U.S. OCDC International Cooperative Research Group

What Difference Do Cooperatives Make?

Kenya Country Study

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Key Acronyms

CDP	Cooperative Development Program (USAID)
CDO	Cooperative Development Organization
CAK	Co-operative Alliance of Kenya
OCDC	U.S. Overseas Cooperative Development Council
ICRG	International Cooperative Research Group
SACCO	Savings and Credit Cooperative Organization
USAID	United States Agency for International Development
RAC	Research Advisory Committee (OCDC)
KSH	Kenyan Shilling
KII	Key Informant Interview
KNBS	Kenya National Bureau of Statistics
FGD	Focus Group Discussion
WDDCM	What Difference Do Cooperatives Make?
ICC	International Chamber of Commerce

Acknowledgments

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Foreword

The data collection for this study was completed before the COVID-19 pandemic; therefore, its results do not reflect the pandemic's impacts. Separately, the International Cooperative Research Group is carrying out additional studies with its partners designed to examine COVID-19 and its impact in specific sectors. The findings of the **"What Difference Do Cooperatives Make?"** research study in Kenya demonstrate the circumstances of cooperative members in pre-pandemic Kenya. As such, they provide an excellent baseline for the economic recovery phase. They also provide evidence that cooperatives in Kenya are well-poised to play a pivotal role in that recovery. Cooperative structures are in place, and their networks are deeply integrated into Kenyan society, which can help to ensure that the recovery is broad-based and inclusive.

Introduction

The mixed-methods multi-country study of the economic and social impact of cooperatives, titled, **"What Difference Do Cooperatives Make?"** was conceived, designed, and executed by the International Cooperative Research Group (ICRG) of the U.S. Overseas Cooperative Development Council (OCDC).[1] The policy-oriented WDDCM research project took place from 2017–2020 in geographically diverse countries with reasonably mature cooperative movements that have benefited from USAID foreign assistance. The study was piloted in Poland in late 2017 and implemented in Kenya, the Philippines, and Peru from 2019–2020. The Kenya Country Study data and analysis contribute to the four-country-study's findings, while this stand-alone report offers unique insights from East Africa.

Through this study, OCDC investigates the impacts of local level (primary society) organizations, which operate in line with international cooperative principles. "Cooperatives are people-centered, private sector enterprises, owned, controlled, and run by and for their members to realize their common economic, social, and cultural needs and aspirations."[2] Cooperatives are founded on seven fundamental principles: (1) Voluntary and open membership; (2) Democratic member control; (3) Members' economic participation; (4) Autonomy and independence; (5) Education, training and information; (6) Cooperation among cooperatives; and (7) Concern for community.[3]

Support for international cooperative development varies across countries and throughout history and is significantly impacted by domestic policies and donor support. While the literature is replete with case studies from select cooperatives or impact evaluations from donor-funded projects, there is a need for more systematically designed research that spans countries and regions. Such investigations can help to create evidence-based knowledge about cooperatives and how they serve their members. The persistence of the values-based cooperative model, its underlying principles, and the world's present imperative to design inclusive, sustainable, and resilient economies inspires this research.

"What Difference Do Cooperatives Make?" is designed to determine if a measurable social and economic "cooperative difference" exists for members and communities where cooperatives operate. While there are technical and sectoral differences among cooperatives, this study was designed to seek a high-level understanding of whether and how a "cooperative difference" is manifested across sectors. What better people to ask about the effectiveness of the cooperative model than members themselves? The study explores if—and how—cooperatives make a social or economic difference for their members and their communities. Each of the four countries selected for study (Poland, Kenya, Philippines, and Peru) has been or is to be studied using the same methodology and data collection instruments to facilitate comparisons and synthesis.

This country study gathers data from a random, representative sample of 2,029 individuals across Kenya, including 1,022 cooperative members and 1,007 non-members. The research study compares self-reported data and perceptions of economic and social well-being between cooperative members and the general population. Because cooperative membership is voluntary, and a cooperative's performance has a direct impact on its members, member perceptions are predicted to correlate with cooperative performance. In other words, self-reported perception data is used in this study as a "proxy" for cooperative performance, while avoiding any claims of causality. The WDDCM methodology extends beyond an opinion survey of members and non-members by benchmarking self-reported household incomes against national statistics.

Poland was selected as the first study in a series of country studies and served as a pilot for the research project. The Poland Pilot Study supported the ICRG's working hypothesis, validated the methodology and research approach, and set the stage for the Kenya Country Study. Cooperatives in Kenya have a long history, with cooperative development dating back to the colonial period and surviving diverse regulatory frameworks and political changes. Kenya was selected as the second country for "**What Difference Do Cooperatives Make?**" in recognition of cooperatives' significance as an economic engine in Kenya and due to the history of USAID-supported CDO engagement over five decades.

The key questions underpinning this research are as follows:

1. Do cooperative members benefit economically from their cooperative membership and participation?
2. Do communities with cooperatives experience economic benefits?
3. Do cooperative members benefit socially from their cooperative membership and participation?
4. Does the broader community benefit socially from the presence of cooperatives?

