

PERFORMANCE OF KILIFI COUNTY COOPERATIVES UNDER KENYAN DEVOLVED SYSTEM OF GOVERNMENT

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Abstract

Kenya having embraced the devolved system of government in 2010, with cooperatives becoming a county function, the new opportunities and challenges warranted being established so as to enable all players strategize. A cross sectional survey of all the active cooperatives in Kilifi County, Kenya established the key determinants of cooperatives performance as; responsibility, resource endowment, knowledge, skills and ability of the members. For the study purpose, questionnaires and observations were used as main data collection instruments. Data was processed and analyzed using SPSS. Study found that the opportunities included mergers of smaller cooperatives, employment of new staff which could lead to increased membership of cooperatives and provide market for cooperatives products. The cooperatives also have joint venture opportunities with the county governments. Similarly the coming up of county governments could pave way for enhanced capacity of cooperatives in terms of skills and resources. The study also established a strong positive correlation between the number of workers employed by cooperatives and turnover, and savings. The study recommended

counties to have a development agenda for cooperatives; cooperatives to invest in education for members and workers; Cooperatives to lobby for support from county governments; Cooperatives to expand, diversify, open up membership and target national and international market; Counties to customize national laws on cooperatives and have partnerships between cooperatives in their operations.

Keywords: Cooperatives, devolution, determinants, public administration, opportunities, challenges

INTRODUCTION

According to the International cooperative alliance (1995), a cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs through a jointly owned and democratically controlled enterprise. It was against that background that Wanyama et al (2009) observed that in Kenya cooperatives were a key feature in rural development and poverty alleviation since they enabled members and communities participate in coordination of their efforts for economic benefits not reachable when they operated individually. They similarly noted that Cooperatives in Kenya were categorized into service and producer cooperatives where the producer cooperatives' promoted the use of modern technology in production while the service cooperatives were responsible for procurement, marketing and expansion services, loan disbursement, sale of consumer goods and member education to enhance members income and community development.

It was also reported that in Kenya the cooperative movement was very successful with 63% of the population deriving their livelihoods from cooperatives while approximately 250,000 Kenyans either employed or gained most of their income from the over 11200 registered societies where 38% were agricultural based, 46% financial based and 16% among others. (ILO, 2009; Mudibo 2005)

ILO (2009) also observed that co-operatives played a very important role in provision of affordable financial services, investment and advisory services enhancing the members' performance and income thus improving the countries and community welfare.

In Nigeria, Adefila (2009) noted that Cooperatives as self-help organizations had helped in empowering poor people through creation of enabling environment to participate actively in economic process thus providing job opportunities, increasing accessibility to credit facilities and providing social protection. Similarly, a baseline study by International Labour Organisation

(ILO) found that cooperatives in Uganda, Kenya and Tanzania were getting more vibrant thus becoming more prominent as a civil society force (Pollet 2009:28).

A Study conducted by DFID (2010) concurred that cooperatives not only benefited their members, but also the larger community, country and the world economy at large. It was also noted that cooperatives contributed to poverty reduction through creation of opportunities for self empowerment, access to financial support and advisory services thus cultivating avenue for social cohesion.

Cheney (1995) identified five challenges facing cooperatives as; cultural transformation, competition and expansion, wage solidarity, centralization and reorganization, and programmes to increase productivity and participation. Groves (1985) on the other hand, posited that one of the major problems of cooperatives was how to keep balance in the two parts of cooperative business, efficiency and democracy.

Taimni (1997) suggested, in addition to fore mentioned, that cooperatives should make optimum use of all resources and strive continuously to enhance productivity of resources; ensure highest efficiency while providing services to members; improve management capabilities and competencies through effective organizational designs and structures.

Despite the constitution of Kenya 2010 and Kenya Gazette Supplement *No. 116* legal notice number. 137 August 2013 highlighting cooperatives as a county function, the legal framework and preparedness of both the counties and the cooperatives in embracing the change remained unclear calling for the need for more learning and adapting by both parties.

