

The Open University of Tanzania

&

The Southern New Hampshire University

MASTER OF SCIENCE IN COMMUNITY ECONOMIC DEVELOPMENT

(2005)

**WEAKNESSES OF FINANCIAL PLANNING
AND BUDGETING:**

**A CASE STUDY OF A DAIRY PRIMARY
CO-OPERATIVE SOCIETY (CHAWAMU) IN
MUHEZA DISTRICT, TANGA REGION.**

EPHREM WILLIAM KALIMALWENDO

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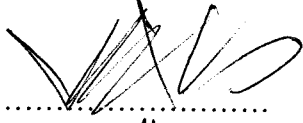
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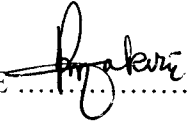
DECLARATION BY THE CANDIDATE

I declare that, this document is my own original work, and that it has not been submitted for a similar degree in any other university.

Name: EPHREM WILLIAM KALIMALWENDO Signature: 
Candidate
Date: 17th AUGUST, 2005

SUPERVISOR'S CERTIFICATION

I have read the students work and found it to be in a form acceptable for final submission.

NAME OF SUPERVISOR: NCEMBA MPR MAKURU SIGNATURE 

DATE CERTIFIED: 17TH AUGUST 2005

LIST OF ABBREVIATIONS

TDDP	Tanga Dairy Development Programme
CHAWAMU	Chama cha Wafugaji Ng'ombe wa Maziwa Muheza
WFP	World Food Programme
TDCU	Tanga Dairy Co-operative Union
PRA	Participatory Rural Appraisal
DALDO	District Agriculture and Livestock Development Officer
DCO	District Co-operative Officer
F.3	Family No. 3
PRSP	Poverty Reduction Strategy Paper
CEO	Chief Executive Officer
SPSS	Special Package for Social Sciences
ICA	International Co-operative Alliance
GNP	Gross National Product
SME	Small and Medium Enterprise
FAO	Food and Agricultural Organization
EU	European Union
UN	United Nations
IOF	Investors Oriented Firms
RDS	Rural Development Studies
LIDA	Livestock Development Authority
TDV	Tanzania Development Vision
AMSDP	Agricultural and Marketing System Development Programme
ME	Monitoring and Evaluation
ICT	Information, Communication and Technology
ID	Identity card
SSE	Small Scale Entrepreneurs
DR	Debit
CR	Credit
CV	Curriculum Vitae
FMD	Foot and Mouth Disease
LSD	Lumpy Skin Disease
CBBP	Contagious Bovine Pleuropneumonia
ECF	East Coast Fever
BQ	Black Quarter

ABSTRACT

The Chama cha Wafugaji Ng'ombe wa Maziwa Muheza (CHAWAMU) is a primary co-operative society owned by some dairy farmers in Muheza township. Just at a glance at this CHAWAMU, the Society does not have good financial records. The records are in piecemeal, which cannot give any well articulated information for use in the daily running of the Society. Therefore, basing on that fact, I became interested and decided to do a study on the weaknesses in financial planning and budgeting, with the intention of finding solutions to the problem. The study revealed that the mission, objectives and other different activities currently being undertaken by the co-operative, include the heifer credit system, training, dairy keeping, record keeping system and financial information of the organization. The study also brings up the intrinsic problem of poor financial planning and budgeting as is clearly indicated by the poor and incorrect recording of finance, marketing, sales and production data.

Literature review has highlighted the existing gap, that CHAWAMU is not able to do proper financial planning and budgeting. It has been discovered that CHAWAMU's problems are caused by poor management capacity i.e. no planning is done, members are not participating democratically in financial planning and running the cooperative in general.

The study was done by collecting data through structured questionnaire, interviews and meetings. The final data analysis was done using Special Package for Social Sciences (SPSS) tool. The research findings were members have poor knowledge and ignorant on dairy production, cooperative principles are not used, market and production activities are not done properly, lack of knowledge planning and record keeping. It has been

recommended members and cooperative executive staff to be trained in management of the cooperative specifically; proper financial planning and democratic decision making when managing and administering the cooperative. Also enterprise development, financial record keeping and all other farm records should be properly and continuously done. Finally monitoring, evaluation and control should always be done thoroughly. .

1.0 CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND INFORMATION

Chama cha Msingi cha Wafugaji Ng'ombe wa Maziwa Muheza (CHAWAMU), a primary co-operative society was formed in 1987 in Muheza district, Tanga region, in Tanzania. Its establishment was pioneered by the Tanga Dairy Development Program (TDDP) which had a mission of developing small scale dairy farming in Tanga region with the aim of improving nutrition status, improving income earnings and consequently reducing poverty within the district's community.

The Program approached the Royal Netherlands Embassy and the World Food Program (WFP) to provide financial support to conduct consultancy and feasibility study in Muheza district. A recommendation of forming primary dairy co-operative societies in Tanga region was reached, and a workshop was organized out of which a resolution of forming primary dairy co-operative societies to undertake dairy cattle business and marketing of its products such as milk was made.

Eight primary societies were formed, among them was CHAWAMU. The eight societies together formed the Regional Dairy Co-operative Union known as Tanga Dairy Co-operative Union (TDCU).

The TDDP supported all the primary co-operative societies by providing them with generators, milk storage tanks, animal concentrates and animals.

CHAWAMU was finally registered in 1993 by the registrar of co-operative societies in the then Ministry of Agriculture and Marketing. It was granted with registration number **TAR 224**.

CHAWAMU operates in fourteen (14) villages within Muheza district, namely: Lusanga, Kicheba, Masaika, Kilulu, Majengo, Mbaramo, Masuguru, Magila, Paramba, Kivindo, Semngano, Mafere, Bamba and Magoda.

1.2 MISSION OF THE CHAWAMU

The main mission of CHAWAMU is to:

- Improve economic status and standard of living of members of the Society.
- Educate members of the society on the importance and benefits of the dairy business.

1.3 THE OBJECTIVES OF CHAWAMU

In view of the above-mentioned mission of CHAWAMU, the main objectives set include:

- To start rearing dairy cattle;
- To train members on dairy- cattle husbandry;
- To identify market for selling dairy products;
- To train members on financial record keeping; and
- To enable CHAWAMU become economically sustainable, viable and feasible.

1.4 PROGRAM AND ACTIVITIES UNDERTAKEN BY CHAWAMU

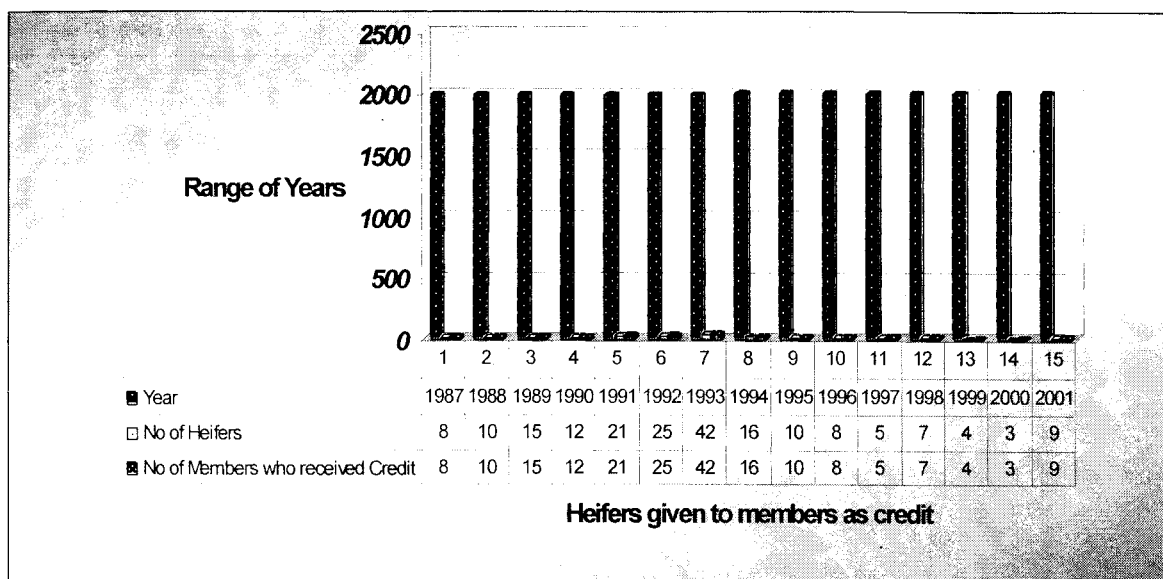
The Co-operative encouraged its members to start dairy farming, milk marketing and other activities as will be indicated below.