The ICRG's working hypothesis is that cooperatives create a positive, measurable difference for their members, offering social and economic benefits, which lead to greater self-reliance among households and communities.

This report accomplishes several goals:

- It provides new knowledge about international cooperative development;
- Explains when and how cooperatives contribute to economic and social development; and
- Illuminates cooperative performance and sustainability in Kenya.

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[1] The ICRG seeks to bridge the gap between theory and practice, by rigorously analyzing "what works" in cooperative development and disseminating findings to its member organizations and the broader international development community implementing projects around the globe. The International Cooperative Research Group conducts both policy-oriented and practice-oriented research and analyzes cooperative development across two thematic areas: 1) The potential for cooperatives to alleviate poverty and promote inclusive economic growth; and 2) Enabling and inhibiting factors for cooperatives' positive impact on their members' economic and social well-being.

[2] Definition from

[3] Ibid.

Key Findings

The WDDCM research results from Kenya demonstrate that cooperative members are generally in better economic positions (i.e. higher incomes, less likely to be poor, a greater sense of financial security) than non-members and the general population. Social capital was found to be high in Kenya and slightly higher for cooperative members, compared with non-members. Several key findings, summarized below, indicate that a "cooperative difference" can be seen in Kenya. This report explores at its closing potential policy implications of the research findings.

1. Members of cooperatives report higher incomes than the average Kenyan.

As per Figure 1, cooperative members are more likely to have average and above-average incomes and are less likely to be poor or very poor when compared with non-members. Income figures for cooperative members, benchmarked both against national statistics and against the responses from those in the representative sample, are higher overall, supporting well-being perceptions reported by respondents.

2. Cooperative members attribute their higher annual income and relative economic well-being to their cooperative membership.

The primary motivation for people to join cooperatives in Kenya is economic. Nearly all (97%) cooperative members attest that membership positively affects their households' financial situation. Over half of cooperative members (63%) list "access to loans, savings, shares and commissions" as a critical service they receive from their cooperative, which (a) helps them to diversify their income sources and (b) supports them during financial hardships. Ninety-one percent (91%) of individuals sampled (cooperative members and non-members) cited improved access to markets as a benefit of cooperative membership.

3. Women who are members of formal cooperatives in Kenya have higher incomes than women who are not members.

While women are under-represented as cooperative members relative to their proportion of the population at large in Kenya, women cooperative members nearly unanimously believe that cooperative membership positively influences their economic well-being (99%). Women who belong to cooperatives report higher earnings than their female non-member counterparts. They report that they benefit from improved access to loans, markets, and higher-quality education for their children.

4. Cooperatives are regarded as positive players in the local economy. They are valued for their potential to attract investors, create jobs, and provide support during emergencies.

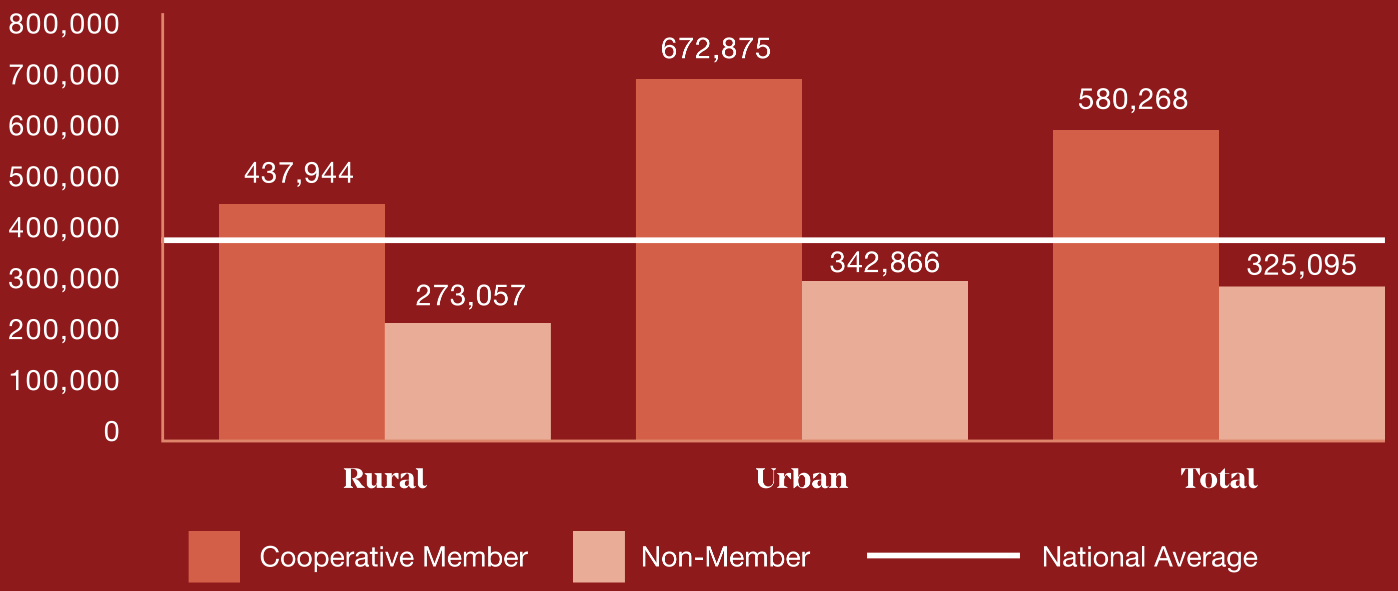
Seventy-eight percent (78%) of rural respondents and 80% of urban respondents affirmed cooperatives' positive influence on their community's quality of life improvements. Even at the community level, cooperatives are most valued for their financial services, much like the household-level responses from cooperative members. Seventy percent (70%) of cooperative members affirm that their cooperative supports its members during emergencies, which decreases the strain on other sources of emergency financing during community-wide shocks.