A cooperatives status report for Kilifi County by KCCC (2014) posited that Co-operatives' activities in Kilifi County were largely influenced by the settlement patterns and the varying climatic conditions; hence most Co-operative societies were concentrated in the major towns and along the Coastline due to concentration of tourist hotels and favorable climatic conditions for agriculture. The report also reported that; as at the end of 2012, membership stood at 63,985, the total Share Capital was Kshs. 432,112,612, deposits of Kshs.2,215,916,408 and turnover of Kshs.528,548,807 and permanent workforce of 165 employees. It was against that background the study aimed to establish the new challenges and opportunities brought by the devolved system of government so as to enhance the cooperatives performance.

Problem statement

Despite the Kenyan devolved governance structure having been entrenched in the constitution of Kenya 2010 with an aim of promoting democratic and accountable exercise of power, very few studies have been conducted on the new opportunities and challenges facing the cooperatives in Kenya. Ochieng (2012) had observed that similar initiatives had proved

challenging in South Africa and Uganda thus called for a lot of care as Kenya embraced the devolved system of government to avoid losing or slowing on the gains already made in several sectors. KCCC (2014) reported that despite the county boasting of deposits of over 2,215,916,408, share capital 432,112,612, a turnover of 528,548,807 a membership standing at 63,985 and employing 165 full time staff at the end of December 2012 just before the country ushered in the devolved system of government, no studies have been conducted in the County to establish the opportunities brought in and the determinants for the cooperatives performance in Kenya. In order to avoid a slide from the stride already made by the cooperative societies, it was necessary that a study be conducted so as to build on the gains by tapping on the new opportunities.

Main objective of the study

The purpose of this study was to establish the opportunities brought in by the Kenyan devolved system of government and the various determinants of cooperative societies performance in Kilifi County Kenya.

Specific objectives

1. To establish the opportunities for Kilifi County cooperatives under the Kenyan devolved system of government.
2. To identify the determinants of Kilifi County cooperatives' performance

Research questions

1. What opportunities does the Kenyan devolved system of government offer to the cooperatives societies in Kilifi County?
2. What determines the performance of Kilifi county cooperatives?

Significance of the study

The study aimed at identifying the various opportunities available for cooperatives under the devolved system of government so as to enable them position themselves in the competitive market as well as restructure their operations so as to remain relevant.

The county governments and various stakeholders' would also be able to use the study findings in prioritizing their support towards the cooperative societies.

The study would also provide a platform for further research since the county government concept is new and very few studies have been conducted on the area of cooperatives and County government.

Delimitations of the study

The study was limited to cooperative societies in Kilifi County. A census of all active cooperatives in Kilifi County defined the study. The study findings however would be applicable to other Counties since the scenarios were similar

LITERATURE REVIEW

In this section a review of the literature on the determinants and opportunities for cooperatives performance under the Kenyan devolved system of government has been provided.

Opportunities for Cooperatives under devolved system of government

Cooperatives have variously been identified as being community based, flexible, participatory, and rooted in democracy making them favorable for enhancing community development. (Gertler, 2001). The detailed principles thus provide a framework for expansion of cooperatives especially under devolved systems of government where the relevant support services get closer to the cooperative membership. The findings however did not highlight on the level of democracy whether in form of providing a platform for democracy to prevail or cooperatives generally observed democratic principles.

However Somavia (2002) observed that cooperatives accorded members an opportunity, protection and empowerment being essential elements in uplifting them from poverty. While the study clearly identified cooperatives as entities promoting opportunities for empowerment, the observation pointing out that they played a role in poverty reduction needed further discussion since poverty could be reduced both at community level and individual members' level. Since devolved systems of government also focused on poverty reduction strategies the findings also observed that by taking advantages of the services brought closer to community level, cooperatives could enhance their capacities to reduce poverty levels for both members and community at large.

According to Laidlaw (1974), for cooperatives to take advantage of any system of government, cooperatives needed to make decisions which would remain favourable to the shareholders and the customers. However the study failed to highlight the type of consideration in decision making which would entail having considered the interest of shareholders and customers.

Cheney (1995) posited that cultural transformation, competition, expansion, wage solidarity, centralization and reorganization, and programmes to increase productivity and participation as the main challenges making cooperatives unable to benefit from upcoming

governance, administrative structures and resources in a country. Capacity building was recommended as an element to make cooperatives competitive and grab new opportunities.

Similarly Groves (1985) had observed that balancing between efficiency, democracy and trying to operate as a business was the biggest challenge for cooperatives to benefit from any available government support. The findings however failed to recommend on what could be done so as for cooperatives to remain democratic, efficient and also operate as businesses as opposed to social entities.