1.4.1 The Heifer Credit System

There was a Heifer Trust Fund system. Under this system the financiers, the World Food Program and the Royal Netherlands Government donated funds to TDDP to buy heifers, and distributed them to CHAWAMU members on credit basis. Members were given heifers on credit and were supposed to pay back by providing a young female heifer born by the heifer given to them on credit. The young heifer was given to another member. The system was known in Kiswahili as “Kopa Ng’ombe Lipa Ng’ombe.” The system operated from the year 1987 to 2001.

Chart 1 below shows the number of heifers given to CHAWAMU members during that period.

CHART1: NUMBER OF HEIFERS GIVEN ON CREDIT TO CHAWAMU MEMBERS FROM TDDP



Source: CHAWAMU Office

Apart from the TDDP, also in the years 2003 and 2004 TDCU through the same system gave 12 heifers on credit to CHAWAMU members, six heifers each year. However, it will be noted that the price of cattle has been on the rise in each succeeding year, whereby a heifer fetched price of 120,000/- in 1989, 150,000/- from 1990 to 1996, 180,000/- from 1997 to 1999 and 250,000/- from the year 2000 to 2002. The current price for dairy cattle ranges between 300,000/- and 400,000/-The loan repayment has been recorded at 90%, which is an impressive response.

However, other CHAWAMU members acquired the dairy cattle by buying the heifer in cash and started rearing them.

The problem experienced from the credit system is that some members have been reluctant to pay back the loans; some did not take care of the animals properly leading to the deaths of some of the animals. A total of 202 heads of cattle were given on credit to CHAWAMU members but the present population of cattle owned by CHAWAMU members is 184, so far there has been no convincing explanation to justify the situation.

Generally, the total cattle owned by immigrants from Kilimanjaro and Arusha regions , and that of the indigenous people made the cattle population to rise to 24,500 heads, while there were a total of 2,283 dairy cattle and 42,00 heads of goats in Muheza district. It is estimated that by the year 2009, the population of dairy cattle would have risen to 3,677.

The total population of both animals and people coupled with commercial sisal farming in the district would lead to the problem of land shortage and there shall arise conflicting demands for pasture, agriculture and other activities.

Indoor or zero grazing has been a general practice adopted by most CHAWAMU members. Fodders and pastures availability varies with season; this has an impact on cattle rearing and milk production during the dry season, especially between January and March each year. According to the DALDO report, the land carrying capacity is one livestock unit per 3 hectares per year. Free range grazing is not possible in Muheza Township due to shortage of land and CHAWAMU is facing the same constraint. This has created employment for youths who have to supply fodder by using bicycles and/or their heads.

1.4.2 *Training of CHAWAMU Members*

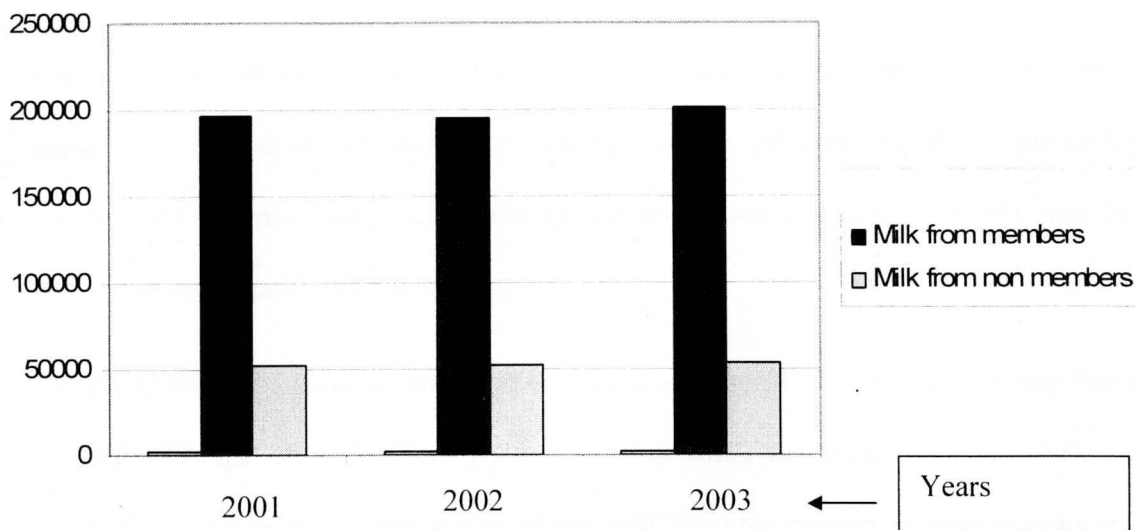
After acquisition of cattle, training on basic animal husbandry and accounting procedures was done. Training was done a. A total of 202 members benefited from the training.

1.4.3 *Dairy Keeping*

Currently CHAWAMU members have 184 cattle in total; milk production is 5 liters per animal against the average production level of 6 liters per cow as set by DALDO.

CHAWAMU has a system of collecting milk from its members and non-members. Milk collected is taken to the head office in Muheza Township, stored, and later taken to Tanga Fresh processing factory. TDCU and other eight established Dairy Co-operative Societies in Tanga region jointly own the factory. Chart 2 below shows quantity of milk collected in the years 2001, 2002, and 2003.

CHART 2: VOLUME OF MILK COLLECTED BY CHAWAMU (2001-2003)



Source: CHAWAMU Office records.

1.4.4 Record keeping

Each member has a bin card for recording milk sales to CHAWAMU. The market price for milk is 235/- per litre while other buyers from places like Dar es Salaam do pay 280/- per litre especially during the dry season. Payment by CHAWAMU to its members is done twice per month. Advance payment is allowed to members having incidental problems. CHAWAMU collects milk from non-members using the same system applied to members.

CHAWAMU Management complained about high competition of milk buyers from Dar es Salaam processing factories who buy milk in Muheza at high prices as compared to the price given by the Co-operative; as a result non-member milk producers stop selling their

milk to the society causing a big shortage of milk supply during the dry season. This is a challenge to the co-operative.

Production of milk is high during the rainy season; the reason is that during this period animal feed is available in abundance. During this time price of milk drops due to high supply and increases substantially during the dry season (January – March) each year because of low supply (low production).

CHAWAMU has a reliable milk market, which is Tanga Fresh milk-processing factory located in Tanga Municipality. There are times when the factory operates below its production capacity due to low supply of raw milk from the primary co-operative societies and other sources. This could be rectified and help the factory make more profit than it has been doing if CHAWAMU members were to increase production by recruiting more committed members and mobilize the current members to double their efforts.

In order to protect members from the ever fluctuating economic environment, CHAWAMU has a policy of providing flat rate milk prices i.e. Tshs235/=per litre to its members. The same price is maintained regardless of the high peak of milk supply during the rainy season or low peak during dry season, this was introduced since the start of the co-operative, and all members are obliged to sell their milk to the Co-operative only. Sometimes the price provided by CHAWAMU to its members is lower than the existing market prices something that prompts some members to secretly sell milk to other buyers.

1.4.5 *Cattle Quality Improvement*

Most of the dairy cattle owned by co-operators are family three (F.3) crossbreed with the average milk production of 5 liters per cow per day. When compared to the national standard of 6 liters per day, this means that Muheza farmers specifically CHAWAMU milk producers should find means of raising their milk production levels.

There are two applicable methods in practice for cattle quality improvement. First there is the artificial insemination method using better breed crossing and the second is the use of improved bulls to get best quality crosses that grow to maturity quickly and produce much more milk. CHAWAMU supports members to get this service. However, improving the quality of cow beyond F.3 crossbreed is facing some difficulties due to the existing climatic conditions i.e. the bulls used do not fare well in the hot climate of Muheza. Also Veterinary services delivery position is not good in the area; there are three veterinary drug shops, small in size. Disease diagnostic facility is lacking whereas drugs and veterinary services are too expensive for farmers to afford. Diagnostic facilities come from Tanga municipality, which is 34 kilometers from Muheza. There is a possibility of establishing laboratory services provided the co-operative is able to get veterinary personnel. According to the survey conducted by the researcher the cost of keeping one dairy animal in terms of labour and inputs is 186,000/- per annum.

CHAWAMU members are utilizing the extension services provided by District Council staff, but these services are insufficient because the council staff have to attend other farmers as well. Extension services include animal husbandry, health services, business

knowledge etc. As a result CHAWAMU fails to get proper business, animal husbandry and spot guidance.

