

**THE EFFECT OF COMPLIANCE WITH GOOD CORPORATE
GOVERNANCE ON PERFORMANCE OF AGRICULTURAL
COOPERATIVES IN BLANTYRE AGRICULTURE DEVELOPMENT
DIVISION**

MASTER OF BUSINESS ADMINISTRATION THESIS

ISAAC MASTER MTOCHA

UNIVERSITY OF MALAWI

OCTOBER 2010

**THE EFFECT OF COMPLIANCE WITH GOOD CORPORATE
GOVERNANCE ON PERFORMANCE OF AGRICULTURAL
COOPERATIVES IN BLANTYRE AGRICULTURE DEVELOPMENT
DIVISION**

Isaac Master Mtocha

*A dissertation submitted to the Faculty of Commerce, University of Malawi in
partial fulfilment of the requirements for the degree of Master of Business
Administration (MBA).*

UNIVERSITY OF MALAWI

October 2010

DECLARATION

I declare that this dissertation is exclusively my own effort and it has never been presented anywhere in the world. All additions not of my originality have been acknowledged. This work is being presented in partial fulfilment of the requirements for the award of a Master of Business Administration degree.

Candidate's Name

Isaac Master Mtocha

Signature

.....

Date

.....

.....

CERTIFICATE OF APPROVAL

We declare that this dissertation is from the student's own work and effort. Where he has used other sources of information, it has been acknowledged. This dissertation is submitted with our approval.

First supervisor's Name

Professor G. Kululanga

Signature

Date

Second supervisor's Name

N. Chauluka

Signature

Date

Head of Department's Name

Dr. J.M. Buliani

Signature

Date

DEDICATION

To my wife Forgiveness and my daughters; Phunziro and Tamandani for your unwavering support and patience during the time I was undergoing studies and research for this MBA. You understood me when I dedicated more time to academia than to you; beloved ones. Thank you very much.

ACKNOWLEDGEMENTS

I would like to extend my appreciation to various people too numerous to mention who helped me to successfully carry out this research work. Although the list is very extensive, it would be wrong and ungrateful not to single out the following key people.

Firstly my supervisors, Dr. G. Kululanga and Mr N. Chauluka for their unremitting support throughout the research work. The comments and sound guidance I was given helped to improve this research work.

Secondly, I am indebted to all the lecturers who took us through various exciting MBA courses. The courses were interlocked and provided a better understanding of business management and the subject under this study.

Thirdly, I am also grateful to my research assistants Mr Patrick Alufandika and Mr Moses Changata for their support in data collection. In addition, I extend my appreciation to Mr Welton Phalira for technical assistance.

Fourthly, I wish to thank all the research participants and their institutions for allowing me to have discussion with them. Without their acceptance this research would not have come to fruition.

Finally, but not least, I am grateful to my workmates at Blantyre and Chiradzulu Agriculture offices and entire management of Blantyre Agriculture Development Division for their understanding during the period I was pursuing this course and research work.

ABSTRACT

There is much hope that cooperatives can help in economic growth and poverty reduction. Malawi Development and Growth Strategy (MDGS) pointed out that cooperatives would help to transform economic rural poor masses. Paradoxically, the number of active cooperatives was dwindling in Blantyre Agricultural Development Division (ADD). One contributing factor to the dwindling number of active cooperatives is poor governance. This study aimed at assessing whether agricultural cooperatives in Blantyre ADD comply with good corporate governance principles and whether this had an effect on the volume of sales and membership growth.

Fourteen cooperatives in six different commodity groups were sampled from five districts. The commodity groups comprised dairy, poultry, farm produce, honey processing, and skins and hides. Both primary and secondary data were collected covering a period of five years from 2004 to 2008. A semi structured questionnaire was used in focus group discussions to capture primary data. Data was analyzed to provide for descriptive statistics.

The results showed that level of compliance with good corporate governance principles of agriculture cooperatives in Blantyre ADD was only 5.5% which is far from the minimum score of 50%. Four cooperatives registered no sales, and 10 cooperatives had almost constant sales volume. It was also evident that cooperative members were not only attracted by volumes of sales that the cooperatives transact but also other social benefits. The study also revealed that there was generally inadequate knowledge on management of cooperatives. The study recommends that government should put stricter scrutiny of cooperatives before registration. In addition, government should also put up institutions for cooperative management training. Further research would be required on effects of compliance with good corporate governance on both financial and non financial performance indicators.

TABLE OF CONTENTS

DECLARATION	i
CERTIFICATE OF APPROVAL.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENTS.....	iv
ABSTRACT	v
TABLE OF CONTENTS	vi
LIST OF TABLES	viii
ACRONYMS AND ABBREVIATIONS	ix
CHAPTER 1 INTRODUCTION.....	1
1.1 Background.....	1
1.2 Research Problem.....	2
1.3 Research Objectives	3
1.4 Research Methodology	3
1.5 Significance of the Research.....	4
1.6 Scope and Assumptions.....	4
1.7 Structure of Thesis	5
CHAPTER 2 LITERATURE REVIEW	6
2.1 Introduction.....	6
2.2 What are Cooperatives?.....	6
2.3 What is Corporate Governance?	9
2.4 Relationship Between Corporate Governance and Performance	11
2.5 Cooperative Performance Measurement	12
2.6 Summary.....	13
CHAPTER 3 METHODOLOGY	14
3.1 Introduction.....	14
3.2 Research Philosophy	14
3.3 Research Approach	14
3.4 Research Strategy.....	14
3.5 Study Area	15
3.6 Sample Selection.....	15

3.7	Data Collection	18
3.8	Data Analysis	19
3.9	Limitations to the Study	20
3.10	Summary.....	21
	CHAPTER 4 RESULTS AND DISCUSSION.....	22
4.1	Introduction.....	22
4.2	Characteristics of the Study Population	22
4.3	Cooperative Capital Formation.....	30
4.4	Corporate Governance Index	32
4.5	Good Corporate Governance Structures.....	33
4.6	Business Strategy	36
4.7	Sales Growth.....	38
4.8	Cooperative Membership Growth.....	39
4.9	Experts' Views on Cooperative Performance.....	43
4.10	Summary.....	45
	CHAPTER 5 CONCLUSION AND RECOMMENDATIONS.....	46
5.1	Introduction.....	46
5.2	Conclusion	46
5.3	Recommendations	49
	REFERENCES	51
	Appendix 1: Questionnaire	56
	Appendix 2: List of Government Extension Officers who were consulted	67
	Appendix 3: Names of Research Participants for the Cooperatives.....	69

LIST OF TABLES

Table 3-1: Types of Agriculture Cooperatives	17
Table 3-2 Research Participants Details	18
Table 4-1 Sex and Age Category of Respondents	23
Table 4-2 Cooperative Study Response Rate	24
Table 4-3 Education Levels of Cooperative Executive Management	26
Table 4-4 Age of Cooperatives Under this Research Study.....	27
Table 4-5 Cooperative Principal Financiers	28
Table 4-6 Level of Activeness of Cooperatives Under this Research Study	29
Table 4-7 Capitalization of the Cooperatives Under this Research Study.....	32
Table 4-8 Corporate Governance Index.....	33

ACRONYMS AND ABBREVIATIONS

ADD	Agriculture Development Division
AIDS	Acquired Immune-deficiency Syndrome
ADMARC	Agriculture Development and Marketing Corporation
AGM	Annual General Meeting
BLADD	Blantyre Agriculture Development Division
BT	Blantyre District
CEO	Chief Executive Officer
COMESA	Common Market for East and Southern Africa
COMSIP	Community Savings and Investments Projects
DFID	UK Department for International Development
FAO	Food and Agriculture Organization
FGD	Focus Group Discussions
FIDP	Farm Income Diversification Program
GOM	Government of Malawi
HIV	Human Immunodeficiency Virus
ICA	International Cooperative Alliance
IRLADP	Irrigation, Rural Livelihoods and Agriculture Development
JICA	Japanese International Cooperation Agency
MASAF	Malawi Social Action Fund
MBA	Master of Business Administration
MDG	Millennium Development Goals
MFI	Microfinance Institutions
MGDS	Malawi Growth and Development Strategy
MJ	Mulanje District
MK	Malawi Kwacha
MN	Mwanza District
NGC	New Generation Cooperatives
OVOP	One Village One Product
PE	Phalombe District
SADC	Southern African Development Community

SHMPA	Shire Highlands Milk Producers Association
SOCAM	Society of Accountants in Malawi
TFC	Tanzanian Federation of Cooperatives
TO	Thyolo District
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
USDA	United States Department for Agriculture

1.1 Background

There is much hope in cooperative business. International Cooperative Alliance (ICA) estimated that there were 1.1 billion members of co-operatives, and 100 million people were employed in cooperatives providing 20% more jobs than the entire world's multinationals combined (DFID, 2007 p3). The same report also noted that cooperatives held much promise for success in the attainment of the Millennium Development Goals (MDGs). The first goal of the MDGs (UNDP, 2005 p.39) is to “eradicate extreme hunger and poverty; halving the proportion of people living on less than a dollar a day and halving malnutrition by 2015.” The Malawi Growth and Development Strategy (MGDS) which is an overarching operational medium term strategy for Malawi designed to attain the nation’s Vision 2020 also considers promoting rural cooperatives as one way of improving agricultural productivity and incomes (GOM, 2006). The Malawi economy is predominantly agro-based. The agriculture sector employs about 80 per cent of the workforce, and contributes over 80 per cent of foreign exchange earnings (GOM, 2006). In such an economy, one would expect to see vibrant agricultural cooperatives. However, according to a cooperative report from Ministry of Trade and Industry (MoTI, 2008) there were 36 registered agricultural cooperatives in Blantyre Agricultural Development Division (ADD) in 2007. Blantyre ADD comprises seven districts of Blantyre, Chiradzulu, Mwanza, Mulanje, Neno, Phalombe and Thyolo. Verification with Blantyre ADD, indicated that out of the 36 cooperatives nine had disbanded, 24 were inactive and only three were active (BLADD, 2007). The number of disbanded and inactive cooperatives far exceeds the active cooperatives. This brings fears as to whether agriculture cooperatives would really help to eradicate extreme hunger and poverty and help to turn Malawi from a predominantly consuming to a predominantly manufacturing and exporting country as expected in the MGDS (GOM, 2006).

It is therefore imperative to find out the reasons why some cooperatives were inactive and others got defunct. This would help to find ways of turning around cooperative

business. One of the possible causes of business failure hinges on accountability problems between management and the owners resulting from non compliance with good corporate governance principles. There are a number of corporate failures which resulted from poor corporate governance. Maier (2005) cited Maxwell Corporation, Enron, and Parmalat as examples of corporate failure of one time giant firms. These corporate failures compelled the corporate world to advocate for good corporate governance (Maier, 2005). Consequently, several codes were recommended to avert corporate fraud and enhance corporate transparency and accountability. Some of these codes include the code of best practice of 1992, the Greenbury report of 1995 and the combined code of 1998 (Maier, 2005). According to Maier, the United States of America (USA) went a step further by enacting laws to promote good corporate governance. The law was called The Accounting Industry Reform Act 2002 that is also widely known as Sarbanes-Oxley Act (2002). In Malawi, a code for corporate governance was put in place in 2001. This code stipulates best practices for both private and public businesses to comply with (SOCAM, 2001). Since 2001, it seems there has never been a study in Malawi to see if agriculture cooperatives are complying with this code.

This study, therefore investigated the extent to which agriculture cooperatives in Blantyre ADD complied with basic best practices of corporate governance and whether this had an impact on their performance. This research looked at structures and accountability mechanisms of the cooperatives. Furthermore, it also looked at the calibre and independence of the boards as they carried out their oversight function over executive management. Performance of the cooperatives was assessed through growth in membership and sales volume.

1.2 Research Problem

The total number of disbanded and inactive cooperatives in Blantyre ADD was 33 and this was 11 times more than the number of active cooperatives. This provokes a question as to why there was increased number of dormant and inactive cooperatives. One of the possible causes of business failure is poor management resulting from non compliance with good corporate governance principles. Corporate governance

provides a system of checks and balances between the board, management and investors to produce an efficiently functioning corporation, ideally geared to produce long-term value (Liebrand, 2008). Good corporate governance hedges against fraud and ensures that management works in the best interest of shareholders. Agricultural cooperatives like any other form of business need to comply with the code of best practice. It was not known if agriculture cooperatives in Blantyre ADD complied with good corporate governance principles. It was also not known if there was a link between performance of the cooperative and compliance with good corporate governance principles. This research aimed at identifying these gaps.

1.3 Research Objectives

1.3.1 Overall Objective

Overall, this research sought to find out the impact of corporate governance on performance of agricultural cooperatives in Blantyre ADD.