Oduor and Muriu (2013) summed up the opportunities brought up by the devolved system of government as resources, skills and services for better economic engagement and development.

Determinants of cooperatives performance

According to Taimni (1997) resources and managerial skills remained the key determinants of cooperatives performance and recommended that members should have strategies of enhancing their skills and share capital if their cooperatives were to remain vibrant and competitive.

Similarly Muhammad (2014) noted that members education on how to run cooperative greatly influenced how cooperatives performed thus advised that they have deliberate efforts to ensure the capacity of its members were built so as to sustain the cooperatives performance. The study however never highlighted the specific skills and knowledge for shareholders and workers so as for the cooperatives to remain vibrant.

Modern technology was identified by Dulfer (1974).as a key towards enhanced performance of cooperatives. Cooperatives which embraced modern technology and sustained continued market and technology research got guaranteed of economies of scale, access to national and international markets, as well as professional management.

Katar and Pundir (2000) observed that despite the overwhelming importance of cooperatives in India's rural economy, most of the co-operatives were constrained by lack of professionalism in management; an archaic co-operative law, excessive control and interference by government; lack of good elected leadership; small size of business and hence inability to attain financial viability. They observed that all the above factors needed to be addressed if the cooperatives were to remain relevant and competitive both in the local and international market. The study however fail to define what good leadership meant leading to a gap in literature.

Mwamuye (2014) similarly reported responsibility, skills, resources, ability and knowledge as key factors influencing success of projects and noted that the same factors played a critical role in failure of businesses.

It was also noted that education, managerial skills and knowledge, resources and government support influenced the performance of cooperatives. (Mumanyi 2014; Flannery 1994) The findings however never categorized the government support, knowledge and skills required by members, staff and management so as to make the cooperatives competitive.

RESEARCH METHODOLOGY

Research design

For the study purpose, a descriptive design was adopted. The study employed a cross sectional survey on the active cooperatives in Kilifi County Kenya.

Target population

The target population included active cooperative societies found within Kilifi County, Kenya.

Table 1: Target population for the study

Cooperative type	Population	Sample size	Percentage
Agricultural marketing	14	11	79
Housing	6	4	67
Cooperative union	1	1	100
Non agricultural marketing	3	1	33
Sacco	65	57	88
Total	89	74	83

Sampling

A stratified random sampling was employed to ensure all types of cooperatives were proportionately involved.

A total of 74 cooperatives were surveyed in the study. On classification of the cooperative societies by type Sacco comprised 73% of all active cooperative societies in the county, agricultural marketing 16%, Cooperative union 1%, housing 7% and non agricultural marketing 3%.

Data collection instruments

A questionnaire, document analysis and observations were the main data collection instruments.

Questionnaires: Primary data was collected using a questionnaire.

Document analysis: Records from cooperative societies formed a basis for ascertaining membership, challenges faced and turnover.

Observation: Observation was used to ascertain on data provided from the questionnaire especially on resources available and management skills of staff and management committee.

Data collection procedures

Interview Schedule formed the data collection method where the researchers personally collected the data due to convenience of the methodology and varying literacy levels of respondents. The study was conducted in the month of September 2014.

Data analysis techniques

Statistical package for social scientists (SPSS) was used in data analysis where socio-economic characteristics of the respondents were analysed using descriptive statistics while inferential statistics computed through correlation.

ANALYSIS AND RESULTS

Response rate

The study was able to get 83% response rate due to proper sensitization and mobilization of the respondents.

Demographic Characteristics

The study established that the membership from all the 74 surveyed cooperatives stood at 32,944 men 19,671 women thus totaling 52,615 members who directly benefited from the cooperative movement.

Agricultural marketing cooperatives comprised 14.9% of the sampled cooperatives; cooperative union comprised 1.4%, housing cooperatives 5.4%, non agricultural marketing 1.4% and SACCO 77%.