1.5 CHAWAMU BUSINESS VENTURE

The researcher noted that so far CHAWAMU has no good plans for its future development. There exist poor records and incomplete data. Apart from the activities mentioned above, the society has been running the business of buying and selling processed milk, animal drugs, animal concentrates, house renting and a few others. The business has been done between the years 2000 and 2004; its total sales value reached Tshs 8,479,450. Table 1 below shows the businesses done during the period mentioned above.

TABLE1 BUSINESS VOLUME OF CHAWAMU DURING THE YEARS 2000 TO 2004

<i>ITEM</i>	<i>QUANTITY SOLD</i>	<i>SALES VALUE (TSHS)</i>
Processed milk in litres	19,725.30	10,888,070.00
Drugs in cartons	99.00	742,500.00
Yogurt in liters	7712.25	7,736,950.00
Total	27536.55	19,367,520.00

Source: CHAWANU office

1.5.1 Sources of Funds

The main sources of funds for CHAWAMU are supposed to be: members' annual registration fee, selling of shares, loans and profits from businesses, (CHAWAMU constitution of 1987 s.11 (a) - (h)). But according to the financial records available, major sources of funds for CHAWAMU have primarily been milk sales, sales of ID cards to members, house rent, membership fees, and sales from shares, Artificial Insemination (AI) Services, voluntary contributions and milk sales to consumers.

1.5.2 Marketing of CHAWAMU products

Promotion of business is not done to increase milk sales and consumption. There is no clear plan of doing this; at the same time the constitution does not provide room to promote business. Resource mobilization plan is not stated and so far there are no mobilization initiatives shown by management.

1.5.3 Financial Performance of CHAWAMU

Financial statements such as income statements, balance sheets and cash flows are supposed to provide basic information that focus on the financial integrity of an entity as a whole and meet the common need of both internal and external users.

But the researcher found out that the financial statements of CHAWAMU are not properly written; hence they are incomplete and do not reflect the true financial picture of the society.

This caused even a bigger problem, as one could not see whether the society has been operating at a loss or profit.

The financial statements of CHAWAMU do not reflect the figures of fixed assets such as buildings, storage facilities; container and furniture. However the Researcher managed to get some figures that might throw some light on the financial standing of the society.

TABLE 2: ASSETS OF CHAWAMU

<i>Buildings Tshs.</i>	<i>3,180,000</i>
<i>Storage Tshs.</i>	<i>4,000,000</i>
<i>Container Tshs</i>	<i>150,000</i>
<i>Furniture Tshs</i>	<i>300,000</i>
<i>TOTAL TSHS</i>	<i>7,630,000</i>

Source: CHAWAMU office

The cash flow has never been prepared; therefore it was not possible to know the cash inflows and outflows of CHAWAMU.

Financial ratios indicate the financial performance of an organization when comparing various years of operations or when comparing one organization to another. Analysis also indicates the area of mismanagement and potential danger (Mwisho A.M., 2002). CHAWAMU as an organization is supposed to calculate the financial ratios in order to measure its performance. But the financial ratios have not been calculated due to poor planning and incomplete records.

1.5.4 CHAWAMU'S Capital

According to the survey done by the researcher CHAWAMU has no proper financial records of capital invested, however the available records show that CHAWAMU'S start up capital was more than Tshs 38,350,000 in 1987. The main sources of the capital included:

(I) TDDP PROVIDED:

- Office construction assistance 3,180,000/-;
- Storage tank of 2800 liters capacity and compressor with total value of 4,000,000/-;
- Heifers worth 30,300,000/- were given to members on credit basis and to date CHAWAMU members have 184 heads which value 54,000,000/-
- Animal Drugs' value is not known exactly, however, drugs valued 720,500/- were reported; and
- Concentrates of about 41.86Tons with an unestablished value.

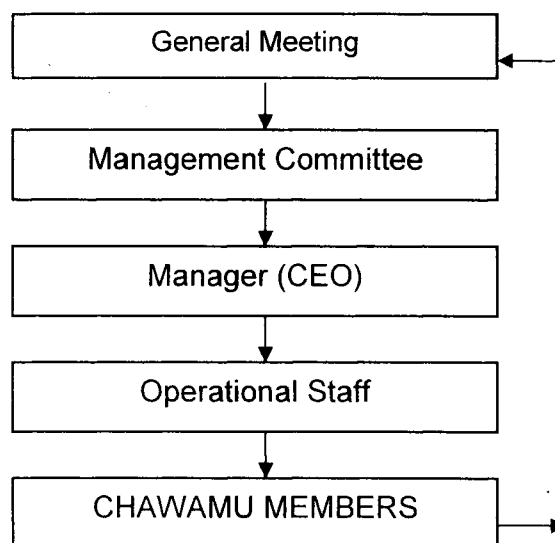
(II) CONTRIBUTION FROM CHAWAMU MEMBERS AMOUNTED TO TSHS 180000/-.

1.6 THE ORGANIZATIONAL STRUCTURE OF CHAWAMU

The organizational structure of CHAWAMU has been based on the Co-operative Act, No. 20 of 2003 which states clearly how the organizational structure of a primary co-operative society should be. The Act states that the general meeting is the highest decision making body of the co-operative. Other organs include: co-operative management team elected by members at the general meeting, while the executive staff is appointed by the management

committee. The executive staff is under the control of the manager who is the chief executive officer responsible with the daily operations of the co-operative. The manager is accountable to the management committee. The executive staff is normally appointed on competitive basis.

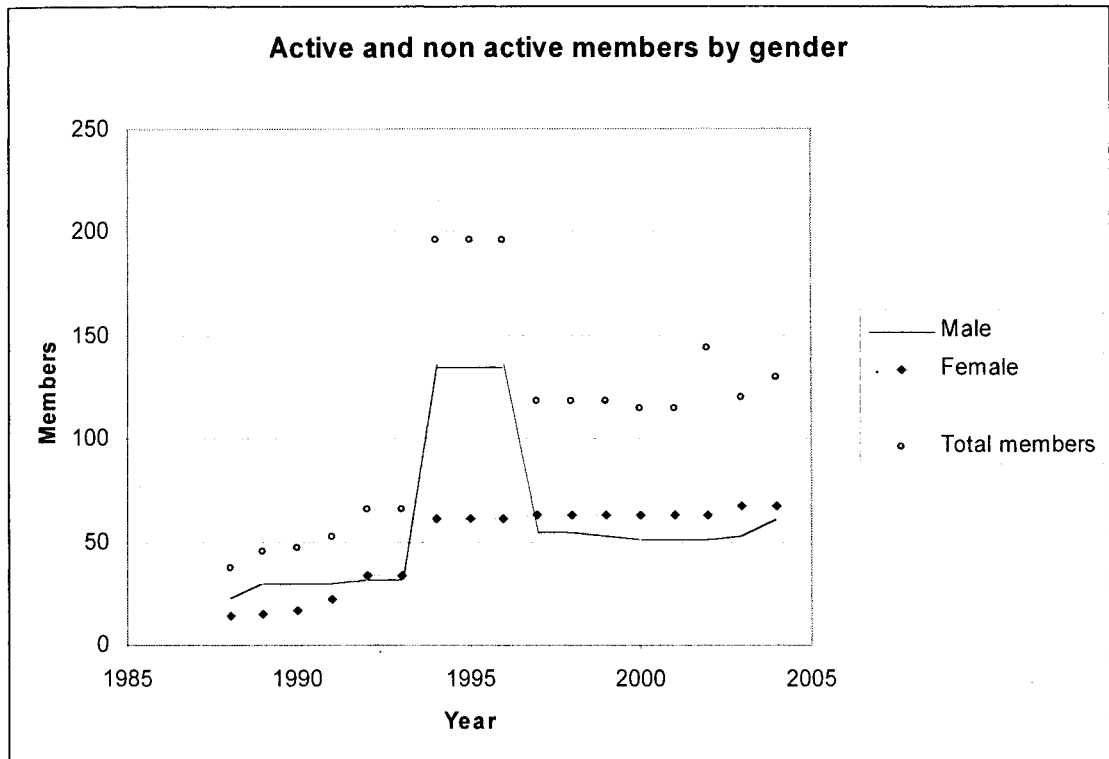
THE ORGANIZATIONAL STRUCTURE OF CHAWAMU



1.6.1 Membership

Membership of CHAWAMU is open and voluntary to all those who are interested to join. The registration fee is Tshs 500/- while each share is sold at Tshs 1,000/-. Registration fee is non refundable. Each member is allowed to own minimum of two shares. Chart 3 below shows the active and non-active members of CHAWAMU.