1.3.2 Specific Objectives

Specifically, the objectives of the study were:

- i. To assess the extent of compliance with basic corporate governance best practices by agricultural cooperatives in Blantyre ADD;
- ii. To examine cooperative business strategies; and
- iii. To assess the growth of sales volume and membership.

1.4 Research Methodology

The background information provides a sound base on which to build a methodology for this study. First, the challenges to cooperatives were diverse, therefore many variables needed to be considered. Second, there was no current data set available for cooperatives in Blantyre ADD that contain such information; therefore, primary data collection was necessary. Third, the non financial factors also needed to be included and therefore both qualitative and quantitative data were required. Two different semi structured questionnaires were administered to two separate sets of participants. One was administered to cooperative key informants and the other to government extension workers who guided formation and management of agricultural

cooperatives. Data was analyzed to provide for descriptive statistics and governance score index. Scores on governance issues were weighted on a 100% scale. Weighted score of equal or greater than 50% indicated that the cooperative was following good corporate governance principles. Finally, scores on governance principles were compared with growth in shareholders and sales volume.

1.5 Significance of the Research

The research revealed performance bottlenecks for agricultural cooperatives and recommended how to circumvent them. Firstly, the results would help the Malawi Government and other implementing partners, to address such bottlenecks so that cooperatives could improve their performance and significantly contribute to national economic development. Secondly, the research results shed more light on best management practices that can help cooperatives to boost their performance. This would reduce the number of dormant and disbanded cooperatives. Improved performance would increase productivity of the cooperatives and give more business to other players along the value chain. Some of these players include processors, intermediary buyers, and transporters. Improved cooperative productivity would contribute towards turning Malawi from a predominantly consuming and importing country to a predominantly exporting country. This would create more jobs and consequently achieve the first goal of MDGs which is to eradicate poverty by 2015.

1.6 Scope and Assumptions

The research study was carried out in Blantyre ADD. Blantyre ADD comprises seven districts of Blantyre, Chiradzulu, Mulanje, Mwanza, Neno, Phalombe and Thyolo. Chiradzulu and Neno districts had no cooperatives and consequently the research study concentrated in the other five districts.

The ADD had a total of 36 registered agricultural cooperatives. Of these three were active, 24 were inactive and nine were defunct. A total of 14 registered agricultural cooperatives were sampled for study in five districts of Blantyre, Mulanje, Mwanza, Thyolo and Phalombe.

Seven of these cooperatives were engaged in buying and selling of farm produce, two were in dairy, three were in poultry, one was in marketing skins and hides and another one was engaging in selling processed honey. Out of the 14 agricultural cooperatives only three were active and the remaining 11 were inactive.

There were three assumptions underpinning this study:

- i. that all registered agriculture cooperatives had boards of directors;
- ii. that all cooperatives had financial and operational records; and
- iii. that all cooperatives would be willing to disclose strategic information.

1.7 Structure of Thesis

This thesis comprises five chapters. In the first chapter the background, research problems and objectives are presented. In addition the significance of the research, scope and assumptions are also covered. The second chapter reviews literature with regards to research concepts. The third chapter covers the methodology that was used. The concepts and operationalization of the research are also outlined. The issues of research design, sample designs, data collection and analysis, research limitation and ethical consideration are also covered in this chapter. Chapter four provides research results and analysis of the results. Interpretation of the results is also covered in this chapter. Finally, chapter five gives the summary and conclusion of the research study. Recommendations for various stakeholders and further research are also presented in this chapter.

2.1 Introduction

This chapter presents literature regarding the relationship between corporate governance and performance of cooperatives. It starts by defining cooperatives and reviews literature regarding the global picture of cooperatives in terms of capitalization framework and the challenges they face. Definition of corporate governance and its relationship to performance is also presented in this chapter.

2.2 What are Cooperatives?

There are many definitions of cooperatives. However, there are two definitions which are commonly used. These are from two internationally recognized institutions namely United States Department for Agriculture (USDA) and International Cooperative Alliance (ICA). The USDA (2002) defines a cooperative as a business that is owned and democratically controlled by the people who use its services and whose benefits are derived and distributed equitably on the basis of use. The ICA on the other hand defines cooperatives as autonomous associations of persons united voluntarily to meet their economic, social, and cultural needs and aspirations through jointly owned and democratically controlled enterprises (O'Connor, 2001). In Malawi, cooperatives bear the definition provided by the ICA (GOM, 1998).

Agriculture cooperatives which are research units in this study are those cooperatives that engage in agribusiness. Some of these cooperatives are involved in production and marketing of various crop and livestock enterprises. Others are involved in buying and selling of farm produce.

2.2.1 Capitalization of Cooperatives

Like any business, an agriculture cooperative requires to have sufficient capital to run its day to day operations and long term investments. Harris (1998) outlined three ways in which cooperatives can raise capital. The first is direct member investment. Members can invest through purchase of membership shares, investment shares and payment of fees. Members pay at least a nominal fee for a share. These shares are not

transferable and have no markets as they cannot be listed on stock exchange. The non marketability of member shares denies the member the right to use their shares as a means to accumulate capital gain and thus serves as a disincentive in attracting capital (Jamsen et al, 1999). Secondly, cooperatives can raise debt capital. This debt may be for short term or long term investment. It can be acquired from banks and other Microfinance Institutions (MFI) or by issuing certificates of investments to members. Thirdly, cooperatives can acquire additional equity through accumulating equity. This can be done through retaining a portion of patronage refunds, portion of the net income as unallocated equity. To ensure that cooperatives do not lose the user-control, user-ownership, user-benefit principles cooperatives allows members to own not more than 20% of equity, and members have a say on retained patronage refunds (GOM, 1998 p.9). In most cases it is not easy to accumulate significant amounts of retained patronage refunds. In a survey that Food and Agriculture Organisation (FAO) did in Kenya most cooperatives expressed that farmers were unwilling to reinvest their proceeds for organizational growth (Jamsen et al, 1999).

2.2.2 Cooperative Challenges

The structures, principles and capitalization set cooperatives apart from other forms of businesses. The challenges that cooperatives face in the business environment are therefore unique. In a summary of challenges of cooperatives in 21st Century, Dunn et al (2003) reported what cooperative managers, directors and advisors feel are the issues that have the greatest impact on their business. External to the cooperative, there were two issues of greatest concern to Malawian cooperatives: technological innovation and globalization, which impact on market liberalisation. The New Agriculture Extension Policy also cited market liberalization as an external challenge facing the smallholder farmers (GOM, 2002).

Technological Innovation defined as a process which transforms ideas or inputs into outputs or products using better systems or processes can help business compete better in a liberalised economy (Subrahmanya, 2005). By investing in technologies, business organizations are able to create a barrier to entry, prolong product shelf life, add value,

and in turn harness a competitive edge over competitors (Burgelman et al, 1996). Conversely, if a business organisation does not invest in technological innovations it can hardly be competitive.

Globalisation which is defined as a process of increasing the connectivity and interdependence of world's markets and businesses (Wonglimpiyarat, 2004) has affected the competitiveness of agriculture cooperatives. It has expanded the market place in which cooperatives compete beyond national or continental boundaries to include the entire world. This also entails that business organizations all over the world also compete with local agricultural cooperatives. In this competitive business environment, cooperatives require to be driven by skilled and professional management that can formulate business strategies to stand the heat of competition. How a management team deals with this new, expanded market place therefore can determine their competitiveness and level of success.

In addition to external challenges, cooperatives also face significant challenges within their own organizations. The commonest problems revolve around free rider problem, portfolio problem, user control problem and inadequate business skill. These internal problems affect competitiveness of the cooperatives in the business environment.

i. Free Rider Problem

Traditional cooperatives follow open membership principles. To encourage membership growth, oftentimes membership fees and nominal share value are very low. This entails that new members can easily join cooperatives and enjoy the whole range of benefits offered by cooperatives. O'Connor (2001) observed that the production by free riders is subsidized leading to oversupply, while stingy capital contribution leads to shortage of capital.

ii. The Portfolio Problem

The member-control principles though advantageous, can also create problems in terms of investments. Members may differ in their preferences for investment with

varying levels. Harris (1998) observed that members who are more risk averse could not allow the cooperative to make investments that would otherwise contribute to long term profitability and competitiveness of the cooperative.

iii. Control Problem

Corporate governance is more difficult in a cooperative than in a public company for a number of reasons. If the traditional one-member-one-vote principle applies, farmers who supply a large volume of produce and have a major stake in the cooperative have no more say over its direction than minor suppliers, and even dry shareholders (TFC, 2006). This implies that the majority who may have little investment in the cooperatives may make decisions which may not be in the best interest of large stakeholders. For example small stakeholders who are often in majority may decline to retain some patronage refunds for future investment in marketing and technology. In addition, business strategy can easily be leaked to competitors. Zeuli and Cropp (1980) noted that the need to inform members of cooperative business can also be at odds with a cooperative business strategy. If leaked to the competition, key financial information or news of a merger may lead to lost business opportunities for the cooperative.

iv. Inadequate Business Skills

Most of the cooperative directors are typically farmer members who often have little expertise and information on management of cooperatives (USDA, 2002). In an environment where most farmers are illiterate business management skills would really be a challenge (GOM, 2002). Worse still most cooperatives provide little or no incentives to attract exceptional business skill. The lack of essential business skills among the managers and directors of the cooperatives affect the quality of the business strategy formulated. In this competitive business environment it becomes a real challenge for cooperatives to sail through the competition.

2.3 What is Corporate Governance?

Corporate governance is defined as a system of checks and balances between the board, management and investors to produce an efficiently functioning corporation,

ideally geared to produce long-term value (Brancato and Plath, 2002). The core element in corporate governance according to Pellervo Confederation of Finnish Cooperatives (2000) is to determine the mechanism by which owners in the widest meaning can effectively supervise the activities of the business and also obtain the largest benefit. The mechanism mentioned by the confederation looks at the institutional structures that can help maximize efficiency.

According to Eisenhofer and Levin (2005), any governance system throughout the world is the product of a series of legal, regulatory, and best practice elements. Each country's regulatory and corporate law system shapes the specifics of its corporate governance. Governance systems are largely determined by the ownership structure of the company, regardless of its geographic location. Thus, wherever the corporation is located, certain best practice elements, such as the number of independent directors, varies depending on key ownership structures such as dispersion of shareholders and ownership of businesses.

In Malawi the first ever open discussion on corporate governance took place in 1997 and was organized by the Society of Accountants in Malawi (SOCAM). The objective of the meeting was to devise a code of best practices for Malawian businesses. The formulation of the Code of Best Practice for Malawi was completed in 2001 (SOCAM, 2001). Some of the key issues outlined in the Code for Best Practice in Malawi are as follows:

- i. Board structure: The code recommended that the board should comprise of both executive and non executive directors. The non executive directors should have sufficient calibre and they must be at minimum two in number;
- ii. Regularity of meeting: The code recommended that board meeting should be held at least once a quarter;
- iii. Board subcommittees: It was recommended that business could have as many sub committees as deemed necessary however at minimum there must be three subcommittees namely remuneration committee, appointments committee and audit committee;

- iv. Board Chairman: The code recommended that the chairman should be independent and non executive; and
- v. Stakeholder communication: It was recommended that a summary of important matters raised at the Annual General Meeting (AGM) should be sent to stakeholders in time. Annual reports containing directors' report and a statement of directors' responsibilities should be reported at AGMs.

2.4 Relationship Between Corporate Governance and Performance

The Management Development Centre (2002) in a paper entitled From Early Warning to a Total Business Crisis: Formulating and Implementing Turnaround Strategies identified poor management as one of the main causes of poor company performance. In another research by Moloko (2004) in which he examined causes of company failure in Malawi (the Case of David Whitehead and Sons Limited), it was observed that management caused the demise of the company due to poor financial, marketing and investment decisions. Globally, corporate scandals that lead to closure of one time successful businesses like Enron, Parmalat, Polly Peck, Worldcom and Maxwell communications were attributed to the way these firms were managed (Maier, 2005). Consequently, worldwide there was a growing interest advocating for good corporate governance. In essence, the business world started advocating for a better management system for directing and controlling business organizations. The subject of corporate governance basically looks at institutional setup that promotes transparency, effectiveness and efficiency of business organisation.

Several studies have been conducted to find the relationship between corporate governance and firm performance. Eisenhofer and Levin (2005) concluded that structurally, companies with split roles of chairman and Chief Executive Officer perform better than those companies which have the same individual in both positions. Similarly, Brown and Caylor (2004) concluded that better governed firms are relatively more profitable, more valuable and pay more cash to their shareholders. This opinion however does not clearly confirm causality of performance. Other studies however have suggested that there is no link between corporate governance

and performance. Heracleous (2001, pp.165-166) observed that research failed to support the purported linkage between best practices and performance, and further reported that good governance is no guarantee of superior performance. Bhagat and Black (1999) also found no evidence that increasing outsider board representation can improve firm performance. This shows that researchers are still divided as to whether there is a link between corporate governance and performance.