On classification of the cooperatives by activities, Boda boda cooperatives comprised 1.4%, Bunge cooperative 1.4%, cashew nuts 13.5%, dairy 2.7%, handicraft 1.4%, housing 5.4%, jua kali 1.4%, matatu sacco 10.8%, rural SACCO 8.15 and urban SACCO 54.1%

The challenges facing the cooperatives included ability, competition, knowledge, resources, responsibility and skills. 15% of the cooperatives faced challenges in the ability to achieve their objectives due to compounded reasons. 14% of the cooperatives faced challenges in competition from other cooperatives and businesses. 26% of all cooperatives faced

challenges in accessing the knowledge to make them competitive in their line of operation. 16% of the cooperatives surveyed faced challenges in accessing the required financial and non financial resources to accomplish their objectives. 15% reported responsibility as a challenge while 15% reported inadequate skills as the major challenge towards achieving their goals.

Opportunities for cooperatives under the devolved system of government

The study established that 41.9% of the respondents noted that the coming in of the devolved system of government had created an opportunity for them to have their capacity built in terms of skills and resource support from the county government.

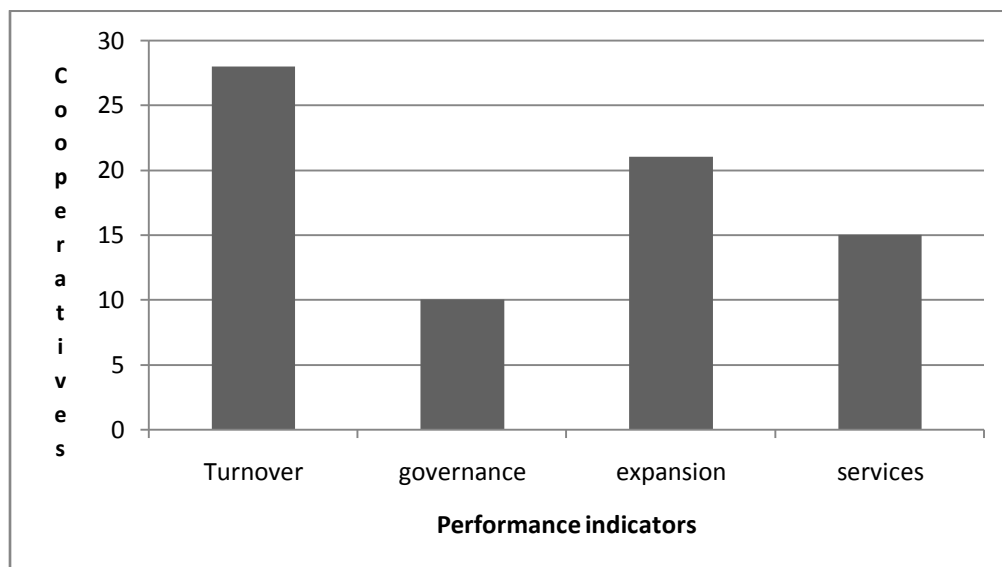
16.2% of the respondents believed the County government would create employment opportunities for some members of the cooperatives and non members thus increase capacity of members to buy share capital, new members to join their cooperatives as others provided market for the products from the cooperatives.

20.3% of the cooperatives identified joint ventures between the cooperatives and the County government as possible opportunities which could see cooperatives grow.

21.6% of the cooperatives identified opportunities in mergers of some cooperatives especially those under defunct local authorities which would thus lead to growth of the capital base of the formed cooperatives.

The indicators for a well performing cooperative in order of significance included; increased turnover by cooperatives; expansion of the cooperatives; improved service delivery to the customers and improved governance of the cooperatives as indicated on the figure below.