CHART NO. 3: ACTIVE & NON ACTIVE MEMBERSHIP TREND



Source: CHAWAMU office

The society started with 37 members in the year 1987 and they continued to increase up to 196 members in the year 1996, but members declined to 129 in the year 2004. The decline has received no explanation; so far no one knows the reason for members' decrease.

Gender issue is highly addressed; female constitute 59% of the members but not in leadership position.

1.6.2 *Executive Staff*

The present staff level is in big shortage with no qualified personnel to perform all functions of the CHAWAMU enterprises. The current senior staff positions consist of only a Manager who is a certificate holder in livestock development; there is no accountant. Other staff includes an office attendant and a watchman. The CHAWAMU staffing level is not yet established. The society requires a qualified accountant, and livestock staff to make proper planning and implementations of Co-operative's operations.

1.7 STATEMENT OF THE PROBLEM

In view of the above information, after having done a survey through interviewing CHAWAMU members, stakeholders, holding various discussions with CHAWAMU management and leaders as well as organizing a workshop for that matter; it has been clearly noted that the original mission and objectives of CHAWAMU have not changed but at the same time they have not been achieved by the co-operative during the last period of 17 years of Co-operative existence. This could clearly be indicated by the drastic falling standard of living, and the economic status of members whose economic situations have become worse than before and still people have not learned the importance and benefits of dairy activities. Low income of the co-operative, poor working facilities, insufficient extension services, also lead to co-operative retardation. The operation of activities done by CHAWAMU is very poor, this is indicated by:

- Poor and incorrect records keeping of finance, marketing, sales, financial planning, budgeting and production

- Members during the workshop identified poor financial management as the key problem from which all the other problems stemmed.

From the information presented above that show poor records of finance, poor dairy production, and poor financial plans within CHAWAMU, all these coupled with the problem of lack of qualified personnel, we can very well assert that CHAWAMU activities lack some basic ingredients of financial planning and budgeting. Therefore this study intends to address the role and effect of financial planning in order to find out how it can help to solve the problem of the poor record keeping, budgeting, and how to enhance manpower and find the solution to the above mentioned problems in a participatory manner involving CHAWAMU members.

1.8 OBJECTIVES OF THE STUDY

Objectives of the study were:

- To explore the role and efficiency of the financial planning in the day-to-day operations of CHAWAMU co-operative society;
- To explore how the society has been resolving matters using participatory and democratic principles i.e. decision making;
- In collaboration with the members of the Society, the researcher has to come up with possible solutions to the problems facing the Society.

1.9 SIGNIFICANCE OF THE STUDY

- The study shall enable members of the CHAWAMU primary cooperative society to understand better how they are to participate in running their Society as well as effectively monitor its daily operations under the good principles of running co-operative societies.
- Once the Society members and leaders understand well their roles and obligations, it will be easy to take in other actors and stakeholders to support the growth, such actors include local governments, financial institutions as well as donors.
- Member participation will help improved production at the individual member level and at the Society level, thus enhance their earnings and improve their living standards and, therefore, their nutrition intake.
- The issue of poverty which is a key agenda in development currently in Tanzania in connection with cooperative venture being a poverty alleviation strategy to mobilize communities' participation in the fight against poverty shall be achieved.

1.10 LIMITATIONS OF THE STUDY

- Poor responses from some of the respondents as most of them were almost inaccessible.
- Poor communication infrastructure made consultation with the CHAWAMU members more difficult to make.
- Some respondents, for some unknown reasons, were hesitant or unwilling to provide certain information, fearing that such information could endanger their membership status within the Society, implying that they were not one hundred per cent committed to the Society's ideals.
- Also during the workshop some participants feared to be open to sensitive issues.

2.0 CHAPTER TWO: LITERATURE REVIEW

2.1 THEORETICAL REVIEW

CONCEPT OF CO-OPERATIVE

The International Co-operative Alliance (ICA) defines co-operative as “an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned, democratically and controlled enterprise”. (ICA, 1994)

CHAWAMU as co-operative enterprise is established on the same basis as defined by the International Cooperative Alliance.

However, co-operatives are based on the value of self-help, self responsibility, democracy, equity and solidarity. According to ICA, co-operative members believe in the ethical values of honest, transparency, accountability and the general social responsible sense towards the Society and its members.

There are seven principles stipulated by ICA and these are guidelines by which co-operatives put values into practice. CHAWAMU works on the same principles and still the Co-operative Act No. 20 of 2003, Section 4 (1) advocates on the same principles. The principles being the base for formulation of any co-operative organization in Tanzania are shown as follows;

(I) VOLUNTARY AND OPEN MEMBERSHIP

Co-operatives are voluntary organizations, open to all people able to use their services and willing to accept responsibilities of membership without gender, social, racial, political or religious discrimination.

(II) DEMOCRATIC MEMBER CONTROL

Co-operatives are democratic organizations, controlled by members, who actually participate in setting their articles and decision making. Men and women serving as selected representatives are commutable into membership. In primary co-operatives members have equal voting right under the principle of 'one member, one vote' in a democratic manner.

(III) MEMBER ECONOMIC PARTICIPATION

Members contribute equitably to and democratically control the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. They usually receive limited compensation of any, on capital, subscribes as the condition for membership. Members allocate surpluses for any or all of the following purpose developing the co-operative, possibly by setting up reserves, part of which at least would be indivisible, benefiting members in proportion to their transactions with the co-operative, and supporting other activities approved by the membership.

(III) AUTONOMY AND INDEPENDENCE

Co-operatives are autonomous, self-help organizations, controlled by their members. They enter into agreement with other organizations, which includes government, or raise capital

from external sources. They formulate terms that ensure democratic control by their members and maintain co-operative autonomy.

(IV) EDUCATION, TRAINING AND INFORMATION

Co-operatives provide education and training to their members, elected representatives, managers and employees in an initiative to build up their capacity to effectively and efficiently develop of their co-operative. They inform the general public, particularly young people and opinion leaders about the benefits of the co-operation.

(V) CO-OPERATION AMONG CO-OPERATIVES

Co-operatives have a lot to learn and share among each other basing on the fact that all have more or less the same vision, goals and objectives, and this makes the formation of a network of co-operatives imperative from the local, national, regional and international structures.

(VI) CONCERN FOR THE COMMUNITY

While focusing on their goals and ideals, which are integral parts of the communities/societies and member needs, co-operatives work for sustainable development of their communities through policies accepted by their members. The government should not interfere operations of the co-operatives but should help them by offering them conducive operating environments. From the above principles it is clear that co-operatives work on social, economic matters with an aim of achieving sustainable development. Co-operatives are organizations functioning within the global system, and should not try to exempt themselves from the general affairs going on in and around the world. These are

models of organized activities drawing resources from the network of individuals, as members, communities, and institutions and at the same time, producing specialized goods and services for the societies.

COOPERATIVE FINANCIAL PLANNING AND BUDGETING

The financial planning and budgeting are basic key tools for development of the cooperative societies, so, there is need to have budget process which always should be integrated with operating plans. Financial planning should address optimal resource allocation which enables the society to be competitive in order to achieve a higher market share. Financial planning is a process of estimating fund requirement; it indicates the business growth, performance and investment (Mwisho A. M. 2002)].

Financial planning ventures to forecast management ability to achieve business objectives, whereas budget is the process of decision making to business to invest its funds most effectively and efficiently for future generation of wealth. From financial planning of business, financial strength and weaknesses are identified and the relationship is clearly established in financial statements like income and expenditure statements, trading profit and loss account and balance sheet. Financial weaknesses assist enterprise to take suitable corrective measures for future development of the enterprise (Ruzuka et al 1996).

Starting business requires capital, having decided the level of finance you require, it is necessary to determine the sources of that finance and understand exact requirement for start up or expansion of existing business (Moh'd Amur 2000).

Cooperative societies being organizations like others need to practise financial planning and budgeting so that it becomes easy for them to allocate resources optimally. As it has already been discussed above that CHAWAMU has been suffering from serious problems of poor financial planning and budgeting, things that have resulted into the decline of CHAWAMU instead of growing and expanding. Equity contributions in form of fees, share capital, savings, fund raising in form of grants or loans both short term and long term cannot sustain the co-operative. Members' participation in financial and development decision making is important as it creates deep ownership of members. Group saving is a starting point for co-operative development saving as compared to credit, it promotes long term co-operative sustainability since it enables resource increase for co-operative, reduce dependency on the outside sources, it serves as a form of insurance against risk, and improves sense of group ownership among members. (Milk producer group FAO, 2002).

