THE IMPORTANCE OF COOPERATIVE PRINCIPLES IN THE FINANCIAL COOPERATIVE MODEL

BY

SYLVESTER KADZOLA

MUSCCO CEO & WOCCU DIRECTOR
Outline

1. Ideologies
2. What a Co-operative is
3. Co-operative Principles
4. Co-operative Values
5. Significance of Coops to Africa Countries
6. Financial Co-operative Model
7. Malawi Economy
8. How Coops can lead to Economic Growth –FINCOOP Case Study of Malawi
THREE IDEOLOGIES

Adam Smith  1778–  Capitalism

Das Kapital 1866  - Communism

R.W Raiffeisen 1867  - Co-operativeism
Co-operatives Defined

According to the International Co-operative Alliance (ICA):

‘A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural aspirations, through jointly owned and democratically controlled enterprise’.
The Co-operative Principles

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Ongoing Education, Training and Information
6. Cooperation Among Cooperatives
7. Concern for Community
8. Building Financial Stability
THESE PRINCIPLES ARE BASED ON THE FOLLOWING VALUES

• Self Responsibility
• Self Help
• Democracy
• Equality
• Equity
• Solidarity
SIGNIFICANCE OF CO-OPERATIVES TO THE AFRICAN CONTINENT

- Co-operatives as economic enterprises and self-help organizations, play meaningful role in uplifting the social and economic conditions of members and local communities.
Co-operative enterprises in Africa have successfully operated locally-owned, people-centred business and also serving as catalysts for social organization and cohesion.
As a result of concern for member and community needs, co-operative enterprises represent a model of economic enterprise that places high regard for democratic and human values and respect for the environment.
• The global challenges of unstable financial systems, increased food supply insecurity, growing inequality worldwide, rapid climate change and increased environmental degradation makes the economic enterprise model that co-operative offer very relevant in recent times
Con’t.

- Globally, about 800 million members in over 100 countries are engaged in co-operative activities through membership organizations of ICA.

- In Africa, about 7% of the population are involved in co-operative activities.
Some Countries in the eastern and southern block of the continent have achieved a lot in co-operatives. Eg. Kenya’s Co-operatives contribute about 45% to the country’s GDP.
GOALS

SOCIAL GOAL (SERVICE)

ECONOMIC GOAL (PROFITABILITY)
COOPERATIVES

THE MORE COMMERCIAL MINDED YOU BECOME, THE GREATER SOCIAL IMPACT YOU CAN ACHIEVE!
## Malawi Economy

<table>
<thead>
<tr>
<th>Statistics</th>
<th>Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population estimate (2009)</td>
<td>15,263,417</td>
</tr>
<tr>
<td>Rural population (2009)</td>
<td>12,317,578</td>
</tr>
<tr>
<td>Rural poor (2009)</td>
<td>6,885,526</td>
</tr>
<tr>
<td>Subsistence farming</td>
<td>&gt;90%</td>
</tr>
<tr>
<td>Employment - agricultural sector</td>
<td>85%</td>
</tr>
<tr>
<td>GDP contribution – agriculture</td>
<td>45%</td>
</tr>
<tr>
<td>Export earnings</td>
<td>90%</td>
</tr>
<tr>
<td>Land surface</td>
<td>94,000km²</td>
</tr>
<tr>
<td>Water surface</td>
<td>24,000km²</td>
</tr>
<tr>
<td>Irrigation area</td>
<td>1%</td>
</tr>
</tbody>
</table>
How cooperatives can lead to economic growth

The case of FINCOOP SACCO in Malawi
FINCOOP

• SACCO started in 2004 as a project to serve urban community

• Experienced stagnated growth during the first two years

• Then Exponential Growth
GROWTH FACTORS

- Brand Visibility
- Competent and experienced management
- Support from National Association
- Faithful adherence to Coop principles
<table>
<thead>
<tr>
<th>Indicators</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership</td>
<td>323</td>
<td>1,101</td>
<td>5,217</td>
<td>11,028</td>
<td>23,354</td>
<td>29,315</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>252</td>
<td>773</td>
<td>3,520</td>
<td>7,109</td>
<td>14,936</td>
<td>17,723</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>69</td>
<td>316</td>
<td>1,507</td>
<td>3,531</td>
<td>7,432</td>
<td>10,180</td>
<td></td>
</tr>
<tr>
<td>Groups</td>
<td>2</td>
<td>12</td>
<td>190</td>
<td>388</td>
<td>986</td>
<td>1,412</td>
<td></td>
</tr>
<tr>
<td>Member Shares</td>
<td>1,936,061</td>
<td>5,532,808</td>
<td>33,038,337</td>
<td>131,002,451</td>
<td>420,019,996</td>
<td>460,530,326</td>
<td>460,530,326</td>
</tr>
<tr>
<td>Member Deposits</td>
<td>547,791</td>
<td>2,071,068</td>
<td>8,311,408</td>
<td>19,706,278</td>
<td>51,139,321</td>
<td>45,701,207</td>
<td>51,139,321</td>
</tr>
<tr>
<td>Member loans outstanding</td>
<td>497,691</td>
<td>4,364,607</td>
<td>33,870,206</td>
<td>163,628,798</td>
<td>575,465,128</td>
<td>642,448,027</td>
<td>615,448,027</td>
</tr>
<tr>
<td>Profitability</td>
<td>119,563</td>
<td>698,368</td>
<td>3,861,712</td>
<td>399,689</td>
<td>14,004,818</td>
<td>22,095,089</td>
<td>3,861,712</td>
</tr>
<tr>
<td>Investment</td>
<td>1,353,934</td>
<td>3,534,839</td>
<td>5,974,241</td>
<td>9,708,759</td>
<td>45,330,346</td>
<td>88,888,906</td>
<td>69,330,346</td>
</tr>
</tbody>
</table>
TO CONCLUDE

For Financial Cooperatives to thrive, we need:

1. Numbers and volumes

2. A cadre of individuals who believe in Cooperatives, have passion for Cooperatives. Men and women with integrity; who lead by example. Prepared to embrace Cooperatives as
3. A credible and progressive apex body to give legitimacy and recognition to the sector.

4. Close monitoring and supervision

5. Continuous advocacy of a Cooperative culture
Conclusion cont..

• Cooperatives that are not infested with politics

• To avoid Cooperatives from being turned into vehicles for delivering government social programs.
MY Wish

If we want to liberate our people from the bondage of poverty which still afflicts the majority of our people, we need people/ Governments that are ready to commit time and resources to embark on what I call a ‘Co-operativization Crusade’ on our continent!

Germany, Canada, U.S.A, Japan and closer home Kenya owe their economic success/prosperity in part to Cooperatives revolution in these countries.
Siyabonga

Zikomo

Thank you