There is also no universally accepted best corporate governance system. Sakai and Asaoka (2003, p.7) noted that best corporate governance systems vary from country to country because legal aspects and the marketing systems are taken into consideration. This implies that corporate governance system is unique in each country. Most of the literature reviewed for this study was from Asia and western countries. There was limited and scanty information on corporate governance for cooperative movement in Africa. In Malawi, it seemed there was no research that was done on cooperative governance in agricultural cooperatives. This research sought to bridge this gap by assessing the extent of compliance with corporate governance principles and its impact on performance of agricultural cooperatives in Malawi and specifically in Blantyre ADD.

2.5 Cooperative Performance Measurement

Liebrand (2008) noted that most of the commonly used financial measures like return on equity, return on assets, return on operating capital, net margins on sales and net margins per unit do not yield unequivocal conclusions about cooperative performance, largely due to the treatment of equity. Liebrand also pointed out lack of publicly traded stock which may serve as a proxy for cooperative performance and market value as a complicating factor for measuring performance. For these reasons, it is difficult for members to judge their cooperative's performance. This research therefore avoided using return on equity, return on assets, return on operating capital, net margins on sales and net margins per unit when measuring performance of these agriculture cooperatives. This research focused on non financial performance measures like sales volumes and shareholder growth. The rationale is that where a

cooperative performance is good, it would likely increase both sales volume and membership overtime.

2.6 Summary

This chapter has provided an overview of cooperatives and corporate governance issues. In addition literature regarding the global picture of cooperatives in terms of capitalization framework and the challenges they face has been reviewed. The overview has clearly shown that cooperatives are business organizations that have unique opportunities and challenges.

The pace at which the number of cooperatives has been growing in Malawi has been dismal, despite been perceived as important vehicle for economic empowerment and poverty reduction (GOM, 2006). It is also evident that appropriate legislation is in place that can foster development and regulation of cooperative activities.

Despite the growing consensus that corporate governance is essential in management of business organizations there is yet no conclusiveness and universal agreement among researchers if this triggers performance. In Malawi, it seems there has never been any research on whether compliance to good corporate governance has a causal effect on performance of business organization.

CHAPTER 3

METHODOLOGY

3.1 Introduction

This chapter outlines the methodology that was used in conducting the research. It clarifies the research philosophy, research approach, research strategy, study area, sample selection, data collection and how data was analyzed. In addition, limitations to the study are also presented.

3.2 Research Philosophy

The research philosophy is about the way knowledge is developed and judged as being acceptable (Saunders et al 2003, p. 85). In this study, situations affecting performance of cooperatives were complex. It was necessary to understand the varying situations to know the realities that could be affecting performance of cooperatives. For this reason the research took an interpretive philosophy. Saunders et al (2003) noted that business situations are complex and unique. The business environment and the people who manage these are also different. It might have been difficult to have one explanation to the cause of cooperative performance. This called for the need to understand these situations to provide for understanding of general performance of the cooperatives. For this reason, interpretive philosophy fitted properly in this study.

3.3 Research Approach

Cooperatives, although they hold much promise in developing economies are not a popular form of business, as such there was limited literature to help in theory building. This research generated and analyzed data to reflect on theory that can be built. For this reason this research study used an inductive approach. Saunders (2003) defined inductive approach as an approach where theory follows data.

3.4 Research Strategy

The research strategy is defined as the general plan of the process through which the research questions would be answered (Saunders et al 2003, p. 90). The strategy also includes other finer details of data collection and analysis methods. In this research exploratory studies were used. Saunders et al (2003) observed that exploratory studies

are valuable means of finding out ‘what is happening; to seek new insights; to ask questions and assess phenomena in a new light to clarify the understanding of the problem. In this research study, there was limited previous research work on cooperative governance issues and therefore the research sought to provide an in-depth understanding of performance issues relating to cooperatives in Malawian context, and in Blantyre ADD in particular. According to Saunders et al (2003) exploratory studies usually involve three principal ways namely:

- i. A search of the literature;
- ii. Talking to experts in the subject; and
- iii. Conducting focus group interviews.

This research carried out an extensive desk research to give an in depth understanding of cooperative management. Focus group discussions were also carried out with executive management of the sampled cooperatives. In each district discussions were also held with district officials from the Ministries of Agriculture & Food Security, and Trade and Industry. These officials provided worthwhile clarification on the complexities about management and performance of agriculture cooperatives.

3.5 Study Area

This study was conducted in five districts which fall under Blantyre Agriculture Development Division (ADD). These districts are Mwanza, Blantyre, Thyolo, Mulanje and Phalombe. There are a total of seven districts in Blantyre ADD. The study area therefore represented 71% of total number of districts in Blantyre ADD.

3.6 Sample Selection

The study concentrated on agricultural cooperatives in Blantyre ADD. A total of 14 cooperatives out of 36 cooperatives were sampled for this study. These cooperatives were drawn from five commodity groups namely; dairy, farm produce, poultry, processing of honey and skins and hides. A deliberate action was taken to have a diversified sample of cooperatives in terms of these commodity groups. Consequently, non-random sampling techniques were employed in selecting cooperatives for this study. In districts that had one or two cooperatives all were conveniently sampled. In

this study Mwanza, Blantyre and Phalombe districts had two or less cooperatives; consequently all the cooperatives were sampled because the population was too small. A total of five cooperatives were sampled in these three districts and covered poultry, dairy, skin and hides and marketing of farm produce. The remaining 9 cooperatives were sampled purposively in Mulanje and Thyolo. Saunders et al (2003) described purposive sampling as a technique where cases are purposively selected to enable the researcher answer research questions and meet research objectives. The researcher wanted to maximize diversification of cooperative under study to better generalize the findings for the ADD. For this reason Mapanga Producers and Marketing Cooperative Society, which was the only cooperative processing honey was sampled. In addition Thyolo district is known to be a highest milk producing district in Blantyre ADD (BLADD, 2007). There was a need to identify a dairy cooperative in Thyolo. Bvumbwe Dairy Cooperative which is one of the oldest cooperative was thus sampled. Poultry business is also one famous business in Blantyre ADD. One poultry cooperative was already sampled in Blantyre but it was too inadequate to provide insights of the poultry business. Chisawani and Thyolo poultry cooperatives were therefore included to provide better understanding of cooperatives of this commodity group.

The list of cooperative also comprised a significant number of ‘comsip’ cooperatives and these were predominant in Thyolo and Mulanje. Due to financial constraints only five ‘comsip’ cooperatives that could easily be accessed were sampled. These included Milemani and Mango Comsip Cooperatives in Mulanje and Maguluni, Zatonse, and Nsungwi Comsip Cooperatives were sampled in Thyolo district. Below is Table 3.1 showing sampling distribution of cooperatives under study in Blantyre ADD.

Table 3-1: Types of Agriculture Cooperatives

District	Type of Agriculture Cooperative				
	<i>Farm produce marketing</i>	<i>Skin and hides marketing</i>	<i>Milk production and Marketing</i>	<i>Poultry production and marketing</i>	<i>Honey processing and marketing</i>
Blantyre (BT)	0	0	0	1	0
Mwanza (MN)	0	1	1	0	0
Mulanje (MJ)	2	0	0	0	1
Thyolo (TO)	3	0	1	2	0
Phalombe (PE)	2	0	0	0	0
Sample Total	7	1	2	3	1

3.6.1 Research Participants

Ideally, the research participants were supposed to be board members of the cooperatives. However, no cooperative had a board of directors. In the absence of the board of directors, the executive committees were the research participants. The other research participants were government extension workers. Refer to appendixes 2 and 3 for details of research participants. Government extension workers included Agriculture Development Officers, Extension Methodologies Officers, Agribusiness Officers, Crops Officers, Livestock Officers and Trade Officers. Table 3.2 below shows the research participants and the justification for including them in the research.

Table 3-2 Research Participants Details

Research Participant(s)	Reason for inclusion	BT	MN	MJ	PE	TO	Sub Total
Executive management of the cooperatives	Day to day management and policy direction of the cooperative	8	15	40	15	32	110
Agribusiness Officer	Trains coops in business skills	0	0	0	1	1	2
Agriculture Extension Methodologies officer	Trains coops in group dynamics and management	1	1	1	1	1	5
District Agriculture Development officer	Provides policy direction on cooperative development	1	1	1	1	1	5
District Trade Officer	Provides coop training in readiness for registration	1	1	1	0	0	3
District crops Officer	Provides Coop training in crop production techniques	1	1	1	1	1	5
District Livestock Development officer	Provides Coop training in crop production techniques	1	1	1	1	1	5
Total Research Participation		13	20	45	20	37	135

3.7 Data Collection

In order to analyze the effect of compliance with good corporate governance on performance of corporate governance both quantitative and qualitative data were collected. The collected data were both primary and secondary. Primary data were the type of data collected through observation, questionnaires, interviews and focus group discussions (Pawar, 2004). Since this research was exploratory, semi structured

questionnaires were used to get information from research participants. Semi structured interviews were conducted in focus group discussions. Sandauers (2003 p.248) noted that semi-structured interviews are used in qualitative research in order to conduct discussions not only to reveal and understand the ‘what’ and the ‘how’ but also to place more emphasis on exploring the ‘why’. This was exactly what this research study intended to achieve. The semi structured questionnaires had been designed to get factual quantitative secondary data and qualitative responses. Refer to appendix 1 attached for questionnaires content details. Secondary data were collected from the records kept by the cooperatives. The secondary data included membership and sales volume of the cooperatives. Both questionnaires were pretested in March 2009 before being administered. The purpose of pretesting was to check for clarity. Minor modifications were made before collecting data in May 2009.

3.7.1 Primary Data

A semi-structured questionnaire was used to capture primary data. This questionnaire was administered to the top management of the cooperatives. The questionnaire contained both open-ended and closed questions. The questionnaire attempted to capture data with regards to date of registration, availability of business strategies, capital formation, board quality, accountability, and independence. The questionnaires also carried a section of binary questions that sought to capture if cooperative complied or not with some basic requirements in corporate governance.

3.7.2 Secondary Data

The secondary data that were crucial to this study included the membership growth over a period of at least five years from 2004 to 2008 and volume of sales over the same period.

3.8 Data Analysis

Both quantitative and qualitative data were analysed in this research. The integral part of this research was drawn from the binary questions under corporate governance section of the questionnaire.

Data on the binary questions were scored and expressed as a percentage to get the governance index on each of the three governance variables; namely independence, accountability and board quality. The aggregated corporate governance index was calculated using excel to get arithmetic means by averaging the scores from the variables. The index helped to determine the level of compliance of each cooperative with good corporate governance principles. Scores of equal and greater than 50% indicated that the cooperative was complying with good corporate governance principles and if scores were less than 50%, it meant that the cooperative was not complying with good corporate governance principles. This index used in this research is a modification of Credit Lyonnais Securities Asia' index which was used to rank 495 firms in Asia (Klapper and Love, 2002 p.3). The modifications only removed some of the questions which were not relevant to cooperatives in Malawi and added few questions in the guidelines outlined in the Code for Best Practice in Malawi (SOCAM, 2001).

The other data on cooperative membership and sales volume were presented in tables and a graph to depict the trend and show comparisons across the cooperatives.

Thematic analysis was also done on qualitative data generated from focus group discussions and consultations with key informants. This helped in providing a better understanding as to how these cooperatives were functioning and managed. Thematic analysis was also augmented by existing concepts, theories and knowledge as experienced and documented in authenticated pieces of literature.

3.9 Limitations to the Study

The subject under this research study was complex and sensitive. Some research participants felt that the researcher had ill intentions with the information gathered, and others felt that the researcher was a potential donor. These perceptions could have affected their willingness to release information. The wrong perceptions were mitigated by firstly making proper introductions regarding the intentions of the study. Secondly, the data collectors were accompanied by officers from respective district assembly offices.

Notwithstanding this, these limitations did not significantly affect the subject under study. The quality of the study and conclusions drawn are still reliable owing to the comprehensive stakeholder consultation and literature search which were conducted.

3.10 Summary

This chapter has clarified the methodology that was used in conducting the research. The research philosophy behind this study was interpretive and took an inductive approach. This research study has used explanatory studies involving a sample of 14 agriculture cooperatives in Blantyre ADD. Data was collected using a semi-structured questionnaire that was administered in focused group discussions. Research participants were executive management team of the cooperatives. The experts that were involved in focus group discussion at district level were the District Trade Officer, District Agriculture Development Officer, The District Extension Methodology Officer, and The District Agribusiness officer. Data was analyzed largely to provide for descriptive statistics and corporate governance index. The chapter has also presented limitations to the study although the limitation never significantly affected the results of the research.