Co-operatives are important in the process of poverty eradication; They use collective participation in solving problems and laying down strategies for development. Low capital of co-operatives can be solved by awareness creation so that more people can join into the co-operative movements (Budget speech 2004/05). CHAWAMU requires capital contribution from members in order to increase the volume of milk production, which leads to increased sales to the existing market of Tanga Fresh.

Market and marketing is the overall process by which people get what they want through creating and excluding products, a firm supplies goods, sells goods and realizes profits for future investment for the firm, while consumers get their needs. Before you go into business check and investigate the demand for the product, check if there is direct

competition and find reasons (FAO Milk producer resource book (2002)). This applies to co-operative organizations like CHAWAMU to study market situation as related to the volume of the product, it is important to keep records for product volumes and sales for future prediction of the market. This is the task of the management and executive staff. In line with these arguments, CHAWAMU has to learn to plan and forecast its market scope and marketing activities. If it does, it shall be able to lay down a good financial and budget plan.

A co-operative enterprise has to be economically and financially sound. This requires increase of business volume and share of market for business. Co-operative like other business surplus at end of the year plan for re-investment and distribution to members in form of interest on shares and patronage, otherwise the society will remain small and weak. Raising volume of business is a source of raising surpluses provided the cost structure does not change so much. Return on share capital motivates members to participate fully in the activities of the co-operative; this goes in hands with sound economic and financial base (Mlowe L.H.K 1990). With reflection of the above, CHAWAMU has never realized profits for re-investment and distribution to members as dividends.

Monitoring and Evaluation (ME) is important as it guides the implementation process of any co-operative business, undertake regular monitoring to get timely information on performance and achievement of activity to co-operative members. Monitoring and evaluation will highlight causes of success and failures of different operations. Monitoring and evaluation involves collection of information on goals set, designing operating, and monitoring and evaluation system. Success of ME system requires continuous and regular

exercise. Co-operative society should build habit of planning, understanding and commitment to using ME system (ibid).

CHAWAMU has clear vision, mission and objectives, but it has no comprehensive plans and there is poor record keeping both for financial and non-financial transactions for future development of the co-operative. Comprehensive plan requires showing objectives, goals and source of financing. Members of CHAWAMU are supposed to participate fully in the running of their Society by participating in planning monitoring and evaluation. That shall enable them to monitor all activities and keep CHAWAMU to make progress.

CHAWAMU is doing business under an environment of competition as a result of free market economy and globalization. There is imported milk, which is low taxed in their countries of origin, sold at low prices, on the other hand, it faces high competition in buying milk from dairy farmers i.e. members and non-members. It competes with big buyers like TOM and OLE Dairies and others from Dar es Salaam. Milk is bought at higher competitive price rate, which CHAWAMU fails to provide to its customers, e.g. CHAWAMU offers to buy milk from farmers at the rate of 235/- as compared to other buyers who pay as much as 300/-.

2.2 EMPIRICAL REVIEW

Through processing and other added value activities, co-operatives attempt to capture more profits for their farmer/members (Anne Reynolds et al 2002).

The importance of co-operative enterprise in Africa is that people are grouped together because they want to pursue a common economic objective and loyalty to the co-operative

is determined by the degree to which co-operative enterprise satisfy their need. Co-operative society is both an enterprise and service delivery organization (Monkner H. 1977).

Raising share capital and generating profits to be retained in a form of indivisible reserves can raise different sources of capital for multi-purpose co-operatives from members through several instruments. Members have no right to such indivisible reserves (Agrawal 2002).

Usually, a co-operative entity declares dividends on shares distributed to its members, if there is surplus after distributions to the statutory reserves and other funds, as prescribed in the by-laws, have been made. Rate of dividends is declared by the general meeting subject to the maximum limit prescribed in the by laws (Lee 2004).

With decline of government assistance and credit to agricultural sector of developing countries and growing competition from the private sector, many membership based farmer organizations are now looking at their members to help finance their operations growth. All member-based organizations – be they small informal groups, farmers, associations or co-operatives need saving and capital i.e. cash funds to be used to finance operations and investment growth. They can obtain this from basic resources from outsiders like banks, government or suppliers, or from insiders either by retaining net revenue generated by the organizations business activities or from members themselves.

Under heavy government control, in protected market, assisted by government in getting subsidies and grants from donors to finance their business operations, cooperatives were performing well.

Now these favourable conditions of trade have been fading away, as government services to cooperatives get privatized, the market keep being liberalized, and co-operative access to externally provided grants and subsidized credit reduced, agricultural co-operatives are experiencing more of capital shortages (John Rouse 1999). This also affects not only agriculture-based cooperatives but also other cooperatives like CHAWAMU, which is a dairy cooperative.

Studies in some parts of Tanzania have demonstrated that most farmer groups or organizations have been facing problems of lack of knowledge of co-operative among leaders and members; weak leadership and poor governance, lack of authentic constituency which in return contribute to corruption, mismanagement of funds, conflicts and lack of clear goals [SUA Research on Livestock Traders, 2004].

The research sadly noted that such was the situation in the CHAWAMU primary co-operative society.

Cooperative Associations will also facilitate recognition of farmers' voice by government and government agencies. In general through farmers association, sizeable economies of scale could be achieved through undertaking joint tasks such as marketing of produce, purchase of inputs, and acquisition of specialist advice and, joint planning and implementation of community based project (ibid).

There can be many rewards in running own business but there can also be some pitfalls. One of the key ways of minimizing risks is to do some planning before you commit yourself to employment [Careers Service Report Edinburgh University (2003)]. This emphasizes the importance of planning, which CHAWAMU has to adopt.

When several large co-operatives merge some of their operations to form new businesses, they become more competitive and can withstand competition with other giants against which they compete for the same market. In order to achieve this, co-operatives have to involve their members and become indebted to them. A stronger equity position provides a cushion when the economy dictates a prolonged down cycle. Co-operatives also need to determine their long range goals and try to focus on their individual strengths. Co-operative should resist the urge to be all things to all members and focus on areas where they have greater competitive advantage.

The ability to collectively create organizational structures to meet community needs makes them an effective tool for economic and community development.

In-output analysis provides some measure of quantity economic and employment impacts of businesses (David Cheswick, 1998).

One of the ways to successful marketing is having viable alternatives. Co-operatives can provide such alternatives. Unfortunately, many co-operatives have obtained a bad name due to failures in attaining their ideal goals.

However, judging the performance of co-operatives is difficult. This is because co-operatives have several ways to return benefits to members, which include payment of

prices equal to that paid by other firms, to provide competitive services, to pay competitive returns (6+ %) on equity, to return equity in timely manner, to provide competitive market presence for long-term success and patronage refunds.

Members should continuously remind directors and management that the primary goal of the cooperative is to obtain the highest possible returns to their inputs. Although voting is important and the most essential element of democracy in the co-operative organization, it is the ability of members to vote their opinions about their co-operatives. Co-operatives have to offer alternative ways to market their products. Their primary concern should be earning the highest possible return to members. To do that, however, members must establish challenging but realistic expectations for the organization and continue to negotiate with directors and management to achieve the highest economic performance possible. Thereafter, all that is needed is to witness those checks as they come rolling into your co-operative (Underson, 1998).

The pooling market practice is distinctive to co-operatives and refers to a particular method by which co-operative markets the crops of its producer member. The benefits of co-operative pooling of produce include risk sharing, improved marketing, increased market power, quality control and economies of scale. Pooling can also be an effective to insulate producers from periodic or seasonal price giving that commonly characterize market place. To ensure equitable treatment, responsibilities and benefits are shared proportionally by all pool members. Successful co-operative pooling Programs hinge on the ability to provide excellent service and results while ensuring that all producer

members are treated equitably. It rewards producers who meet or exceed minimum delivery standards and realize the benefits of greater market (Jermolowicz, 2001).

Maintaining supply of equity capital for financial assets and growth is a continual challenge for most business organizations. This is especially true for farmer co-operatives, which are organizations owned by their patrons and which employ unique method for obtaining equity investments based on patronage (Royer and Wissman, 1989).

Non-member business is also an important source of sales for local co-operatives come with suggestion that training for co-operative personnel and board needs to include skills, trust building, and team building exercise co-operative managers and other personnel all key to the success of a merger acquisition, joint venture or strategic alliance (Vanderburg et al, 2004).