Figure 1: Cooperatives performance Indicators



Determinants of cooperatives' performance

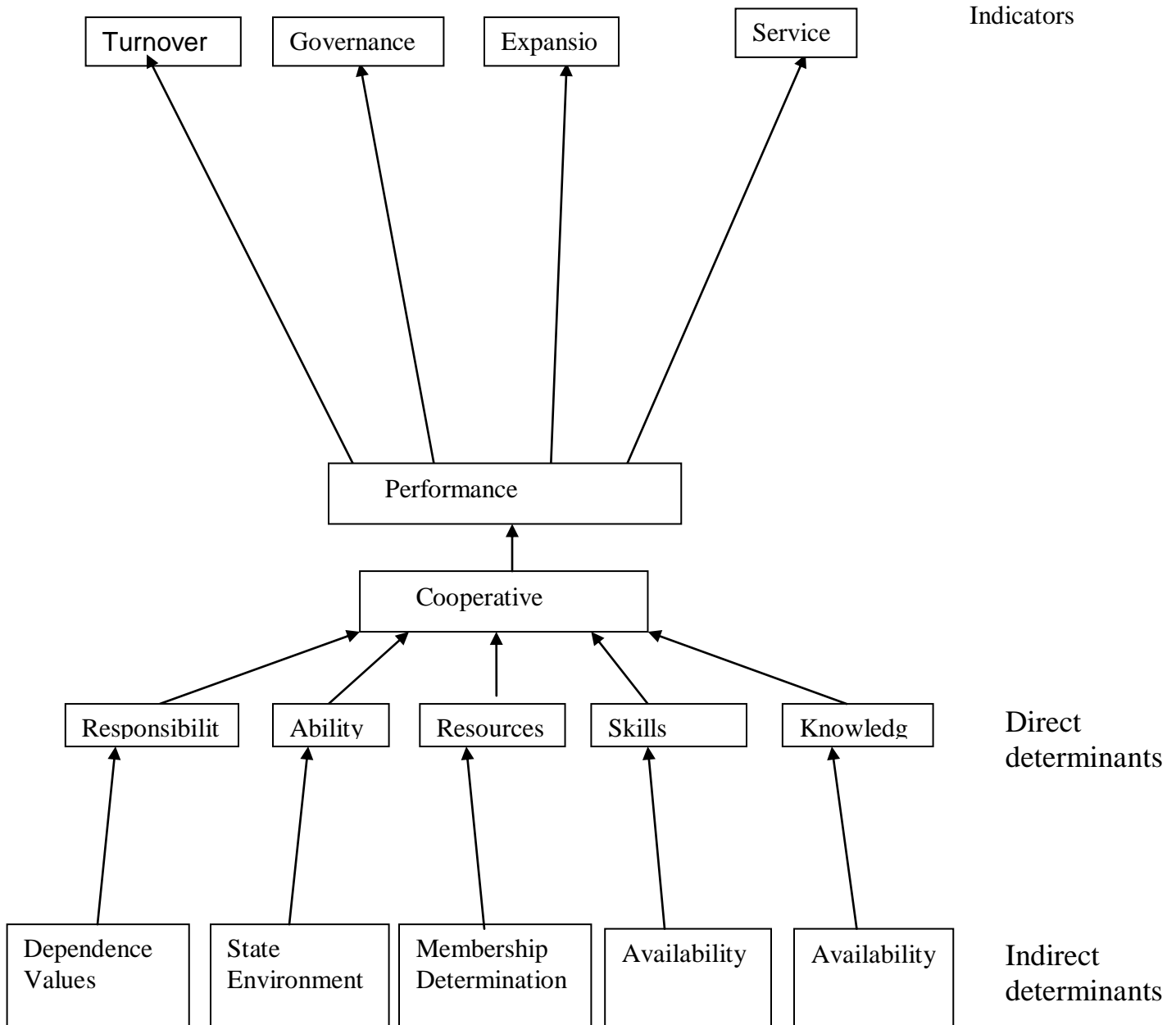
25.7% of the respondents observed that knowledge was the main determinant of cooperatives performance since it informed how the cooperative would be run and tapping of new opportunities.

16.2% indicated that resources played a critical role in determining how a cooperative performed

14.9% for responsibility, 14.9% for ability and 14.9% for skills while 13.55 identified competition as the main determinant in performance of cooperatives.

The above direct determinants were however influenced by the indirect determinants as shown on the figure below.

Figure 2: Performance of Cooperatives



Correlations between various Cooperative performance factors and indicators

Table 2: Correlations (a)

		AGM	Turnover
AGM	Pearson Correlation	1	-.115
	Sig. (2-tailed)		.327
	N	74	74
Turnover	Pearson Correlation	-.115	1
	Sig. (2-tailed)	.327	
	N	74	74

There was no correlation between the turnover and the number of times a cooperative conducted an AGM since inception.

Table 3: Correlations (b)

		Turnover	CEO
Turnover	Pearson Correlation	1	.085
	Sig. (2-tailed)		.474
	N	74	74
CEO	Pearson Correlation	.085	1
	Sig. (2-tailed)	.474	
	N	74	74

There was no correlation between the turnover and the number of times a cooperative changed the CEO since inception.