4.1 Introduction

This chapter presents results in terms of how cooperatives under this research study complied with some basic good governance principles, their sales volume and membership growth from 2004 to 2008. It also presents capital formation and strategic planning issues of cooperatives. A discussion on how these features affected performance is also provided.

4.2 Characteristics of the Study Population**4.2.1 Age and Sex of Respondents**

There was almost balanced sex representation of the respondents. About 56% of respondents were females and 44% were males ($n=108$). Females registered higher than males largely because there were three cooperatives whose membership was confined to females. In terms of age, 49% of the members were at least 40 years of age, 42% were between 30 and 40 while the remaining 8% were less than 30 years of age. Table 4.1 below provides the gender categories of the cooperatives under study.

Table 4-1 Sex and Age Category of Respondents

Name of the Cooperative ¹ (Coop)	Sex		Age group		
	<i>M</i>	<i>F</i>	<i><30</i> <i>years</i>	<i>30-40</i> <i>years</i>	<i>>40</i> <i>years</i>
Bvumbwe Dairy Coop.	3	1	0	2	2
Chisawani Poultry Coop.	5	0	0	0	5
Maguluni Dairy Coop.	0	10	2	5	3
Malinganabe Hides Coop.	6	4	1	7	2
Mango Irrigation Coop.	7	3	0	4	6
Mapanga (Honey) Coop.	4	6	2	4	4
Mdeka Poultry Coop.	4	4	0	2	4
Milemani Producers Coop.	0	10	1	5	4
Mpinda Producers Coop.	8	0	0	4	4
Mwanza Dairy Coop.	4	1	0	2	3
Nkhulambe Producers Coop.	5	2	0	2	5
Nsungwi Producers Coop.	3	7	1	5	4
Thyolo Poultry Coop.	1	2	0	1	2
Zatonse Dairy Coop.	0	10	2	3	5
Sample Total	50	60	9	46	53

Table 4.1 above shows that most cooperatives were dominated by elderly members and the youth had little participation in the cooperative management. This limited participation of the youth had an effect on skills mix of the executive management. USDA (2002) observed that inclusion of the youngster brings some business skill to the board/executive management as the elderly members have more experience in production agriculture than business management. F Lilford (2009 pers. comm., 21 May) also observed that inclusion of the youngster brings continuity of the board and reduce induction costs. The limited participation of the youth has an effect on effective management and sustainability of the cooperatives.

¹ Actual full names of the cooperatives are available on appendix 3

4.2.2 Response Rate

In this study there were 140 research participants but only 110 participants turned up representing 78%. There were 14 cooperatives. On average, each cooperative had 10 participants. The respondents per cooperative ranged from three to 10. Only two of the cooperatives had less than five respondents. The response was generally good enough to give reliable data. Table 4.2 below gives the response rate for the cooperatives under this research study.

Table 4-2 Cooperative Study Response Rate

Name of the Cooperative (Coop)	No. of Executive Members	No. of Executives at FGD	Response Rate (%)
Bvumbwe Dairy Coop.	10	4	40
Chisawani Poultry Coop.	10	5	50
Maguluni Dairy Coop.	10	10	100
Malinganabe Hides Coop.	10	10	100
Mango Irrigation Coop.	10	10	100
Mapanga (Honey) Coop.	10	10	100
Mdeka Poultry Coop.	10	8	80
Milemani Producers Coop.	10	10	100
Mpinda Producers Coop.	10	8	80
Mwanza Dairy Coop.	10	5	50
Nkhulambe Producers Coop.	10	7	70
Nsungwi Producers Coop.	10	10	100
Thyolo Poultry Coop.	10	3	30
Zatonse Dairy Coop.	10	10	100
Sample Total	140	110	78

4.2.3 *Education Levels of Respondents*

Education enables individuals to easily understand production and business techniques. In the study population, the majority of the respondents had acquired primary and secondary school education. Refer to table 4.3 below. About 42% had attained primary education and another 42% also attained secondary education. Eight percent had acquired tertiary education while another eight percent had never attained any formal education. Overall 50% of the executive management was composed of members who were illiterate and those who only attained primary school education. This affected their understanding and ability to formulate business strategies. USDA (2002, p. 17) observed that members of today's cooperative usually have a great deal of knowledge about production agriculture but limited experience and skills needed to deal with the external business forces bearing on cooperatives.

Table 4-3 Education Levels of Cooperative Executive Management

Name of the Cooperative (Coop)	Illiterate	Primary	Secondary	Tertiary
Bvumbwe Dairy Coop.	0	3	5	2
Chisawani Poultry Coop.	0	0	6	4
Maguluni Dairy Coop.	2	6	2	0
Malinganabe Hides Coop.	1	3	6	0
Mango Irrigation Coop.	2	5	3	0
Mapanga (Honey) Coop.	0	4	6	0
Mdeka Poultry Coop.	0	3	6	1
Milemani Producers Coop.	2	6	2	0
Mpinda Producers Coop.	1	7	2	0
Mwanza Dairy Coop.	0	2	6	2
Nkhulambe Producers Coop.	1	7	2	0
Nsungwi Producers Coop.	1	6	3	0
Thyolo Poultry Coop.	0	1	7	2
Zatonse Dairy Coop.	1	6	3	0
Sample Total	11	59	59	11

4.2.4 Age of the Sampled Cooperatives

The ages of cooperatives under this research study ranged from one to 16 years. Six of these cooperatives were at least five years old. Eight of the cooperatives were less than five years old. This shows that about 57% of the cooperatives were formed in the last five years and 43% were formed earlier than 2002. Table 4.4 below illustrates the ages of these cooperatives under study.

Table 4-4 Age of Cooperatives Under this Research Study

Name of the Cooperative (Coop)	Age of the Cooperative		
	≤ 2 years	>2 and <5 years	≥ 5 years
Bvumbwe Dairy Coop.			11
Chisawani Poultry Coop.			16
Maguluni Dairy Coop.	2		
Malinganabe Hides Coop.			5
Mango Irrigation Coop.	1		
Mapanga (Honey) Coop.	1		
Mdeka Poultry Coop.			7
Milemani Producers Coop.		3	
Mpinda Producers Coop.	1		
Mwanza Dairy Coop.			5
Nkhulambe Producers Coop.	1		
Nsungwi Producers Coop.	1		
Thyolo Poultry Coop.	1		
Zatonse Dairy Coop.			5
Total sample number under each age group	7	1	6

The table 4-4 above shows that half of the cooperatives under this research study were registered in the past two years. The other half was registered at least five years ago. Most of the cooperatives registered in the last two years were done through an initiative of external support. Of the seven cooperatives registered in the last two years, six were facilitated by the financier. Table 4.5 below shows the cooperatives and their principal financiers.

Table 4-5 Cooperative Principal Financiers

Name of the Cooperative	Principal Financier
1. Mango Irrigation COMSIP Cooperative Society Ltd	Malawi Social Action Fund (MASAF)
2. Maguluni Dairy Farmers COMSIP Cooperative Society Ltd	Malawi Social Action Fund
3. Mapanga Producers, Processors and Marketing Cooperative Society	Japanese International Cooperation (JICA) under One Village One Product (OVOP)
4. Nkhulambe Producers and Marketing Society Ltd	Irrigation and Agriculture Development Project (IRLADP)
5. Nsungwi COMSIP Cooperative	Malawi Social Action Fund
6. Thyolo Poultry Farmers Cooperative Society	Farm Income Diversification Program (FIDP)

The proliferation of the cooperatives in the last two years can be attributed to the influence of financiers other than farmers' need to form cooperatives.

4.2.5 Activeness of the Cooperatives

The cooperatives which were studied were categorized into three based on their level of activeness. The level of activeness was categorized as dormant, passive, and active. Dormant cooperatives were those that rarely met and were not carrying out any business. Passive cooperatives were those that met regularly and transacted little or no business as cooperatives. Active cooperatives were those that meet quarterly and carried business as cooperatives. Table 4.6 below shows the level of activeness of the cooperatives in Blantyre ADD.

Table 4-6 Level of Activeness of Cooperatives Under this Research Study

Type of Agriculture Cooperative	Level of Activeness of Agriculture Cooperative		
	<i>Dormant</i>	<i>Passive</i>	<i>Active</i>
a) Farm produce marketing	0	6	1
b) Skin and hides marketing	0	1	0
c) Milk production and Marketing	0	1	1
d) Poultry production and marketing	3	0	0
e) Honey processing and marketing	0	0	1
Sample Totals	3	8	3

The results showed that three cooperatives were active, eight were passive and three were dormant. The three active ones were a dairy cooperative, farm produce marketing and honey processing and marketing. Further examination of the three active cooperatives showed that they had invested in machinery like milk processing plant, honey processing and a rice mill. The eight cooperatives that are passive are mainly those that got a grant from Community Savings and Investments Projects (COMSIP). Most of these cooperatives were passive because they had inadequate operational finances (G Wanda 2009 pers. comm., 15 May). They had very little finances generated from membership fees and shares. Membership fees ranged from MK50 to MK500 per annum while nominal share value ranged from MK200-MK5000. At the initial of their cooperatives they had a grant which they ploughed in a credit facility for their members. Worse still their credit facilities were experiencing poor recovery. The three dormant cooperatives were all poultry cooperatives. When the poultry cooperatives were asked why they were dormant, they all blamed it on stiff competition. D Chandire (2009 pers. comm., 21 May) observed that the poultry industry had stiff competition because of big commercial players. These competitors had big capital investment and transport facility and were enjoying economies of

scale. As a result they were offering very competitive prices for poultry products. These players out competed the cooperatives mainly in terms of price.

4.3 Cooperative Capital Formation

Capital is one critical factor of production. The way a cooperative is financed can therefore have a profound effect on performance. The study looked at a number of ways cooperatives were financed. Refer to table 4.7 showing various ways of capital formation for cooperatives. There were six possible ways in which cooperatives could finance their activities. These were membership shares, investment shares, membership fees, debt finance, accumulated equity and grants. The most common way of raising capital was through membership fees representing 100% (n=14). It was noted that cooperatives were very strict on this fees as it was apparent that all members were paying this fees. However, the amounts charged were mostly on the lower side ranging from MK50 to ²MK200 (\$0.33-1.33) per member per annum. Comparatively, membership fees made a small contribution towards cooperative finances. The second other common source of finance was grants. Twelve cooperatives out of 14 had ever received grants. This represents 86% of the sampled cooperatives. The grants were contributing the largest share toward the cooperative finances. The third way of raising capital was through membership shares which represented 79% of the sampled cooperatives (11 out of 14 cooperatives).

Although a good number of cooperatives generated capital through membership shares but the finances raised were also limited for two reasons. First, it was noted that not all members were buying the shares. Some members still did not understand why they should buy shares and what they would use the funds for. In all cooperatives there were no efforts and no regulation on the collection of these shares. Secondly, it was also noted that members were acquiring same volume of shares and in almost all cases it was nominal share value.

² The prevailing exchange rate was \$1 to MK150

The other three ways of capital formation were investment shares, debt and accumulated equity. All the 14 cooperatives did not raise capital through investment shares, debt and accumulated equity. The reasons as to why they could not get debt were varied. Nine cooperatives said they did not know that they can acquire debt from banks; three cooperatives said they did not have business plans and two cooperatives had inadequate collateral. Accumulated equity was not possible because most of the cooperatives that were inactive and dormant never made profits. The three cooperatives that were active made very little profits and had never discussed accumulated equity as one way of raising capital. In instances where cooperatives were not posting significant increases in sales volume it was hard for cooperatives to raise capital through accumulated equity.

In summary, the cooperatives under this research study raised capital mainly from three sources namely; membership fees, membership shares and grants. When it was enquired about which source contributed the largest share, all the cooperatives observed that grants had the largest share seconded by shares. The least source of finances was the membership fees. This implied that in absence of grants these cooperatives could be severely affected.

Table 4-7 Capitalization of the Cooperatives Under this Research Study

Name of the Cooperative	Membership shares	Investment shares	Fees	Debt finance	Accumulated equity	Grants
Bvumbwe Dairy Coop.	0	0	1	0	0	1
Chisawani Poultry Coop.	1	0	1	0	0	0
Maguluni Dairy Coop.	1	0	1	0	0	1
Malinganabe Hides Coop.	1	0	1	0	0	1
Mango Irrigation Coop.	1	0	1	0	0	1
Mapanga (Honey) Coop.	1	0	1	0	0	1
Mdeka Poultry Coop.	0	0	1	0	0	1
Milemani Producers Coop.	1	0	1	0	0	1
Mpinda Producers Coop.	1	0	1	0	0	0
Mwanza Dairy Coop.	0	0	1	0	0	1
Nkhulambe Producers Coop.	1	0	1	0	0	1
Nsungwi Producers Coop.	1	0	1	0	0	1
Thyolo Poultry Coop.	1	0	1	0	0	1
Zatonse Dairy Coop.	1	0	1	0	0	1
Sample Total	11	0	14	0	0	12

4.4 Corporate Governance Index

The extent to which cooperatives comply with good corporate governance principles was assessed in terms of independence, accountability and quality of the board or management teams of these cooperatives. Refer to attachment details on appendix 1 for content details of the questionnaire. An aggregated governance index was calculated by averaging the three variables. Table 4.8 below shows the governance index for the cooperatives under study.