The study analyzed income statement variables of local supply and marketing co-operatives by looking at trends and current values. Major areas studied were income and expenses. It presented and evaluated revenues and expenses of local co-operatives. The main focus was on revenues, sources of expenses and how these expenses changed overtime to help managers and directors with comparative values to help analyze their operations. Analysis was made on whether the co-operative was profitable or unprofitable based on income from own operations. Findings showed that net sales for all respondent co-operatives decreased throughout the early 1980 and rebounded in the late 1980's. Cost of goods sold for farm supply co-operatives were typically lower, hence higher gross margins. Co-operative managers, faced with the responsibility of controlling operating

expenses, needed some standard benchmark with which to compare their performance. The report give average and trends for operating expenses and profitability leads to help co-operative managers analyze their operations (Chesnick and Eversull, 1994).

Participation measures include attendance at meetings, servicing on committees, serving as an elected officer and recruiting other farmers to become members. Member characteristics include beliefs concerning co-operative principles, collective action, and individual member identities as associated with co-operative membership, life satisfaction with farming, member satisfaction with co-operative operations, and representation, member influence on co-operative decision making, and equitable treatment among members (Gray et al 1998).

The study conclusion is that by greater involvement, the co-operative and members may begin to identify ways of improving satisfaction of their farmers and strengthening the co-operative itself. Study results suggest emphasis on co-operative principles, benefits of co-operation and the importance of participation as a possible place to start. The results also demonstrated the relevance and continuing importance of co-operative principles, beliefs in collective action, and member identification with co-operative organization and action.

A major duty of the Board of Directors is to hire and appraise the performance of the co-operative's manager. Directors of many co-operatives of all sizes and types need formal and effective Program to measure management performance. Performance appraisal is a valuable tool for recognizing management's strengths and weaknesses, developing

management talents, and is an essential part of a co-operative's business planning. The board is responsible for periodically appraising the manager's performance as control measure to determine if its policies can be, and are being followed. A manager has the right to expect a periodic appraisal and reviews, which include plans for changes and improvements. The aim is not to judge the person, but develop a Program that will permit improved performance and achieve manager's full potential (Rapp 2002).

Several unique financial characteristics differentiate a co-operative from all investor's oriented firms, when measuring co-operative performance, comparing a co-operative financial position with IOF can be misleading for those unfamiliar with these characteristics. It was discussed on how useful the ratios are in decision making by co-operative boards and managers when assessing the performance of the co-operatives. An analyst must have a clear understanding of the firm's objectives to effectively measure its business performance and management. When we compare the objectives for investors oriented firm and the co-operative we find a big departure of interest, that the firms' value is the owner's interest of profit maximization, to reward the investor and to reinvest in productive assets that will generate future earnings, theory of profit maximization. On the other hand, co-operatives have goals other than generating direct profits for their members, thus in co-operative environment the theory of profit maximization does not hold water fully. In co-operatives, owners are the primary users. Co-operatives have objectives other than generating direct profits for its owners. These unique objectives make the difference in decision-making between managers for IOF and co-operative manager (Chesnick1990).

Delaying investments will make it hard to increase operating efficiencies and will cut net margins. Co-operatives need to balance between capital and investment needs. Many co-operatives are taking proactive approach to funding and to the way they are conducting operations. Mergers, constitutions and joint ventures with both co-operatives and non co-operatives also help Streamline operations (ibid).

Co-operatives are facing some difficult times due to changing global and domestic world economy, over production, increased imports, and low farms prices have resulted in many co-operatives ending their business year with decreased revenue and earnings. The study concluded the insight of the major problems and issues faced by co-operative management for the purpose of helping management, co-operative leaders identify major problems and issues facing co-operatives. Problems identified were accounts receivable, agricultural economy, competition, consolidation, technology, genetically modified crops, government regulation, government Programs, increasing costs, labour, low commodity prices, operational, transportation, weather and members low margins (Gray and Kraenzie 2002).

2.3 POLICY REVIEW

The dairy farming is an activity which is found all over the world i.e. in Europe, America, Africa, New Zealand, Australia, Asia etc. This is organized at individual levels as well as organizations like companies, co-operatives, joint ventures and other many forms of co-operatives. This contributes to the national welfare; it creates employment, generates income and improves livelihoods. In Tanzania livestock producer co-operatives are not common, in recent years, dairy farm co-operatives were established in Tanga, Kagera and

Kilimanjaro regions. However the performance of unions declined drastically and they were in worst economic situation. In the year 1991 the new Co-operative Act No. 15 was put in place, bringing to an end the socialist oriented co-operatives.

The emphasis was put on voluntary and democratically operated co-operatives, with the aim of promoting economic and social welfare of members. Amendment of the act was done in 1997 and 2003 to redefine aspects of some of the conceptual framework, to create favourable environmental condition for development of co-operative movement. The colonial British rule introduced marketing board in the country in 1946. These continued to exist after independence. Between the year 1961 and 1965 there were three zonal dairy boards:-

- Northern dairies
- Coastal dairies
- Mara dairies

These were replaced by National Dairy Board formed in 1965 by act no. 32. The role of the new board was to advice on all dairy related issues. It had authority to register and license milk producers, processors, importers and vendors. It was also authorized to introduce bylaws to govern smooth running of the dairy sector.

In the year 1974 Livestock Development Authority Act (LIDA) was established by the government, charged with role of supervision of all the livestock development. Under this act all the livestock production, processing and marketing companies were nationalized.

Assets and liabilities owned by the companies were transferred to LIDA as a holding company. LIDA operated independently as a monopoly parastatal company up to 1980 when the policy changed; state lost control over dairy activities. Market economy was introduced to take charge of the socialist economy [Research report on livestock producers and traders; SUA: 2004].

2.3.1 *Tanzania Development Vision 2025 (TDV)*

This is guidance on broad National Strategic goals aiming at raising general standard of living of Tanzanians by the year 2025.

The priorities of the policy are to:

- Ensure basic food security
- Improve income level
- Promote export earnings

National Strategic policy framework has been initiated to support the vision.

These priorities are in line with CHAWAMU's mission and objectives.

2.3.2 *Poverty Reduction Strategy Paper (PRSP)*

The Paper was introduced in the year 2000; it is a priority objective in the national economy. PRSP puts focus on different approaches to poverty reduction in the country. It emphasizes co-operative movement to take lead in development mechanism. It expresses the role of co-operative to be played in poverty reduction, as an important empowerment tool for the poor, the weak and the vulnerable members of the society. Most of the existing

primary societies are not viable economically because of a small number of members who contribute inadequate capital. It recognizes agriculture and livestock development, co-operative as critical to poverty reduction.

Two policies were introduced:

2.3.3 *Agriculture and Livestock Policy of 1997*

The emphasis is put on the importance of competitive markets for agricultural development, with government providing priority on public goods, services and monitoring of the situation. Basically all policies are always based on planning .If planning is poorly done the policy becomes poorly implemented and gives poor output and vice versa. Therefore for CHAWAMU to implement this policy successfully has to have good and proper financial planning which is not done currently.

2.3.4 *Co-operative Development Policy of 2002*

The policy advocates on developing an autonomous and member controlled private organization. It provides room for co-operatives to operate on an independent, voluntary and economically viable basis and to develop into centers for providing and disseminating agricultural inputs, influents, technology and information. The policy provides overall objectives and strategies necessary to ensure that the disadvantaged groups and the poor in the society have a reliable means to achieve development.

People are empowered to solve their social and economic problems. Policy makes important departure in the definition of roles and responsibilities of government and other

stakeholders in the promotion and support for co-operatives environment. The cooperative Development Policy of 2002 recognizes:

- Responsibilities of the government to support co-operatives which are owned and managed by members.
- Structural and historical factors that form constraints to co-operatives in liberalized market environment, globalization and privatization. To make sure co-operatives operate under liberalized market economy.
- Commercially oriented business minded management.

The policy puts emphasis on:

- Structural framework of the co-operative movement with cost effectiveness.
- Co-operative leadership and Management
- To have leadership and management which will transform co-operatives into competitive business enterprises
- Co-operative Education and Training to foster the understanding of members, leaders and employees in performing their roles.
- To encourage formation of co-operative financial institutions in order to reactivate thrift and saving habit among members

2.3.5 *Rural Development Policy of 2002*

The policy highlights the role of co-operative in improving rural market facility systems and input supplies. The on going globalization, with its imperfections, is distorting the envisaged competitive market, which would have stabilized the rural powers of competitive and attractive prices. It emphasizes the role of co-operatives in promoting economic activities, collecting and disseminating market information to members.

2.4 *Research Gap*

The literature review has shown that in order for a cooperative society to be successful there must be proper financial planning and proper record keeping. This is lacking in CHAWAMU. Hence there is need to do a study in order to find out how CHAWAMU could be enabled to solve this problem of poor financial planning and poor record keeping by starting to practice financial planning and involving the members to participate democratically in whole process of planning and decision making in regards to financial matters and financial management,

Finally the role and effect of it shall clearly be known.