Table 4: Correlations (c)

		CEO	Saving
CEO	Pearson Correlation	1	.089
	Sig. (2-tailed)		.451
	N	74	74
Saving	Pearson Correlation	.089	1
	Sig. (2-tailed)	.451	
	N	74	74

There was no correlation between savings and the number of times a cooperative changed the CEO since inception.

Table 5: Correlations (d)

		Saving	Chairman
Saving	Pearson Correlation	1	.294*
	Sig. (2-tailed)		.011
	N	74	74
Chairman	Pearson Correlation	.294*	1
	Sig. (2-tailed)	.011	
	N	74	74

*. Correlation is significant at the 0.05 level (2-tailed).

There was a weak positive correlation between the number of times the cooperative changed its chairman and the savings the cooperative had made.

Table 6: Correlations (e)

		Saving	Age
Saving	Pearson Correlation	1	.344**
	Sig. (2-tailed)		.003
	N	74	74
Age	Pearson Correlation	.344**	1
	Sig. (2-tailed)	.003	
	N	74	74

** . Correlation is significant at the 0.01 level (2-tailed).

There was a weak positive correlation between the age of a cooperative and the savings it had made.

Table 7: Correlations (f)

		Age	Turnover
Age	Pearson Correlation	1	.350**
	Sig. (2-tailed)		.002
	N	74	74
Turnover	Pearson Correlation	.350**	1
	Sig. (2-tailed)	.002	
	N	74	74

** . Correlation is significant at the 0.01 level (2-tailed).

There was a weak positive correlation between the age of a cooperative and the turnover it had made

Table 8: Correlations (g)

		Turnover	Workers
Turnover	Pearson Correlation	1	.985**
	Sig. (2-tailed)		.000
	N	74	74
Workers	Pearson Correlation	.985**	1
	Sig. (2-tailed)	.000	
	N	74	74

** . Correlation is significant at the 0.01 level (2-tailed).

There was a strong positive correlation between the number of workers a cooperative had and the turnover.

Table 9: Correlations (h)

		Turnover	Saving
Turnover	Pearson Correlation	1	.998**
	Sig. (2-tailed)		.000
	N	74	74
Saving	Pearson Correlation	.998**	1
	Sig. (2-tailed)	.000	
	N	74	74

** . Correlation is significant at the 0.01 level (2-tailed).

There is a strong positive correlation between the savings of a cooperative had made and the turnover.

Table 10: Correlations (i)

		Saving	Members
Saving	Pearson Correlation	1	.994**
	Sig. (2-tailed)		.000
	N	74	74
Members	Pearson Correlation	.994**	1
	Sig. (2-tailed)	.000	
	N	74	74

** . Correlation is significant at the 0.01 level (2-tailed).

There was a strong positive correlation between the savings of a cooperative and the number of members a cooperative had.

Table 11: Correlations (j)

		Turnover	Members
Turnover	Pearson Correlation	1	.996**
	Sig. (2-tailed)		.000
	N	74	74
Members	Pearson Correlation	.996**	1
	Sig. (2-tailed)	.000	
	N	74	74

** . Correlation is significant at the 0.01 level (2-tailed).

There was a strong positive correlation between the turnover of a cooperative and number of members it had.

SUMMARY

The study aimed at establishing the opportunities brought in by the coming in of the devolved system of governments to the cooperative societies and also identify the various determinants of cooperatives performance in Kilifi County Kenya.

The study established that the coming of the devolved system of government could open room for enhanced capacities of local cooperatives in the form of trainings and support services. The other opportunity was the opening up of job opportunities which would increase opportunities for new membership for some cooperatives while others would get source of market for their products.

For the cooperatives under the defunct local authorities, there was an opportunity for mergers of the small cooperative units and thus stronger cooperatives established which would be able to compete with other cooperatives nationally.

The other opportunity identified was the possibility of cooperatives starting joint ventures with the County government like running of credit schemes.

The cooperative societies envisaged that where the opportunities were well exploited the turnover would be enhanced just as the general governance of the cooperatives, leading to expansion and improved services for the customers.

The direct determinants of cooperatives performance identified were; the knowledge base of the members, workers and management; the resource base of the cooperative since that was a pointer to the level of operation and capacity to remain competitive; the responsibility of the members as well as the ability to coordinate the activities of the cooperative; finally the skills possessed or acquired played a key role in determining how a cooperative performed. The above direct determinants were however influenced by the indirect determinants notably; Dependence; Values, State or condition of cooperative, environment under which a cooperative

operated for example competition, Membership and commitment as well as the availability of knowledge and skills for shareholders and workers.