Table 4-8 Corporate Governance Index

Name of the Cooperative	Governance Index (%)			
	<i>Independence</i>	<i>Accountability</i>	<i>Board quality</i>	<i>Aggregated Index</i>
Bvumbwe Dairy Coop.	12.5	22.2	0.0	11.5
Chisawani Poultry Coop.	0.0	11.1	0.0	3.9
Maguluni Dairy Coop.	0.0	33.3	0.0	11.5
Malinganabe Hides Coop.	0.0	22.2	0.0	7.7
Mango Irrigation Coop.	0.0	11.1	0.0	3.9
Mapanga (Honey) Coop.	0.0	22.2	0.0	7.7
Mdeka Poultry Coop.	0.0	11.1	0.0	3.9
Milemani Producers Coop.	0.0	11.1	0.0	3.9
Mpinda Producers Coop.	0.0	11.1	0.0	3.9
Mwanza Dairy Coop.	0.0	11.1	0.0	3.9
Nkhulambe Producers Coop.	0.0	11.1	0.0	3.9
Nsungwi Producers Coop.	0.0	11.1	0.0	3.9
Thyolo Poultry Coop.	0.0	11.1	0.0	3.9
Zatonse Dairy Coop.	0.0	11.1	0.0	3.9
Mean Score (%)	0.9	15.1	0.0	5.5

Table 4.8 above shows that no cooperative had governance index greater than 50% in any of the three attributes namely; accountability, independence and board quality. The overall weighting of 5.5% is far from the minimum score of 50%. This shows that the cooperatives were not complying with the corporate governance principles.

4.5 Good Corporate Governance Structures

SOCAM (2001) recommended that board of directors need to be separate from management. It also recommended that business could have as many sub committees

as deemed necessary. However, at minimum, there must be three subcommittees namely remuneration committee, appointments committee and audit committee. This study wanted to find out if cooperatives in the study area had boards of directors and the three subcommittees of remuneration, appointments and audit. All the 14 cooperatives indicated that they did not have a board of directors neither did they have the remuneration, appointments and audit committees. The absence of the board of directors meant that management of the cooperatives had too much power and there was no structure to monitor the efficiency and effectiveness of management. The absence of audit, remuneration and appointments committees also meant that all cooperatives did not have adequate checks and balances for effective delivery of goods and services.

Since it was clear that there were no structures to promote good governance, the researcher was interested to know how the functions of the structures were being carried out. These structures include the board of directors, remuneration committee, Audit committee and the nomination committee.

i. The Board of Directors

The board of directors' core function is to provide management oversight and policy direction to the cooperatives. It also evaluates the performance of executive management (SOCAM, 2001). In the absence of the board of directors it was noted that the executive management was carrying out the function on the board of directors. This meant that the executive management was setting its own objectives, supervising itself and assessing itself. Apparently, the executive management had a conflict of interest in discharging its duties and the roles of board of directors.

ii. The Remuneration Committee

The remuneration committee, which comprises non executive directors, has the duty to decide on directors' allowances and sufficient remuneration of executive directors to ensure skill retention (CFCG, 1992). In the absence of this committee the entire executive management was deciding on allowances and reimbursement for themselves. This created a conflict of interest and had potential for abuse. On the

other extreme end executive management was working on the volunteer basis. This again had a great potential of compromising on skills.

iii. The Audit Committee

The primary function of the audit committee is to supervise auditing of the cooperative books (SOCAM, 2001). In the absence of the committee, the audit remained unsupervised. For those cooperatives that were auditing their books were using auditors from the office of Register for Cooperatives and Local Government, and for dairy cooperative the auditors used were from the Shire Highlands Milk Producers Association (SHMPA). These auditors had been used ever since without changing them. This compromised the need to limit the tenure of auditors. The other problem was on the regularity of auditing. In most cases the cooperatives were audited once in every two years. Furthermore, the auditors were offering their service free of charge and this might have compromised the quality of audit. This also contravened the Malawi Cooperatives Act of 1998 (GOM, 1998 p10). Section 23 part 1(a) of this Act limits the number of consecutive years of auditing by same auditor or firm to three years while 1(b) clearly says auditors must audit at a fee. These inadequacies in audit could hardly be noted if cooperatives operate without the structure of audit committee.

iv. The Appointments Committee

The appointment committee is charged with the responsibility of recommending the appointment of non executive directors. These non executive directors are those directors that have special and rare skills needed for effectiveness of the board. These directors oftentimes bring objectivity to the board. In the absence of this committee the executive management had completely avoided use of non executive directors. The non inclusion of these non executive directors meant that the executive management never had adequate skill to operate effectively. This was one of the possible reasons why most cooperatives operated without vital strategic plans and business strategies. The research revealed that executive management did not know how to formulate the strategic plans and business strategies. The absence of the nomination committee therefore had affected the skills mix of executive management

and in turn its performance. When the cooperatives were asked the criteria they use when hiring the executive management the most common responses were honesty, ability to read and write. These however were too basic for effective delivery of the board.

4.6 Business Strategy

In order to compete successfully cooperatives need to come up with good business strategies. To come up with a good business strategy, a business organization requires scanning both the internal and external business environments in which it is operating. This process helps the business organization to identify business success factors. It also helps to come up with mission statements, visions, strategic plan, marketing plans and business plans. Mission statements and visions help to align the entire cooperative towards its goals. A business plan is a comprehensive, written description of the business of an enterprise covering its products or services, production techniques, markets and clients, marketing strategy, human resources, organisation, requirements in respect of infrastructure and supplies, financing requirements, and sources and uses of funds (UNCTAD, 2002).

The cooperatives were assessed in terms of whether they had mission statements, vision, strategic plan, marketing plan and business plan. Table 4.9 below shows the findings.

Table 4-9 Cooperative Strategic Planning Features

Name of the Cooperative	Mission statement	Vision	Strategic plan	Marketing plan	Business plan
Bvumbwe Dairy Coop.	0	0	0	0	0
Chisawani Poultry Coop.	0	0	0	0	0
Maguluni Dairy Coop.	0	0	0	0	0
Malinganabe Hides Coop.	0	0	0	0	0
Mango Irrigation Coop.	0	0	0	0	0
Mapanga (Honey) Coop.	0	0	0	0	0
Mdeka Poultry Coop.	0	0	0	0	0
Milemani Producers Coop.	0	0	0	0	0
Mpinda Producers Coop.	0	0	0	0	0
Mwanza Dairy Coop.	0	0	0	0	0
Nkhulambe Producers Coop.	0	0	0	0	0
Nsungwi Producers Coop.	0	0	0	0	0
Thyolo Poultry Coop.	1	0	0	1	1
Zatonse Dairy Coop.	0	0	0	0	0
Sample Total Score	1/14	0/14	0/14	1/14	1/14

Note: In the table 0 denotes unavailability and 1 denotes availability.

As it can be seen in the table 4-9 above all cooperatives had no mission statements, visions, strategic plans, marketing plans and business plans except Thyolo Poultry Farmers Cooperative Society which had a mission statement, marketing plan and business plan in place. An in depth discussion showed that the executive management of the cooperatives did not know these plans and how to formulate them. This also reflected the quality of the management teams of these cooperatives. The absence of mission statements and visions meant that there was no focus and single purpose of mind among those who were managing the cooperative (Eigeles and Motzkin, 2003).

This might have lead to divergent foci and sub optimization. The absence of business plans meant that the businesses were not well thought of. Strokes (2000) noted that an analysis of the competitive forces at work in the market place helps an organization to identify its strength and weaknesses in relation to the competitive structure and evaluate the opportunities and threats which are revealed. This helps the business to put up plans which help in repositioning itself competitively in the business environment. The absence of these strategies entails that these cooperatives were unlikely to stand the heat of competition.

4.7 Sales Growth

One of the indicators that cooperatives are performing well is the increase in volume of the products sold. Table 4.10 below shows volume of sales for various cooperatives from 2004 to 2008. Four cooperatives registered no sales during this period while 10 cooperatives made sales over the period. Out of the ten cooperatives, five of them had declining sales over the same period; the other five had almost constant sales volume.

Table 4-10 Volume of Cooperative Sales

Name of the Cooperative	Measurement Units	Sales volumes from 2004-2008				
		2004	2005	2006	2007	2008
Bvumbwe Dairy Coop.	(Kl of milk sold)	1077	1148	1387	1168	1276
Chisawani Poultry Coop.	(No of chickens sold)	0	0	0	0	0
Maguluni Dairy Coop.	(Kl of milk sold)	0	0	0	0	0
Malinganabe Hides Coop.	(No of hides sold)	-	-	-	5250	4950
Mango Irrigation Coop.	(Kg of farm produce sold)	-	-	-	900	750
Mapanga (Honey) Coop.	(Kl of honey sold)	-	-	-	12000	14500
Mdeka Poultry Coop.	(No of birds sold)	-	0	0	2400	800
Milemani Producers Coop.	(kg of farm produce sold)	-	-	500	0	150
Mpinda Producers Coop.	(Kg of farm produce sold)	-	-	-	2250	2050
Mwanza Dairy Coop.	(Kl of milk sold)	0	0	0	0	0
Nkhulambe Producers Coop.	(kg of milled rice sold)	-	-	-	700	750
Nsungwi Producers Coop.	(kg of farm produce sold)	-	-	-	-	3300
Thyolo Poultry Coop.	(No of birds sold)	0	0	0	0	0
Zatonse Dairy Coop.	(kg of farm produce sold)	0	0	0	2500	3050

4.8 Cooperative Membership Growth

The membership of Cooperatives in Malawi is open (GOM, 1998). This entails that other things being constant membership of cooperatives was supposed to grow over time. The results in terms of memberships of various cooperatives under study shows that membership was almost constant. Refer to table 4-11 below. A number of cooperatives registered a declining trend of their membership. Some of the

cooperatives had never made any business as a cooperative. The executive management noted that some members were withdrawing after seeing that the cooperatives were making little or no business at all. In other cooperatives however membership kept growing despite not making business. These cooperatives had other incentives that locked in some members and compelled others to join.

Table 4-11 Cooperative Membership Growth

Name of the Cooperative (Coop)	Number of Members				
	2004	2005	2006	2007	2008
Bvumbwe Dairy Coop.	10	10	10	10	10
Chisawani Poultry Coop.	30	25	20	15	15
Maguluni Dairy Coop.	-	-	-	11	11
Malinganabe Hides Coop.	15	15	15	12	10
Mango Irrigation Coop.	-	-	-	-	29
Mapanga (Honey) Coop.	-	-	-	102	85
Mdeka Poultry Coop.	15	25	25	25	25
Milemani Producers Coop.	-	-	12	14	18
Mpinda Producers Coop.	-	-	-	100	28
Mwanza Dairy Coop.	26	24	34	37	37
Nkhulambe Producers Coop.	-	-	-	-	40
Nsungwi Producers Coop.	-	-	-	-	37
Thyolo Poultry Coop.	-	-	-	16	16
Zatonse Dairy Coop.	11	11	11	11	13
Sample Total	137	155	184	622	559

The data provided in the table 4-11 shows that there was an increase in membership growth of the cooperatives between 2004 and 2008. This was because of emergence of new cooperatives. Table 4-11 shows that seven cooperatives were formed between 2006 and 2008. These contributed a lot to the growth of cooperative membership. The research however was interested to see whether the membership grew within the cooperative that were formed by 2004. To assess this, six cooperatives that were already formed by 2004 were isolated and monitored. Figure 4.1 below shows a small membership increase from 107 in 2004 to 110 in 2008. This shows that within the cooperative membership was almost constant during the period under research. It

could be concluded that total membership growth from 137 in 2004 to 559 in 2008 was largely due to the emergence of new cooperatives.