3.0 CHAPTER: RESEARCH METHODOLOGY

3.1 THE RESEARCH DESIGN

The research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data (Kothari, 1985). According to Kothari (ibid.), research designs can be categorized as exploratory, descriptive and hypothesis testing.

In this study the researcher used exploratory design to explore factors causing weaknesses in financial planning and budgeting of CHAWAMU. The study is a felt need from the co-operative members. The researcher visited the co-operative management for initial discussion on their needs and the focal discussion group was appointed among members. The group gave ideas on the progress and development of the co-operative and later a four days workshop was conducted to discuss the progress of the co-operative since its inception, barriers hindering development and finally it was agreed that the major problems were the weaknesses misallocation and misuse of financial resources planning causing serious stagnation. The researcher and co-operative management had to work on this problem by designing the research and conducting several meetings for the purpose of providing feedback to the co-operative members.

3.2. RESEARCH APPROACH AND STRATEGY

According to Kothari, 1990, there are two types of research approaches, which are quantitative and qualitative. Quantitative approach involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion. Qualitative approach is concerned with subjective assessment of attitude, opinions and behavior (ibid.)

Quantitative approach was used to analyze the following data:

Sales volume, total expenses/costs, profits and losses.

- Total financing and investments.
- Number of members and staff.
- Total area used to graze dairy cattle.
- Types of inputs
- Price of milk and cost of inputs
- CHAWAMUS' assets
- Grants, Loans, Equity and Retained earnings.
- Total number of dairy cattle, total quantity of milk produced and sold.

Qualitative approach was used to analyze the following data:

- Education and vocational skills.
- Gender issues.
- Policies and statutory acts of the cooperatives.
- Peoples' interest in cooperative movement

3.3 SAMPLE SIZE AND SAMPLING TECHNIQUE

There are two types of sampling techniques, which are probability and non probability sampling. According to Kothari, 1990; in non probability sampling, items for the sample are selected deliberately by the researcher. While in probability sampling, every item of the universe has an equal chance of inclusion in the sample.

In this study the researcher used random sampling technique to obtain 27 members out of 129 existing active and non active members of CHAWAMU for interview using structured questionnaire. Furthermore the researcher organized a planning workshop which was attended by 40 members and 16 technical people from different areas of profession and key stakeholders.

The sample survey and workshop participants were selected randomly but gender issue was properly considered.

3.4. DATA COLLECTION METHODOLOGY

Data collection methodology deals with the correct preparation, organization and implementation of data collection (Raay et al 1989). A variety of data collection techniques are available. Each technique is suitable for particular data requirement only. The choice of technique for data collection is a logical continuation of research design [Raay et al 1989). However, the method applied for data collection is documentary study for secondary data from CHAWAMU reports, library and visiting different offices which include agriculture and co-operative offices in the district. Another method is the field structured survey which was conducted using structured questionnaire, both closed and open ended questions were inquired from CHAWAMU members, DALDO, DCO, DALDO, DCO, and TDCU managers are key partners of the co-operative managements and operational issues person to person interview was conducted.

Participatory Rural Appraisal (PRA) was applied to collect information from members of the co-operative and other stakeholders/partners. Several meetings were conducted with management, focal group discussions and four days workshop. These methods were used to collect primary data. PRA was used as tool for situation analysis with regard to understand factors that influence the situation of financial planning and budgeting of the capital.

3.5 DATA ANALYSIS AND INTERPRETATION

The analysis of data requires a number of closely related operations such as establishment of categories, the application of these categories to all data through coding, tabulation and then drawing statistical inferences (Kothari, 1985). Data analysis in this study was both qualitative and quantitative.

- Data was coded, entered in computer and analyzed using a Special Package for Social Sciences [SPSS]. Descriptive statistics {frequencies, percentages} were generated to portray features of field situation (survey).

4.0 CHAPTER FOUR: FINDINGS, RECOMMENDATIONS AND CONCLUSION

4.1. RESEARCH FINDINGS

From the research, the following are the findings:

4.1.1 *Training of members*

From the survey done it was observed that CHAWAMU has no training plan or programs to improve knowledge of rearing dairy cattle, business management and empowerment of members. The outcome is that they can not know whether they are progressing well or not. So the members actually do not know issues on finance, constitution, financial planning, record keeping etc.

4.1.2 *Compliance with the Co-operative's Constitution*

From the survey 31.4% of members said that they participated in constitution formulation while 68.6% did not participate.

The majority states that they were not involved and some said they are completely unaware of cooperative constitution formulation. Constitution has never been used since the start of the cooperative may be this is because of poor leadership; the researcher has proved that there is a big demand for the constitution from members. According to the survey, 96.7% of the members demand the constitution to be revised in a participatory way by involving all members.

From the survey 40% of the respondents said to be totally unaware of the constitution existence. But most interesting is that all respondents were interested in having a hard copy of the constitution as a law governing the society on how to manage, keep records, keep

accounts, how to plan and operate CHAWAMU. And so long as the constitution is not used by members, therefore this is one of the contributing factor to poor planning i.e. financial planning and budgeting.

4.1.3 *Benefits gained by members*

The researcher wanted to know how members benefit, either from their organization activities or being members of the co-operative society. 85.7% of respondents said that they enjoy selling milk to the society at a good and reliable market price. A few members of about 17.6% said that they enjoy income generation.

However the respondents complained that the current market prices they are getting does not cover operational costs adequately, that is the reason for some of members claiming that dairy activities are not a good source of income generation.

4.1.4 *Decision Making Process:*

The attendance of general meeting showed good response as 82.9% of members do attend the general meeting. But from the survey key issues concerning the business progress are not properly addressed or discussed in the meetings may be leadership does not know its obligation. This is supported by the table below where respondents saying that key issues are addressed indicated “yes” while those who do not agree indicate “no”. This indicates that there is no clear transparency; hence members are de-motivated to participate fully in cooperative activities.

TABLE 6: KEY ISSUES DISCUSSED IN MEETINGS

Activity	% Yes	% No
Business Progress	34.0	66.0
Plans	40.0	60.0
Goals and strategies	12.0	88.0

Source: Survey by Researcher

4.1.5 Production of Milk

From the table below in the cumulative column the majority of CHAWAMU members constituting about 70% produce less than 13 liters per day. This means that if there could have been a proper planning then production could have reached 37 liters per day per member, as is indicated in the table where there are about 3.7% who produce that level.

TABLE 7: MILK PRODUCTION FROM CHAWAMU MEMBERS

Production in liters	No of Members	Percent	Cumulative Percent
1-4	2	7.4	7.4
5-9	9	33.3	40.7
10-13	8	29.6	70.4
14-18	4	14.8	85.2
19-23	1	3.7	88.9
24-29	2	7.4	96.3
34-37	1	3.7	100.0
total	27	100.0	

Source: survey by researcher.

4.1.6 Participatory Discussion

In this study, Participatory Rural Appraisal (PRA) was used to perform situation analysis and environmental scanning of the cooperative. This was done through the workshop organized by co-operative management and the researcher from 11th to 14th May, 2004. The following were the results.

4.1.6.1 Market Economy:

It has been discovered that, free market economy (soko huru) has minimized the number of customers who sell milk to the co-operative society. This has affected the co-operative income. Members also said that land ownership policy and tendency of the government of not revoking land leases of non Muheza residents is hindering livestock keepers to own sufficient land for animal grazing. However, they commented positively to the free market economy policy that it has enabled individual farmers to determine the price of their products freely.

4.1.6.2 Market potential:

The total milk requirement in Tanga region is more than 1,400,000 liters per day. Currently the dairy cattle keepers including CHAWAMU are supplying 600,000 liters, the remaining 800,000 liters is the market potential that CHAWAMU should struggle to supply. Therefore, members agreed to increase production of dairy products for sale.

4.1.6.3 Technologically:

Members pointed out several constraints as bottlenecks to dairy farming. These are low education by co-operative members, poor quality of the dairy cattle, and poor entrepreneurship skills. This leads to poor financial planning of the cooperative

4.1.6.4 Constitution of CHAWAMU:

Members complained of not having copies of the constitution, therefore it was proposed to distribute some copies of the constitution to them. Constitution is important for managing the cooperative; it guides members and management to meet their obligations

Members recommended amending the constitution of CHAWAMU to allow them to inherit shares in case one of them dies.

