed to meet peoples' mutual needs. They are based on the powerful idea that together, a group of people can achieve goals that none of them could achieve alone. For over 160 years now, cooperatives have been an effective way for people to exert control over their economic livelihoods (Agarwal, R., & Gort, M. 1996). Cooperatives are dedicated to the values of openness, social responsibility and caring for others. Such legal entities have a range of social characteristics. Membership is open, meaning that anyone who satisfies certain nondiscriminatory

conditions may join. Economic benefits are distributed proportionally to each member's level of participation in the cooperative, for instance, by a dividend on sales or purchases, rather than according to capital invested. Cooperatives may be classified as worker, consumer, and producer, purchasing or housing cooperatives. Co-operative-societies are organizations voluntarily owned and self controlled (non-governmental) aimed at solving the felt need of its members. They provide a unique tool for achieving one or more economic

goals in an increasingly competitive global economy Ahammed, Dr. Tofael (2012). There are two sources of cooperative law such as Parliament and Presidential Order. Foremost the Indian Cooperative credit Society Act passed in 1904 and it was rectified in 1911. In 1984, General Ershad government promulgated cooperative ordinance 1984 and it was in force till 2001. At present context the cooperative Societies run by the Cooperative Society Act 2001 and Cooperative Rules, 2004. The Cooperative Society had its glorious history in this Subcontinent. At the outset of 19th century the visibility of cooperative Society was seen in this subcontinent (Najamudden, G. Abukar .B.Z., Kebbe, M.G.Magati, Ukasatu, 2012). During Pakistan Period Cooperative Society passed its golden age and massively contributed on social-economical aspect of life. A co-operative society is an association of individuals who voluntarily pool their resources and carry on the business for their own welfare and not for a profit seeking business. It is democratic form of organization in which the consumers are the owners of the business. From manager to clerk all are the owners of the business and all the management is in their hands. In this organization capitalist is not involved. Some of the major types of cooperative societies are as follows: (1) Credit Cooperative Societies (2) Consumers Societies (3) Producers Societies. Credit society was the first type of cooperatives. Its objective was to provide credit to the members of the society. Later on, with the increase in the needs of the peasant people, the cooperatives took different forms. If a categorisation of different forms of societies is made today, it would make a long list.

(1) Credit societies,

(2) Consumers societies, and

(3) Producers society.

These three basic types are further divided into several types. For instance, there is a society of the peasants. This is sub-divided into cotton grower's society, sugarcane society

(1) Credit Cooperative Societies:

Credit societies are voluntary and mutual aid associations. The major function of this type of society is to provide credit on personal security or on the basis of nominal security to its members, who are either cultivators, workmen or lower middle-class people.

They are of two types, viz., of unlimited liability and of liability. The difference between the two is with regard to liability of members, size of shares, territorial scope, division of profits, management, reserve fund, and their business and moral aspect.

(2) Consumers Societies:

The membership of these societies consists of agricultural workers and the middle-class people who organize a consumer store. The members of the society earn their independent living and they are not supposed to depend on the consumer society.

The society only helps them in the better utilization of their income. And, thus lowering their cost of living, correct weighment, quality goods and reasonable prices are the chief aims of consumer's society. These societies were originally started in England where the first store of this kind was launched in 1844.

(3) Producers Societies:

A producer's society is organized for the production of goods and services based upon common ownership and management by a group of workers to eliminate the employeeemployer

relationship.

In our country, the above three types of cooperatives have taken a mixed form. A single society could be a credit, consumer and production society at the same time. Later, we shall have opportunity to discuss this mixed type of cooperative society. wheat producer society and so on and so forth. In the similar way there are sub-types of consumer's cooperatives and producer's cooperatives. Is a business organization, owned by those who use its services and its control rests among all its members equally. This is almost a universal concept, prevailing across all the countries. These co-operative societies are formed to secure low cost credit, purchase supplies, market products and to secure the services like insurance, irrigation, finance, electric power.

Functionality of co-operative societies:

· Aim to provide services and supplies (goods)

· Seek to prevent the exploitation of the cooperative's weaker members

· Aim to exclude unnecessary profits of middlemen in commerce and trade

· Ultimately protect the rights of people (employees) as both, producers and consumers

. Recognizing moral, educational and community values, these cooperative societies are democratic and voluntary.

Establishment of Cooperative society in Uganda

The background of cooperative society in Uganda could be traced to present day Mubende District where in 1913, four farmers decided to market their crops collectively. They became known as "The Kinuakulya Growers'.