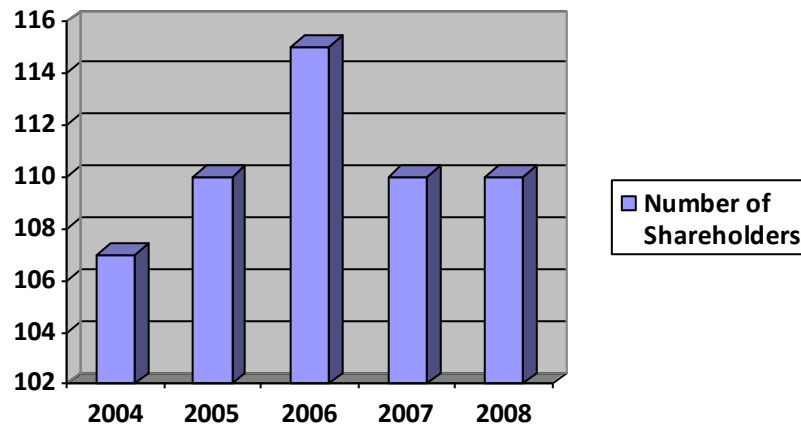


Figure 4.1 Growth of Shareholders of cooperatives of at least 5 years Old

4.8.1 Incentives for Membership Growth

Some of the cooperatives transacted no cooperative business for a number of years and yet paradoxically, they were able to retain and even attract membership. The study revealed that there were five types of incentives that locked up members to the cooperative other than sales growth. Below is a discussion of each incentive.

i. Heifer Pass-on Program

The two dairy cooperatives of Mwanza and Bvumbwe had a heifer pass-on program. Under this program the cooperatives received a grant of dairy animals which were distributed to the members. Upon calving down a heifer, each beneficiary passed on a heifer to the next beneficiary. Membership entry requirement for Bvumbwe Cooperative was MK500 per annum (W Khungwa 2009 pers. comm., 23 May). Similarly, entry requirements for Mwanza Dairy Cooperative were membership fees of MK500 and nominal share of MK1500 (C Likupe 2009 pers. comm., 15 May). This meant that with only MK500 for Bvumbwe Cooperative and MK2000 for Mwanza Dairy Cooperative one would become a member and stand a chance of becoming the next heifer beneficiary. It was noted that regardless of whether the

cooperatives were making sales or not farmers still were interested to join the cooperative in order to benefit from the heifer pass on program.

ii. Credit Facility

The cooperatives that were formed with support from COMSIP also got a grant from Malawi Social Action Fund (MASAF). This grant was used to create a credit facility for its members. Besides this, the cooperatives engaged in various businesses as a group. The businesses ranged from production and sale of farm produce. Although most of these cooperatives posted generally declining sales farmers were still interested to join the cooperatives in order to benefit from this credit facility.

iii. Proceeds from Rice Milling

Nkhulambe Producers and Marketing Society Limited acquired a grant from IRLADP and procured a rice mill. It was noted that the rice mill was generally bringing more revenue than the sales of farm produce. The membership fee and nominal share value was low and affordable. Although some members were slow to buy membership shares but they were quick to pay for membership fees to benefit from the proceeds of the rice mill. The proceeds from the rice mills were shared based on membership registration, while proceeds from rice sales were shared based on number of shares acquired. The proceeds from the rice mill were much higher than the sales of rice and these motivated farmers to join the cooperative by just paying membership fees only.

iv. Insurance Cover

Bvumbwe Dairy Farmers Cooperative Society had negotiated for livestock insurance cover for its members. This provision could not be done on an individual basis. Some farmers were attracted by this provision although it was evident that the cooperative registered declining sales.

v. Provision of Coffin to the Deceased

Bvumbwe Dairy Farmers Cooperative Society also had the incentive of providing a coffin when a member died. The quality of coffins provided was better than the local

coffins used by non members. This was giving members a status and distinction in the society. This, however small it might appear, had a very strong membership attraction.

4.9 Experts' Views on Cooperative Performance

The experts that were consulted during the research study included District Agriculture Development Officers, District Agribusiness Officers, District Agriculture Extension Methodologies Officers, District Crops Officers and District Animal Health & Livestock Development Officers and District Trade Officers. These district officers were consulted in all the five districts. It was agreed that there was generally a low achievement on cooperatives in all the districts considering the fact that agriculture has a lot of enterprises. There are six key reasons that contributed to low achievement on registered cooperatives. Below are the six reasons.

i. Inadequate Knowledge Among Staff and Farmers

In all the districts the officers expressed that extension workers had little knowledge on organization and management of cooperatives. This could be the reason why farmers had problems on the organization set up of cooperatives and on ways of financing cooperatives. An analysis of staffing positions in the districts showed that the post of Agribusiness Officers and Trade officers were mostly vacant. The officers that were acting on these posts were not trained in organization and management of cooperatives. This affected their output as their service was just like a blind man guiding another blind man.

ii. Little Focus of Government Policy on Cooperatives

The Malawi Government has a legal framework in place namely the Cooperative Societies Act and Regulations of 2002. Notwithstanding this, the Government of Malawi lacks specific policies to support management and development of cooperatives. In a study of agricultural cooperatives in Nyasaland, Kauffman (1963) recommended for expansion and intensification of training and education in cooperative philosophy and practices at all levels. He also tackled issues of staffing in the department of cooperative development which is now called Ministry of Trade and Industry. He further mentioned about the need of standardization in curriculum

development for cooperative trainings at Mpemba and Colby College, now Natural Resource College. At the time of this research there was no training in cooperative management at both Mpemba and Natural Resources College. Further to this, the Ministry of Trade and Industry still faces critical staff shortages (MoTI, 2008). Although GOM (2006) cited rural cooperatives as one way of transforming the country from predominantly importing to predominantly exporting, it appears there is inadequate effort to support the formation, management and development of cooperatives.

iii. Inadequate Funding for Cooperative Training

Experts in the districts cited inadequate funding as also a cause for low achievement and performance of cooperatives. Normally, cooperatives require a series of training before they can register as cooperative. With low funding levels it was difficult for extension workers to extend trainings to a maximum number of cooperatives. Inadequate funding also affected other specialized trainings on production techniques thereby affecting total outputs of the cooperatives.

iv. Low Literacy Levels

One of the major challenges is the low literacy levels among the farming community. The Agriculture Policy in the New Millennium also noted low literacy level as a challenge. Low literacy levels affect the level at which the members understand how cooperatives operate and are managed. This also affects their willingness to join and transactions made with the cooperative. In addition, low literacy levels affect the acquisition of modern production techniques. This results in low production levels for the entire cooperatives.

v. Coordination Problems Among Service Providers

It was noted that various service providers had specific and interdependent roles. However these roles were not properly coordinated. For example District Trade Officers were offering pre-registration trainings, the Agribusiness Officers were offering training in business management and the Extension Methodologies Officers were offering trainings in group management and development. In addition, there

were other technical experts who were offering specialised trainings in production techniques for livestock as well as crop enterprises. There were instances where a cooperative was registered and yet agribusiness, the Extension Methodologies officers, and the crop or livestock officers at district level were not aware. The cooperative obviously suffered from capacity challenges in terms of group management, business management and production technicalities.

vi. Over Reliance on Grants by Cooperative Members

One of the challenges cited by experts was over reliance on grants. It was noted that the cooperatives are failing to expand due to limited capital. This was an enigma because members were not acquiring membership shares. There might be a link with inadequate knowledge on capitalization of cooperation as well as poor business management in the cooperatives. In addition to this, the absence of proper governance structure was a disincentive for members to invest in the cooperatives.

4.10 Summary

The chapter has provided the research results and a discussion on the results. The aim of the study was to find out the level at which cooperatives under this research study comply with good corporate governance principles and the effect this could have on membership growth and sales volume. The results have shown that there is extremely low compliance with corporate governance principles. The cooperatives had inadequacies in terms of structures that could promote accountability, independence and board quality. This resulted in having poor business strategies. The results have also revealed that membership had been constant within existing cooperatives, however overall cooperative membership grew due to emergence of new cooperatives. The results also showed that four cooperatives made no sales over the period under this research study. The sales for the other five cooperatives were declining while the other five sales increased slightly.

5.1 Introduction

This chapter draws conclusions on how compliance of cooperatives with good corporate governance principles affected their performance in Blantyre ADD. It goes further to suggest some recommendations on what should be done to improve performance of agricultural cooperatives in the ADD.

5.2 Conclusion**5.2.1 *Compliance with Corporate Governance***

This study has revealed that all the 14 cooperatives failed to comply with the code of best practices for the minimum governance structures. All the cooperatives did not have the board of directors, remuneration committee, audit committee and the appointments committee. All the cooperatives never had an AGM and never produced annual reports on time. On the governance index all cooperatives under this study had an aggregate score of 5.5% which is far from a minimum of 50% minimum required score. It is therefore conclusive that agriculture cooperatives in Blantyre ADD did not comply with good corporate governance. This non compliance with corporate governance negatively affected the formulation of business strategies and capital formation, and in turn sales volume.

5.2.2 *Cooperative Business Strategies*

With exception of Thyolo Poultry Cooperative, all cooperatives had no business strategies in place. The research looked at availability of any of these plans namely; business plan, marketing plan and strategic plan. The absence of these plans meant that there was no strategic positioning of each cooperative member. There was also no shared vision. The whole business was not well thought of in all angles of capital acquisition, marketing, human resources and production techniques. The absence of these business strategies affected performance of the cooperatives to the extent that there was a decline in the total sales volumes transacted.

The study revealed that the executive management of the cooperatives did not know how to formulate business strategies. The inability of executive management to come up with these strategies was a result of inadequate skill among the executive management. Half of the executive management comprised members who were illiterate and had only attained primary school education. These members did not have adequate skill in business strategy formulation. The absence of the appointment committee had an effect on recruitment of executive management. The executive members were largely recruited based on charisma and honest not necessarily on merit or skill competency. This compromised the quality of executive management. These inadequacies are as a result of non compliance with good governance principles. It can therefore be concluded that non compliance with corporate governance affected the quality of executive management that was hired and in turn affected the quality of business strategies formulated.

5.2.3 *Sales Volume*

The research study has shown that four cooperatives made no sales over the study period. The other five cooperatives had contracted sales volumes; four cooperatives had almost constant sales and one cooperative made sales once in the last year of research period.

Overall, the cooperatives showed a declining trend in sales volume. The decline in sales volume emanated from poor marketing strategy. Incidentally, all cooperatives had no marketing plans. This study revealed that executive management lacked skill and capacity to formulate marketing plans. In turn this reflected weak appointment procedures and structures for hiring executive management. This resulted from non compliance with corporate governance. It is conclusive that non compliance with corporate governance affected sales volume negatively in as much as it affected recruitment of executive management and strategy formulation.

5.2.4 *Cooperative Member Growth*

The research study has established that overall cooperative membership grew between 2004 and 2008 because of emergence of new cooperatives. However in each of the cooperatives membership remained largely constant over the same period.

It was noted that some members quit the cooperatives because they were dissatisfied with the cooperatives since some cooperatives were taking too long before conducting any business. Some members also quit because of lack of accountability and transparency on the part of executive members to the general membership. Some of the cooperative were able to balance up those who quit because of the incentives they were offering to their members. Some of the members remained loyal and others joined the cooperatives following the incentives. Because of these forces membership in each cooperative remained almost constant.

The marketing problems as well as problems of accountability and transparency are structural problems. The cooperatives did not have appropriate structures to ensure that these problems are addressed. These structural problems have resulted from non compliance with good corporate governance. For instance, the absence of the board of directors meant that executive management remained unsupervised and therefore inefficient. The absence of nomination committee affected the quality of executive members that were recruited and in turn the marketing strategy of the cooperatives. Similarly the absence of audit subcommittee meant that auditing was not properly supervised leading to accountability challenges.

It is therefore concluded that non compliance with good corporate governance affected membership growth in as far as it affected institutional framework to support accountability and merit based appointment of executive members.

5.2.5 Capitalization of Cooperatives

The cooperatives under study had limited ways of capital formation. The most common ways included the membership fees, membership shares and grants. All the cooperatives under study were not strict in terms of membership shares as none of the cooperatives had all its 'members' paid up these shares. None of the cooperatives raised funds through debt or retained equity.

Due to limited ways of raising capital the cooperatives under study faced critical shortage of funds for operation. This led to scaling down most of their business activities. This consequently contributed to contraction of sales volumes.

5.3 Recommendations

5.3.1 Registration of Cooperatives

The study revealed that all cooperatives had no board of directors. This brought questions on the procedure and conditionality for registration. In the interest of protecting the investors government ought to regularize registration of only those cooperatives that have a board of directors. This would promote accountability and efficiency of cooperatives. In addition, some basic things like a business plan ought to be a precondition before a cooperative can be registered. It was also observed that people who had paid membership fees were regarded as members even though they had not yet acquired membership shares. There must be proof enough that members have acquired membership shares before a cooperative can be registered.