4.1.6.5 Constraints listed by the workshop

The following are the constraints mentioned by members as the main causes of weak financial planning and budgeting: low income of CHAWAMU, insufficient pasture for animals, high operational costs, inadequate knowledge of cooperative members, poor working facilities like buildings and equipment poor laboratory and butchery services, insufficient expert services, inadequate land and site for cooperative activities difficulties in getting input for dairy farming, insufficient water services for cooperative activities, low income by individual farmers, failure by farmers to keep animals in good quality, low capital of the cooperative and animal breed. Most of the participants in the workshop indicated not to be satisfied with the performance of the cooperative society.

4.1.3 Summary of research findings

- There is lack of knowledge on financial planning, record keeping, animal husbandry etc. among members and the executive staff, CHAWAMU members and staff do not know the importance of financial planning in running dairy cattle business. This contributes to poor performance of the society
- CHAWAMU members are not aware of the constitution; they do not know their roles and duties in relation to the financial planning and management of their organization.
- Members of CHAWAMU are not aware of free market system. They have to be oriented to the new system and be able to look for additional value to their product by processing the dairy products instead of selling it raw.
- According to ICA, the principle of democratic participation in co-operative activities is not followed by members; such as there is low push from members to improve performance.

4.2. RECOMMENDATIONS

From the findings, the following are recommended by the researcher:

- Members have to be trained on how to keep dairy animals in good condition, provision of health treatment, feeding and other services.
- Development of the basic key infrastructures to support dairy farming for CHAWAMU members. These include capital investment in laboratory services, construction of storage facilities to facilitate collection of milk from members, small milk processing plant, and also a shop and animal drug pharmacy.
- To strengthen monitoring and evaluation system by having monthly reports, distributed to all members and discussed.
- To seek financial support for individual members. The financial facilitation service can be loans or grant from any institution. This should aim at expanding the dairy farming activities.
- To strengthen the executive staff by having good organizational structure and recruitment of capable staff to handle financial planning issues.

4.3. CONCLUSION

In order to achieve the recommended items, there must be training to all parties concerned. The emphasis of training should be on areas that have been identified to have weakness. Such training should articulate proper planning and budgeting, rearing dairy animals, monitoring and evaluating CHAWAMU activities and report writing. Besides visiting of similar projects will enhance understanding of members and provide them with skills acquired through observations.

5.0 CHAPTER FIVE: IMPLEMENTATION OF THE PROJECT

In order to solve the existing problems identified and basing on the recommendations in the previous chapter, the researcher recommended the following projects to be implemented:-

5.1. TRAINING OF CHAWAMU MEMBERS AND EXECUTIVE STAFF

Training is about providing basic business management and accounting skills for micro and small scale entrepreneurs. The anticipation is that after acquiring these skills they shall be able to manage their business well and the business will grow and expand.

Training will enable members to understand key financial planning and budgeting issues which include record keeping, report writing and interpretation of reports(refer appendix 6). Through this CHAWAMU members will understand how to run business, how to create capital from different sources such as loans and grants, how to deal with rapid changing economic system, and have clear goals. Also members will know how to analyze their operations, monitor and evaluate the business operations.

5.1.2. Training Modules

Training modules prepared and delivered to members include the following:-

- Simple book keeping and record keeping
- Basic Marketing principles
- Product presentation and salesmanship
- Marketing mix interactive process including costing and pricing

- Basic Marketing research principles
- Internal control of finance
- Simple feasibility study
- Simple business plan
- Livestock products marketing
- Business improvement
- Provision of external resources
- Leadership and management procedures
- Improvement of dairy records
- Animal husbandry including animal health, dip management etc
- Project planning and management

5.1.3. Time and work plan for training

Training is scheduled to take place from the beginning of March to June 2005. The schedule is shown in table (5) below. Target is to train 129 CHAWAMU members, leaders, and staff. The duration shall be 10 days for each group. So the total time shall be one year.

Preparation

- Identify training needs
- Identify training personnel and location
- Getting money required for training
- Writing training plan and timetable.

Training shall be done in groups of about thirty people at a go as shown below:

Table 8: Training Groups and Modules

SOURCE: PLANNING WORKSHOP

DURATION	GROUP TO BE TRAINED	MODULE
March – April 2005	Group I - Executive staff - Management	- Simple book keeping - Record keeping - Basic marketing - Entrepreneurship - Product salesmanship - Planning and Management
May – December 2005	Group II broken into four sub groups: - Ordinary CHAWAMU members	- Simple book keeping - Record keeping - Entrepreneurship - Animal husbandry - Planning and management - Entrepreneurship

TRAINING METHODS AND TECHNIQUES

The training methods and techniques includes the following:

- Class lectures
- Group discussion
- Participatory learning
- Practical
- Study tours for management and executive staff.

Evaluation method

Evaluation will be done by giving tests and examinations to participants. Certificates will be issued with ceremonial address.

COST OF TRAINING

Allowances	Tshs.	4,000,000.00
Transport	Tshs.	1,000,000.00
Facilitation	Tshs.	1,000,000.002
Total:	Tshs	6,000,000.00

5.1.5. Facilitation

A team of five employees of Muheza District Council has been formed to train CHAWAMU members. This includes Livestock Officer, Trade Officer, Co-operative Officer, one Accountant from District Council and the researcher.

5.1.6. Source of Funds

Training will be funded by Agriculture Marketing System Development Program (AMSD), which has committed Tshs. 3,000,000.00 for training.

5.2. CONSTRUCTION OF BUSINESS CENTRE

Members recommended the size of building, location and cost

(i) Location: Muheza Township

(ii) Description: The building will be single unit size of 10 x 15 meters, with units to be used as storage facility, laboratory, shop and office. It will involve construction and purchase of equipments and apparatus of the laboratory

(iii) Cost of the project:

Construction	Tshs.	24,335,000.00
Equipment and Apparatus	Tshs.	4,000,000.00
Total:	Tshs.	29,335,000.00

TABLE 9: IMPLEMENTATION SCHEDULE OF THE PROJECT

MONTH	ACTIVITY	RESPONSIBLE	PROGRESS
September – October 2004	20,000 pieces of bricks prepared	Members	20,000 pieces of bricks made
November 2004	Site location and cash contributions	Members	Site is located to the society
December 2004	Cash contributions	Members	Tshs. 5,000,000 collected from members
January 2005	Hire the sub contractors within the locality	Members	
February & March 05	Procurement of the material for construction	Members	
April – December 05	Construction process	Members	
January 2006	Completion of construction and inauguration business	Members	

Source: Planning Workshop

Table 10: Source of Funds for constructing business centre

Members contribution	10,000,000
District Council assistance	7,000,000
AMSDP	7,335,000
Total	24,335,000

Source: Researcher and CHAWAMU Management

Support from the District Council and AMSDP has been approved by the mentioned authorities and team of five members has been selected to supervise the project to a point of completion.

Monitoring and Evaluation

Progress reports to be written monthly and distributed to members.

- To ensure that all activities are done as planned
- Evaluation
- To ensure standards are fulfilled
- To find out whether the objectives have been achieved.

5.3. IMPLEMENTATION PROGRESS OF THE PROJECTS

(I) CONSTRUCTION OF BUSINESS CENTRE

The members through their initiative have made 20,000 pieces of bricks and have raised funds amounting to Tshs. 5,000,000.= However their target is to raise Tshs. 10,000,000/=.

Site for construction has been located to co-operative by the District Council and the council has promised to assist CHAWAMU an amount of money to the tune of Tshs. 7,000,000.00 for the project.

(II) TRAINING OF MEMBERS

120 constitution copies have been produced and distributed to all members for CHAWAMU. This is the contribution of the Muheza District Council to CHAWAMU, at a value of 31,000.00.

5.4. IMPACT OF THE TWO PROJECTS

The overall goal is to improve the living standard of co-operative members or alleviate poverty to CHAWAMU members. The objective is to solicit funds and other resources, which are sufficient to finance at least 40% of the desired development. The impact to the CHAWAMU is expected to be:

- Increase in dairy farm products.
- Improve livestock products for better yield, i.e. increase of farmer's household average income, milk production increase and co-operative income/project increase.
- Improve business and livestock development services to farmers, 129 members have been trained on business entrepreneurship and individual farmers are supplied with improved breed of dairy cattle.
- Capacity of CHAWAMU members to acquire more resources is improved by being able to get loans, decision making in a participatory manner is highly enhanced and improved.
- An effective co-operative governance i.e. transparency in leadership and members empowerment is created in the co-operative.

The above impact will lead to improved financial planning and budgeting of CHAWAMU and hence reduce poverty

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