In Uganda cooperatives came about as a response to the unfavorable terms of trade imposed on peasants by the Asian Traders through organized local middlemen .1920,5groups of farmers in Mengo met in Kampala to form the “Buganda Growers Association "whose supreme goal was:

• To control the domestic and export marketing of members’ produce.

• Counterparts in other parts of the country shared this vision and acted accordingly.

• A cooperative movement was therefore born to fight the exploitative forces of the colonial administrators and alien commercial interests

•Which thought to monopolize domestic and export marketing.

The colonial gov’t of the time considered the emergency of cooperatives as premature and subversive. Laws were enacted to make it an offense for any financial institution to lend money to an African farmer. Because of these restrictions coops operated underground until 1946 when the cooperative ordinance was enacted to legalize their operations. Peasant farmers saw the 1946 ordinance as a means of increasing government control in their business and many groups refused to register under it.Sir Andrew Cohen came to Uganda as Governor in 1952.with his renowned liberalism, He appointed commission of inquiry into the progress of the coop movement This commission headed by Mr. R.Dreschfield’s committee submitted its report on June 11 1952 which stipulated that: It was not the function of government to guide private enterprise as doing so ,would arouse suspicion. The cooperative movement would be stronger if it was independent of government.

•It was a legitimate and reasonable aspirations of cooperative societies to be free of gov’t

control

•In light of the above pointer, government amended coop societies ordinance 1946

•This gave rise to the cooperative societies Act 1952- which was more accommodative and provided the frame work for rapid economic development.

•It provided enough autonomy to make registration acceptable to the cooperative groups that had defied the 1946 ordinance.

•It also provided for both the elimination of discriminatory price policies and offered private African access to coffee processing.

•Thus, between 1952 and 1962 coop membership increased 8-fold and the tonnage of crops increased 6-fold.

By 1962, there were 14 ginneries and seven and 7 coffee curing works in the hands of coop unions. Many people were employed and, and cooperative unions became the most conspicuous institutions in the districts.

The post-independence era, by the time of Uganda's political independence in 1962, participation in cooperative activities had given a number of leader's national visibility. Their departure created leadership vacuum in the coop movement. Other aspiring politicians began to see coops as useful launching pads into politics. Hence by involving people who had motives other than commitment to serving cooperatives paved way for mismanagement, nepotism and corruption in cooperatives.

This caused discontent in various rural areas, setting of various commissions of inquiry.

Resulted into repealing of coop societies ordinance of 1952 replaced by the coop societies

Act and Rules 1963; this restored control of the society by Registrar.

In 1970, the 1963 Act was repealed and a 1970 cooperative societies Act was put in place. This Act finally, took away all the autonomy and gave the minister direct control over the affairs of registered cooperative societies. Hence members lost control of their coops to mangers, politicians and government officers. A ray of hope returned for cooperatives in 1986 when NRM took over the administration of this country. Consequently, the NRC enacted coop societies statute in 1991 that was later transformed into an Act Cap 112 in the laws of Uganda; this is still the legislation for coops up to this day in Uganda.

Kimberly, Z. (2002) defines Cooperative Societies as a registered voluntary association of persons with membership not less than ten persons, with a common interest formed and

operated along democratic principles, for the purpose of economic and social interests at least costs, to its members who contribute the capital and manage the business so established by delegating some powers to elected management. Toffael (2012) narrated the existing problems and recommendations for the enrichment of cooperative sector in Bangladesh. But the social and economical aspects, the prospects of cooperative have not been discussed. (Kazi Khalekkuzzaman, Mohammed, 2005), they briefly discuss the objectives, types, sources of revenue of cooperative, government assistance, problems and solution have been focused. On the contrary, prospects, economical social impact of cooperative societies have not been discussed. Md. Shahin Reza (2012), narrate the problems & opportunities of marginal cooperative members.