5.3.2 Cooperative Member Education

It was evident that there was inadequate knowledge among farmers and extension workers on how the cooperatives are structured, financed and managed. Hence, cooperatives were operating without a board of directors and members were unwilling to acquire membership shares. In addition, most cooperative members were not trained on the production techniques of their enterprises. Government should be proactive in opening up institutions that can offer regular training on cooperatives management for both extension workers and farmers themselves. In addition, it was

noted that district staff failed to train extension workers and farmers due to inadequate funding. Government should also look at providing government departments with adequate resources for them to reach out to the farmers. Some of the farmers failed to acquire necessary management and production training because of poor coordination among extension workers. At district level, there is a need to improve coordination among Ministry Departments of Trade and Industry, and Agriculture and Food Security so that cooperative member education should be comprehensive and harmonised.

5.3.3 Further Research

This research was limited to the effect of compliance with good corporate governance principles on non financial performance indicators namely membership and sales volume. As cooperatives get advanced in Blantyre ADD there would be a need to find out what out the effect compliance with good corporate governance could have on financial performance indicators. When cooperative structures are fully instituted there would also be a need to assess the effectiveness of board of directors on the performance of these cooperatives.

REFERENCES

Bhagat, S. & Black, B. 1999, 'The uncertain relationship between board composition and firm performance', *Business Lawyer*, Vol 54, pp. 921-963.

BLADD (Blantyre Agriculture Development Division). 2007, *Annual Progress Report 2006/07*, Blantyre, Malawi.

Brancato, C.K. & Plath, C.A., 2002, *Corporate Governance Best Practices: A Blueprint for the Post-Enron Era*, Conference Board.

Brown, L.D. & Caylor, M.L. 2004, 'Corporate Governance and firm Performance.' Working paper, Georgia State University.

Burgelman, R.A., Maidique, M.A. & Wheelwright, S.C. 1996, *Strategic Management of Technology and Innovation*. 2nd Ed. Irwin. Chicago.USA.

Chandire, D. 2009, email 21 May, <dchandire@yahoo.com>.

DFID (UK Department for International Development). 2007. *Corporate Governance and Cooperatives*. UK Co-operative College, Manchester.

Dunn, J.A., Crooks, D., Frederick, T., Kennedy, N. & Wadsworth, J. 2003 *Meeting the Challenge: Coops in the 21st Century*. Rural Cooperatives, January/February, pp.4-6, 36.

Eigeles, D. & Motzkin, K. 2003, 'Facilitating Shared Visions in an Organisation'. *Journal of European Industrial Training*. Vol 27, pp. 208-219.

Eisenhofer, J.W. & Levin, G.S. 2005, 'Does Corporate Governance Matter to Investment Returns?' *Corporate Accountability Report*, Vol 3. No. 57, pp. 1-11.

GOM (Government of Malawi). 1998, *Corporative Societies Act 1998 and Cooperative Societies Regulations 2002*, Government Printer, Zomba.

GOM (Government of Malawi). 2002, *New Agriculture Extension Policy*, Ministry of Agriculture and Food security, Lilongwe, Malawi.

GOM (Government of Malawi). 2006, *Malawi Growth and Development Strategy*, Department of Economic Planning and Development, Lilongwe, Malawi.

Harris, A. 1998, *Financing Agricultural Cooperatives: An Overview*. British Columbia.

Heracleous, L. 2001, 'What is the Impact of corporate Governance on Organisational Performance?' *Conference Papers*, Vol 9, No. 3. pp. 165-173.

Jansen, P., Ikaheim, S. & Malinen, P. 1999, *Capital Formation in Kenya Farmer-Owned Cooperatives. A Case Study*, Food and Agriculture Organisation, Rome. Viewed 24 November 2008 from <<http://www.fao.org/docrep/003/x3138e/x3138e00.htm#8contents>>.

Kauffman, I.H. 1963, *A study of Agricultural Cooperatives in Nyasaland*. United States of America Agency for International Development.

Klapper, L.F. & Love, I 2004, *Corporate Governance, Investor Protection, and Performance in Emerging Markets*, World Bank Policy Working Paper No. 2818. Viewed 17 December 2008, <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=303979>.

Khungwa, W. 2009, email 23 May, <bdpcs@yahoo.com>.

Liebrand, C. 2008, *Using the 'extra-value index' to measure agricultural cooperative performance*. Viewed 28 November 2008, <<http://www.rurdev.usda.gov/rbs/jan08/using.htm>>.

Likupe, C. 2009, email 15 May, <clikupe@yahoo.co.uk>.

Lilford, F. 2009, email 21 May, <llilford@gmail.com>.

Maier, S. 2005, *How global is Corporate governance*. Ethical Investment Research Services. London.

Management Development Centre. 2002, 'From early warnings to a total business crisis: Formulating and Implementing turnaround strategies', Research Report, University of Malawi.

Mkandawire, M.L.C. 1999, *Poverty, Democracy and Macro-Economic Management: The case of Malawi*, Mazongororo Paper Converters, Harare.

Moloko, H.B. 2004, 'Causes of company failure in Malawi: the Case of David Whitehead & Sons Limited', MBA dissertation, University of Malawi.

MoTI (Ministry of Trade and Industry). 2007, *List of Non Financial Cooperatives in Malawi*, Lilongwe, Malawi.

MoTI (Ministry of Trade and Industry). 2008, *Annual Progress Report 2007/08*, Lilongwe, Malawi.

Muhlemann, A., Oakland, J. & Lockyer, K. 1992, *Production and operations management*, 6th edn, Harlow, Prentice Hall.

O'Connor, J. 2001, *International Trends in the Structure of Agriculture Cooperatives*, Rural Industries Research and Development Corporation, Melbourne, Australia.

Pawar, M. 2004, *Data Collecting Methods and Experiences*, New Dawn Press Group. New Delhi.

Pellervo Confederation of Finish Cooperatives. 2000, *Corporate Governance and Management Control in Cooperatives*. General Committee on Agricultural Cooperatives, Brussels.

Sakai, H. & Asaoka, H. 2003, *The Japanese Corporate Governance System and Firm Performance: toward sustainable growth*, Research Center for Policy and Economy, Mitsubishi Research Institute.

Saunders, M.N.K., Lewis, P. & Thornhill, A. 2003, *Research methods for business students*, 3rd edn, Pearson Education Limited, Essex.

SOCAM (Society of Accountants in Malawi). 2001, *Code of Best Practice for Corporate Governance in Malawi*, Malawi.

Strokes, D. 2000, *Marketing: A case Study Approach*. Ashford Colour Press, Hampshire.

Subrahmanya, M. 2005, Technological Innovations in India Small Enterprises: dimensions, intensity and implications. Viewed 18 February 2009. <http://www.mendeley.com/research/technological_innovations_india_small_enterprises_dimensions_intensity_implications_7/>.

TFC (Tanzanian Federation of Cooperatives). 2006, *Cooperatives and Development in Tanzania*, Dar es Salaam, Tanzania.

UNCTAD (United Nations Conference on Trade and Development). 2002, *How to Prepare Your Business Plan*, United Nations, New York and Geneva.

UNDP (United Nation Development Programme). 2005, *Human development report 2005: International cooperation at a crossroad*, UNDP, New York.

USDA (United States Department of Agriculture). 2002, *Agricultural Cooperatives in the 21st Century*, Cooperative Information Report 6, Rural Business Cooperative Service. Washington, D.C., USA.

Wanda, G. 2009, email 15 May, <grenomp@yahoo.co.uk>.

Wonglimpiyarat, J. 2004, 'The use of strategies in Managing Technological Innovation.' *European Journal of Innovation Management*. Vol 7, No. 3: pp. 229-250.

Zeuli, K.A. & Cropp, R. 1980, *Cooperatives: Principles and Practices in the 21st Century*. University of Wisconsin Centre for Cooperatives.

Appendix 1: Questionnaire

Questionnaire 1

Part A

Focus Group Discussion at District Agriculture Office

Part A of the questionnaire will be administered at the district agriculture development office. Critical participants are the district agriculture development officer, the agribusiness officer, extension methodologies officer, and trade officer from ministry of trade and industry. The focus group discussion approach would be used to get the response to most of the questions.

Overview of agriculture cooperatives in the district.

1. How many agricultural cooperatives are there in this district?

.....

2. How many are registered and how many are not?

Registered	
Unregistered	

3. How many of these cooperatives are

- Production oriented cooperative ()
- Supply oriented cooperatives ()
- Agro processing cooperatives ()
- Others specify..... ()

4. Are you satisfied with the current number of cooperatives in your district, if not go to 5, if yes go to question 6.

Yes	No
-----	----

5. Why is there a low achievement of number of cooperatives registered in the district?

.....
.....
.....
.....
.....

6. How are these cooperatives performing in terms of their sales, capital and membership growth?

(a) Sales increasing () Explain your response
 Constant ()
 Declining ()

(b) Capital (fixed assets) growth
 Increasing () Explain your response
 Constant ()
 Declining ()

(c) Membership growth
 Increasing () explain your response
 Constant ()
 Declining ()

7. Do you think the executive management of these cooperatives needs improvement, in what areas?

.....
.....
.....
.....

8. Do all cooperatives have board of directors, if not why?

.....
.....
.....
.....
.....
.....

9. Are you satisfied with the way the board of directors are managing the cooperatives?

Yes	No
-----	----

10. In what areas do you think the board of directors needs improvements?

.....
.....
.....

11. Are board directors offered any training?

Yes	No
-----	----

12. If training is offered, what type of training is offered to the board of directors of these cooperatives?

.....
.....
.....
.....
.....
.....

13. Have the trainings produced the expected results?

Yes	No
-----	----

If not explain why the training did not produce expected results?.....

.....
.....
.....
.....
.....

14. What do you think should be done to improve performance of agriculture cooperatives?

.....
.....
.....
.....

15. Who have been training cooperatives in the past five years

Name	Year	Academic Qualifications	Other Qualifications

Part B

Questionnaire for the agriculture cooperative

This part should be administered to the board of directors or the apex board of the cooperative.

General Information

1. Name of a cooperative:
.....
2. District:.....
3. Date/year of Registration:.....
4. Type of the cooperative
.....
5. Mission Statement.....-
.....
.....
.....
6. Corporate Vision.....
.....
.....
.....
7. What are the structures of your cooperative?
.....
9. Are there any subcommittees under the board of directors?

Yes	No
-----	----
10. What are these subcommittees?
.....
.....
.....
.....
.....

11. Does the cooperative have a business plan?

Yes	No
-----	----

12. What are the key issues outlined in the business plan?

.....

.....

.....

13. What has been the total number of members in the cooperatives over the years?

Year	2008	2007	2006	2005	2004
Number of members					

14. How much total sales have you transacted over the years?

Year	2008	2007	2006	2005	2004
Qty sold					
Unit cost					
Total Revenue					

15. What has been the average production cost over the years?

Production cost	2008	2007	2006	2005	2004
Fixed cost					
Variable costs					

16. How does the cooperative raise funds for operations of the cooperative?

Type	Percent contribution
Contributions	
Shares	
Debt finances	
Gifts	
Levies	
Others specify.....	

CORPORATE GOVERNANCE:

This part forms the integral part of the research, the board will have to agree or disagree with the statements. If there is any uncertainty or unresolved issues, the response would show negativity.

INDEPENDENCE

1. The cooperative has a management committee which is different from members of the board?

Yes	No
-----	----

2. The Nomination committee appoints the chairman of the board.

Yes	No
-----	----

3. The board is chaired by a non executive director.

Yes	No
-----	----

4. The audit committee is chaired by an independent director.

Yes	No
-----	----

5. The nomination committee is chaired by an independent director.

Yes	No
-----	----

6. The remuneration committee is chaired by an independent director.

Yes	No
-----	----

7. External auditors of the cooperative are completely unrelated to the cooperative.

Yes	No
-----	----

8. The board includes no direct representatives of banks and other large creditors of the company.

Yes	No
-----	----

ACCOUNTABILITY

1. Non-executive directors account for more than 50% of the board.

Yes	No
-----	----

2. Full board meetings are held at least once a quarter.

Yes	No
-----	----

3. Board members are well briefed before board meeting.

Yes	No
-----	----

4. The audit committee monitors external auditors.

Yes	No
-----	----

5. The audit committee supervises internal audit and accounting procedures.

Yes	No
-----	----

6. The executive discloses 3-5 year profitability target.

Yes	No
-----	----

7. The annual report is released within four months after the end of the financial year, and semi-annual reports are released within a month after the end of the half year?

Yes	No
-----	----

8. Fraud has ever been detected in the cooperative

Yes	No
-----	----

9. The non- executive directors questions the some decisions of management.

Yes	No
-----	----

BOARD QUALITY

1. The cooperative has a business plan or a strategic plan.

Yes	No
-----	----
2. The cooperative has a marketing strategy.

Yes	No
-----	----
3. The board was trained in management of cooperatives.

Yes	No
-----	----
4. The board comprises of both Executive Directors and Non Executive Directors.