There was no correlation between the turnover and the number of times a cooperative conducted an AGM since inception. There was no correlation between the turnover and the number of times a cooperative changed the CEO since inception.

There was no correlation between savings and the number of times a cooperative changed the CEO since inception. There was a weak positive correlation between the number of times the cooperative changed its chairman and the savings the cooperative had made. There was a weak positive correlation between the age of a company and the savings it had made. There was a weak positive correlation between the age of a cooperative and the turnover it had made. There was a strong positive correlation between the number of workers a cooperative had and the turnover. There was a strong positive correlation between the savings a cooperative had made and the turnover. There was a strong positive correlation between the turnover of a cooperative and number of members it had.

CONCLUSIONS

As the membership of a cooperative increased chances of it enhancing its share capital were high as well as employing more workers and enhance its income. The devolved system of government has a potential of enhancing performance of cooperatives across the country if the county governments would support them.

The devolved system of government would contribute to the growth of cooperatives if the county leadership would put in place a development agenda for cooperatives.

The opportunities for cooperatives under the devolved system of government far outweighed the possible challenges thus cooperatives which will take advantage of the new governance structure stand a chance of enhanced growth.

Cooperatives leadership and members need to keep learning best practices and how to engage the county government as well as keep lobbying for issues which would foster their growth.

The cooperatives societies demonstrated that they knew their opportunities, challenges and required support to actualize their goals and survive in the ever changing market, thus they needed to remain focused, united and forge a common front on how to address the issues affecting them.

The savings and credit cooperatives remained the most vibrant and high in numbers as compared to the other forms of cooperatives.

DISCUSSION

The findings related well with those of Katar and Pundir (2000). However the study findings also pointed out to the need for cooperatives to invest heavily on membership drive and education so as to remain competitive.

Just like what Taimni (1997) noted that resources and managerial skills remained the key determinants of cooperatives performance, the current study also added knowledge, ability and responsibility as also being critical determinants.

The study identified knowledge and skills as critical elements in enhancing a cooperative performance just as had been reported by Muhammad (2014).

RECOMMENDATIONS

The County government has to invest a lot in capacity building the cooperatives in terms of skills and knowledge as well as support them with requisite resources to make them competitive.

The cooperatives should also prioritize training of their members and identification of upcoming opportunities and come up with strategies to exploit them

Cooperatives need to lobby both the national and county government to develop laws and regulations which would enhance their performance as well as make them competitive.

The cooperatives should also explore possibilities of forming partnerships which would make them competitive against other businesses and cooperatives from other Counties.

It is also necessary that cooperatives explored possibility of targeting national and international markets through expansion and diversification of their products and services.

There is need for more studies on role of gender on performance of cooperatives: role of education level of management and performance of cooperatives; role of external support and performance of cooperative as well as role of cooperative type in its performance.

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APPENDIX

Definition of terms

Ability	Skill, competence or capacity in performing a task.
Availability	The quality or ability to acquire or use
Commitment	The trait of sincerity, determination and focused purpose
Dependence	The state of being reliant upon another entity
Environment	The surroundings of and influences on a particular item of interest.
Expansion	Growth in size, branches, membership or share capital of an institution.
Governance	The appropriate management of public institutions' resources and affairs for enhanced development and guaranteed realization of human rights.
Knowledge	The ideas or understandings which an entity possesses that are used to take effective action to achieve the entity's goal(s).

Membership	The body of members of an organization
Performance	Level of accomplishment of a task
Resources	An economic or productive factor required to accomplish an activity, or as means to undertake an enterprise and achieve desired outcome
Responsibility	Being accountable for who you are and what you do.
Services	An event in which an entity takes the responsibility that something desirable happens to intended beneficiaries or customers.
Skills	The learned ability to carry out a task with pre-determined results often within a given amount of time, energy, or both.
State	A condition
Turnover	The number of times a stock is being replaced after being sold
Values	What one deems to be correct and desirable especially regarding personal conduct

Abbreviations and Acronyms

AGM	Annual general meeting
CEO	Chief executive officer
ILO	International labour organization
KCCC	Kilifi County cooperatives commissioner
SACCO	Savings and credit cooperatives