


Chapter 3

The Effect of Corporate Governance on Organizational Performances of Cooperative Businesses: A Study of Selected Ethiopian Agricultural Cooperatives

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ABSTRACT

The study aimed at examining the relationship between corporate governance dimensions and organizational performances of agricultural cooperative unions in Ethiopia using selected unions. The research adopted descriptive research design and data were analyzed using descriptive and inferential statistics. In this line, primary data from 377 cooperative union members (205) and managing committees (172) located in the administrative zones the study area were collected by enumerator guided questionnaire. After cleaning the missing scores and fed them into SPSS version 23, all the necessary tests like no multicollinearity, normality, linearity, autocorrelation, and heteroscedasticity were checked. By verifying these assump-

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tions, the multiple regression model's validity, dependability, and interpretability are guaranteed and the results can be interpreted by confidence. Positively predicting organizational performances of Ethiopian agricultural cooperative unions. This signals that further studies are required on composition of managing committees to boost their performances.

1. INTRODUCTION

In cooperatives, corporate governance refers to the array of procedures, policies and methodologies utilized to guide and supervise these entities. The obligations and responsibilities of the managing and supervisory committee—along with the processes involved in decision-making, interdependencies, compositions, financial transparency and member engagement—are typically encompassed within the governance framework (Basterretxea et al. 2022). These characteristics of governance can significantly affect cooperative performance, influencing aspects such as member satisfaction, operational efficiency, financial stability and the cooperative's capacity to fulfill its objectives (Grashuis & Su, 2019). However, the effectiveness of these elements may differ, because not all cooperatives are organized in a uniform manner. (A. Mishra, 2025) This diversity can result in varying outcomes, although the fundamental principles tend to remain relatively consistent. (A. B. Mishra, 2025b) Agricultural cooperatives are pivotal in improving the living standards of smallholder farmers. In developing and agrarian countries like Ethiopia, cooperatives provide access to markets, loans, supplies and services (Tefera, Bijman & Slingerland, 2017; Getnet & Anullo, 2012). Primary cooperatives are established and playing the roles of supplying agricultural inputs, (Mohd Usman et al., 2023) selling produce of their members, providing credits for members, and other advisory services at district level of the country (Mohammed & Lee, 2015). However, the overall effectiveness and success of many of these cooperatives are frequently challenged by governance-related issues (Etefa, 2022). These issues include inadequate leadership, a lack of accountability and minimal member engagement (Mersha, & Ayenew, 2018). Although these challenges are considerable, the low literacy levels of managing committees, their lack of independence, ineffective meetings and the homogeneity of their membership create practical obstacles that cooperatives in Ethiopia must face (Mamo, et al, 2021; Etefa, 2022; Getnet & Anullo, 2012). These suggest that a comprehensive analysis of the governance systems within the agricultural cooperatives of Ethiopia is vital for grasping their influence on organizational performance.

The objective of this study is to investigate the ways in which the organizational performances of certain Ethiopian agricultural cooperatives' unions are shaped by dimension of corporate governances such as meetings, literacy, independence, and

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