But to the letter the contribution, problems and prospects of cooperative has not been reflected in this article. It is a business enterprise that aims at complete identity of the component factors of ownership, control and use of service, three distinct features that differentiate cooperatives from other businesses (Faruk Mohammed, Abul kashem, 1983). Even though co-operatives appeared in the century previous, Rochdale is seen as the first 'modern' cooperative since it was where the co-operative principles were developed (Gibson, 2005; and Abell, 2004). (Hussi, P., & Murphy, J. 1993) examines the difference between cooperatives and other businesses in relation to three main groups of people responsible for bringing them into existence and keeping them in operation. The three groups are: the persons who own them (the shareholders, the investors), the persons who control them (the effective decision makers) and the persons who use them (the customers). Cooperatives are community-based, rooted in democracy, flexible, and have participatory involvement, which makes them well suited for economic development (Ajakaiye, M. B. 1989). The process of developing and sustaining a cooperative involves the processes of developing and promoting community spirit, identity and social organization as cooperatives play an increasingly important role worldwide in poverty reduction, facilitating job creation, economic growth and social development (Gibson,2005). According to Bottomley T. (1989) cooperatives are specifically seen as significant tools for the creation of decent jobs and for the mobilization of resources for income generation. According to Agbo, (2000) combating exploitation, reducing disparities, improving social conditions and gender sensitivity, and helping to create a more just society with pronounced concern for environmental protection and sustainable

processes of development all tend to make a cooperative a preferred and more socially desirable form of organization.

Centenary RDB is a commercial bank that provides deposit, credit and money transfer services indiscriminately to men and women of lower income. By insisting on loan recovery and cost coverage, it has reached more men and women in rural areas than any other institution in Uganda. With minimum deposits of $6 and minimum loans of $30, access barriers are low. 11 of its 16 branches, 73% of its deposits and 82% of its loans are in rural areas. Established by the Catholic Church of Uganda as a trust fund in 1983, it developed a strength in savings mobilization but performed poorly as a financial intermediary. In 1990, the political will to reform the fund evolved in the board, resulting in the fund's transformation into a commercial bank in 1993. With support from various donors including the German Savings Banks Foundation, the bank evolved into the most successful financial intermediary in Uganda. This has made the bank the African flagship of rural and agricultural banking, combining sustainability with outreach to the rural poor and demonstrating the feasibility of agricultural lending. With equity capital of $6.8m and total assets of $49.85m as of December 2001, it has mobilized $39.9m from 280,00 depositors, provided $14m in loans outstanding to 22,000 small borrowers, earned returns of 4% on average assets and 28% on equity, and, since 1999, finances its expansion from its profits.

Centenary RDB has several stories to tell:

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STATEMENT OF THE PROBLEM

Cooperative society establishment in Uganda stated in 1913 with the idea of increasing production, looking for market for produce in order to avoid exploitation from Asian traders. On the side of government cooperative society is for the protection of both producers and consumers. The reasons that justify establishment of cooperative society have been well documented in the history Uganda since independent, in the early 1960s Uganda became the pearl of Africa because of agriculture and this was as a result of serious operations of regional cooperative society. It is highly noted that constant change of government since independent has greatly the status of cooperative society in Uganda, this has led to the collapse of these societies. The few of the remaining societies are not currently relevant. However, it is good to note that evolution of credit cooperatives societies in the late 1990s has steadily led to the improvement of per capita income in both urban and rural areas. It is for this very reason why this study is looking at the impact of cooperative society on the economic development of Uganda.

OBJECTIVES OF THE STUDY

Objective of the Study

a. To assess the impact of cooperative society on Ugandan economy

b. To identify the nature of cooperative society in Ugandan economy.

c. To establish the relationship between cooperative society and economic growth in

Findings

Findings from the sourced data showed that cooperative society have great importance in economic growth and development of Uganda. Even though the impact of cooperative society on Ugandan economy has been hindered by regime change since independent, cooperative society still plays a leading role on enhancing Ugandan economic growth and development.

Conclusion

Although cooperative societies in Uganda have witnessed tremendous successes, they have some retrogressive issues that tend to often stall the good will, progress and prosperity of these societies. Some of the issues listed in this paper include poor management and lack of trained staffs, insufficient financial resources on the part of members, dishonesty, corruption, gang up by the capitalists to frustrate cooperative advancement and growth in order to protect their own business (Kidd, 1968), and the absence of felt need among members essential to the survival spirit of the cooperatives.

Recommendation

It is hereby suggested that cooperative societies at all levels should be strengthened, controlled and owned by cooperative members themselves without undue government interference. Thus, government presence in this sector of the economy should be limited by all means to the training of manpower for cooperatives and developing national policies that will make it easier for cooperative members to group themselves properly and achieve maximum breakthroughs in their organizations. Government should as a matter of urgency

and priority review the cooperative laws and regulations of the country from time to time in order to meet the desired needs and aspirations of the cooperatives. Government should establish cooperative units under the various Local Government Departments of Agriculture which will work hand in hand with the state and the federal agencies concerned with cooperative

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