Yes	No
-----	----
5. The board has performance award system.

Yes	No
-----	----
6. The board has a remuneration committee.

Yes	No
-----	----
7. Some board members have professional qualification in marketing and or finance management.

Yes	No
-----	----
8. The new board members are introduced to their duties with appropriate induction course.

Yes	No
-----	----
9. Directors who are incompetent are asked to terminate their service.

Yes	No
-----	----

General questions for the board of directors

1. How do you see the performance of the cooperative in terms of

- (a) Sales increasing () Explain your response
- Constant ()
- Declining ()

(b) Capital (fixed assets) growth

- Increasing () Explain your response
- Constant ()
- Declining ()

(c) Membership growth

- Increasing () Explain your response
- Constant ()
- Declining ()

2. In what areas do you think your cooperative needs improvements?

.....
.....
.....
.....
.....

3. How does your cooperative operate in the following areas? (in case of cooperatives that do not have board of directors)

a. What criteria do you use for choosing executive management?

.....
.....
.....

b. What are the incentives for the executive management?

.....
.....

c. Who decides about these incentives for the executives?

.....
.....

d. Who supervises the executive management?

.....
.....

e. Who audits the cooperative accounts?

.....
.....

f. How do members get updated on the progress of your cooperative?

.....
.....

g. Who sets goals or objectives of the cooperative?

.....
.....

Appendix 2: List of Government Extension Officers who were consulted

Serial No.	Name	Post	District
1	C. Gondwe	District Agriculture Development Officer	Blantyre
2	G. Kumwenda	Agriculture Extension Methodology Officer	Blantyre
3	A. Banda	Farm Business Management Officer	Blantyre
4	N. Shema	District Trade Officer	Blantyre
5	E. Sikoya	District Livestock Development Officer	Blantyre
6	W. Ugeni	District Crops Officer	Blantyre
7	B.M. Mangulenje	District Agriculture Communications Officer	Thyolo
8	D. Chandire	District Crops Officer	Thyolo
9	C.P. Malunga	Farm Business Management Officer	Thyolo
10	P.A. Makawa	Agriculture Extension Methodology Officer	Thyolo
11	H. Kaluzu	District Livestock Development Officer	Thyolo
12	F. Lilford	Volunteers services Organisation (Agribusiness)	Thyolo
13	Greno Wanda	District Agriculture Development Officer	Mulanje
14	W. Mkochi	Assistant District Agriculture Development Officer	Mulanje
15	Mtayamanja	District Crops Officer	Mulanje
16	H. Nyirongo	Agriculture Extension Methodology Officer	Mulanje
17	F. Mwira	District Livestock Development Officer	Mulanje
18	J. Kasalika	District Trade Officer	Mulanje
19	H. Masanje	District Agriculture Development Officer	Mwanza
20	P. Msiyambiri	Agriculture Extension Methodology Officer	Mwanza
21	P. Namanja	District Livestock Development Officer	Mwanza
22	C. Shawa	District Crops Officer	Mwanza
23	O. Kapachika	District Trade Officer	Mwanza

Serial No.	Name	Post	District
24	J. Chikoya	District Agriculture Development officer	Phalombe
25	H. Chiwale	Farm Business Management Officer	Phalombe
26	C. Chiwale	District Crops Officer	Phalombe
27	F. Mwale	Agriculture Extension Methodology Officer	Phalombe
28	M. Mambeya	District Livestock Development Officer	Phalombe

Appendix 3: Names of Research Participants for the Cooperatives

Serial No	Name	Name of a Cooperative
1	W. Khungwa	Bvumbwe Dairy Farmers Coop Society
2	L. Butao	Bvumbwe Dairy Farmers Coop Society
3	F. Madukani Phiri	Bvumbwe Dairy Farmers Coop Society
4	M. Sungani	Bvumbwe Dairy Farmers Coop Society
5	G. Chirombo	Chisawani Poultry Cooperative Society
6	F. Chamangwana	Chisawani Poultry Cooperative Society
7	A. Nkanaumuna	Chisawani Poultry Cooperative Society
8	W. Namaona	Chisawani Poultry Cooperative Society
9	C. Ng'oma	Chisawani Poultry Cooperative Society
10	J. Baluti	Maguluni Dairy farmers COMSIP cooperative Society Ltd
11	N. Mukokho	Maguluni Dairy farmers COMSIP cooperative Society Ltd
12	S. Silvar	Maguluni Dairy farmers COMSIP cooperative Society Ltd
13	M. Kalunga	Maguluni Dairy farmers COMSIP cooperative Society Ltd
14	G. Madona	Maguluni Dairy farmers COMSIP cooperative Society Ltd
15	J. Nambudzi	Maguluni Dairy farmers COMSIP cooperative Society Ltd
16	R. Bwanaisa	Maguluni Dairy farmers COMSIP cooperative Society Ltd
17	V. Mafuli	Maguluni Dairy farmers COMSIP cooperative Society Ltd
18	D. Mungoni	Maguluni Dairy farmers COMSIP cooperative Society Ltd
19	A. Hamiton	Maguluni Dairy farmers COMSIP cooperative Society Ltd
20	A. Chiwanda	Malinganabe Skin & Hides COMSIP Cooperative Society Ltd
21	E. Nkhukuzalira	Malinganabe Skin & Hides COMSIP Cooperative Society Ltd
22	E. Mlaviwa	Malinganabe Skin & Hides COMSIP Cooperative Society Ltd
23	M. Mandawala	Malinganabe Skin & Hides COMSIP Cooperative

Serial No	Name	Name of a Cooperative
24	M. Mwili	Malinganabe Skin & Hides COMSIP Cooperative Society Ltd
25	G. Miriam	Malinganabe Skin & Hides COMSIP Cooperative Society Ltd
26	H. Osman	Malinganabe Skin & Hides COMSIP Cooperative Society Ltd
27	J. NKwanda	Malinganabe Skin & Hides COMSIP Cooperative Society Ltd
28	M. Ali	Malinganabe Skin & Hides COMSIP Cooperative Society Ltd
29	D. Manguleti	Malinganabe Skin & Hides COMSIP Cooperative Society Ltd
30	P. Kalambo	Mango Irrigation COMSIP Cooperative Society Ltd
31	B. Moniya	Mango Irrigation COMSIP Cooperative Society Ltd
32	F. Nanyanga	Mango Irrigation COMSIP Cooperative Society Ltd
33	D. Sinoya	Mango Irrigation COMSIP Cooperative Society Ltd
34	A. Kapaika	Mango Irrigation COMSIP Cooperative Society Ltd
35	A. Kaliati	Mango Irrigation COMSIP Cooperative Society Ltd
36	L. Nazipande	Mango Irrigation COMSIP Cooperative Society Ltd
37	P. Pongwe	Mango Irrigation COMSIP Cooperative Society Ltd
38	H. Mahinya	Mango Irrigation COMSIP Cooperative Society Ltd
39	D. Paul	Mango Irrigation COMSIP Cooperative Society Ltd
40	M. Lijuni	Mapanga Producers, Processors And Marketing Cooperative Society
41	B. Muhulele	Mapanga Producers, Processors And Marketing Cooperative Society
42	M. Kanjala	Mapanga Producers, Processors And Marketing Cooperative Society
43	E. Black	Mapanga Producers, Processors And Marketing Cooperative Society
44	S. Chigwenembe	Mapanga Producers, Processors And Marketing Cooperative Society
45	J. Nakoma	Mapanga Producers, Processors And Marketing Cooperative Society
46	C. Katchana	Mapanga Producers, Processors And Marketing Cooperative Society
47	I. Kandaya	Mapanga Producers, Processors And Marketing Cooperative Society
48	F. Sapuwa	Mapanga Producers, Processors And Marketing

Serial No	Name	Name of a Cooperative
		Cooperative Society
49	R. Ali	Mapanga Producers, Processors And Marketing Cooperative Society
50	C. Banda	Mdeka Poultry Farmers Cooperative Society
51	J. Kanjala	Mdeka Poultry Farmers Cooperative Society
52	F. Chimwera	Mdeka Poultry Farmers Cooperative Society
53	P. Jere	Mdeka Poultry Farmers Cooperative Society
54	B. Kathumba	Mdeka Poultry Farmers Cooperative Society
55	P. Kambulu	Mdeka Poultry Farmers Cooperative Society
56	A. Mdala	Mdeka Poultry Farmers Cooperative Society
57	J. Chipofya	Mdeka Poultry Farmers Cooperative Society
58	L. Moleni	Milemani COMSIP Cooperative Society Ltd
59	B. Bwerani	Milemani COMSIP Cooperative Society Ltd
60	C. Chimwaza	Milemani COMSIP Cooperative Society Ltd
61	E. Fikani	Milemani COMSIP Cooperative Society Ltd
62	M. Momba	Milemani COMSIP Cooperative Society Ltd
63	S. Bwerani	Milemani COMSIP Cooperative Society Ltd
64	M. Town	Milemani COMSIP Cooperative Society Ltd
65	M. Chimwala	Milemani COMSIP Cooperative Society Ltd
66	M. Njanji	Milemani COMSIP Cooperative Society Ltd
67	M. Chapa	Milemani COMSIP Cooperative Society Ltd
68	W. Mulanje	Mpinda Producers and marketing cooperative Society
69	G. Komazinja	Mpinda Producers and marketing cooperative Society
70	E. Smoke	Mpinda Producers and marketing cooperative Society
71	R. Namkoloma	Mpinda Producers and marketing cooperative Society
72	J. Phwelula	Mpinda Producers and marketing cooperative Society
73	M. Kambale	Mpinda Producers and marketing cooperative Society
74	O. Natchengwa	Mpinda Producers and marketing cooperative Society

Serial No	Name	Name of a Cooperative
75	D. Nyomera	Mpinda Producers and marketing cooperative Society
76	C. Likupe	Mwanza central Dairy Cooperative Society Ltd
77	E. Chinyama	Mwanza central Dairy Cooperative Society Ltd
78	C. Kalosi	Mwanza central Dairy Cooperative Society Ltd
79	S. Mkwaila	Mwanza central Dairy Cooperative Society Ltd
80	J. Mauleti	Mwanza central Dairy Cooperative Society Ltd
81	S. Mahame	Nkhulambe Producers and Marketing Society Ltd
82	J. Koloko	Nkhulambe Producers and Marketing Society Ltd
83	J. Namasasa	Nkhulambe Producers and Marketing Society Ltd
84	M. Kaphwere	Nkhulambe Producers and Marketing Society Ltd
85	E. Muhawa	Nkhulambe Producers and Marketing Society Ltd
86	P. Munyinda	Nkhulambe Producers and Marketing Society Ltd
87	A. Matumbo	Nkhulambe Producers and Marketing Society Ltd
88	F. Jackson	Nsungwi Comsip Cooperative Society Ltd
89	B. Benard	Nsungwi Comsip Cooperative Society Ltd
90	B. Banda	Nsungwi Comsip Cooperative Society Ltd
91	G. Daudi	Nsungwi Comsip Cooperative Society Ltd
92	Z. Luka	Nsungwi Comsip Cooperative Society Ltd
93	E. Mtukula	Nsungwi Comsip Cooperative Society Ltd
94	M. Kadewere	Nsungwi Comsip Cooperative Society Ltd
95	R. Chipofola	Nsungwi Comsip Cooperative Society Ltd
96	R. Namame	Nsungwi Comsip Cooperative Society Ltd
97	S. Zimbiri	Nsungwi Comsip Cooperative Society Ltd
98	B. Rambiki	Thyolo Poultry Farmers Cooperative Society Ltd
99	J. Mselela	Thyolo Poultry Farmers Cooperative Society Ltd
100	R. Madeya	Thyolo Poultry Farmers Cooperative Society Ltd
101	B. Lobo	Zatonse Women Dairy Farmers COMSIP Cooperative Society Ltd
102	F. Nkozomba	Zatonse Women Dairy Farmers COMSIP Cooperative Society Ltd
103	Z. Mandala	Zatonse Women Dairy Farmers COMSIP

Serial No	Name	Name of a Cooperative
		Cooperative Society Ltd
104	M. Maiden	Zatonse Women Dairy Farmers COMSIP Cooperative Society Ltd
105	M. Manyetsa	Zatonse Women Dairy Farmers COMSIP Cooperative Society Ltd
106	R. Mandala	Zatonse Women Dairy Farmers COMSIP Cooperative Society Ltd
107	E. Magitsa	Zatonse Women Dairy Farmers COMSIP Cooperative Society Ltd
108	E. Kambalame	Zatonse Women Dairy Farmers COMSIP Cooperative Society Ltd
109	L. M'mora	Zatonse Women Dairy Farmers COMSIP Cooperative Society Ltd
110	J. Abinala	Zatonse Women Dairy Farmers COMSIP Cooperative Society Ltd