5. Cooperatives provide significant social benefits, including support for formal and informal education.

Many cooperative members report using their increased income to pay for school fees and uniforms for their children, thus increasing their communities' literacy levels and their families' future earning potential. Cooperative members also benefit from training in financial management skills and financial discipline, which has encouraged them to develop healthy saving habits and prudent financial planning.

FIGURE 1 INCOME LEVELS OF COOPERATIVE MEMBERS IN RELATION TO THE GENERAL PUBLIC

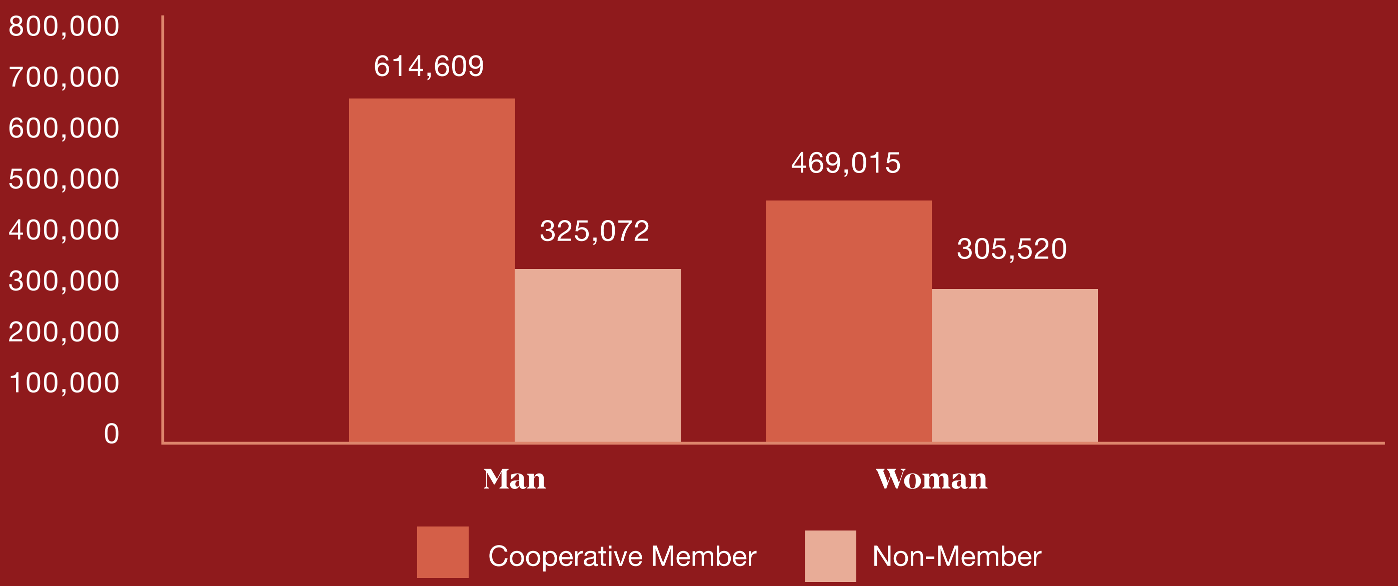
Average Annual Income



Note: Kenya's national average income is 376,577 KSH (KNBS Economic Survey 2016).[4]

FIGURE 2 AVERAGE ANNUAL INCOME OF COOPERATIVE MEMBERS, BY GENDER AND COOPERATIVE MEMBERSHIP

Average Annual Income of Members & Non-Members



[4] The KNBS 2016 Economic Survey is available on Kenya's government website in pdf form: Kenyan Shillings (KSH) is Kenya's currency, with 1 USD roughly yielding 108.850 Kenyan Shillings. XE Currency Converter, October 30, 2020.

Methodology

The research study leverages mixed methods, combining a survey of 2,029 households, divided to include a representative sample of both cooperative members and non-members. Six focus groups and 14 key informant interviews add additional insight to the quantitative results. While this study seeks to measure cooperative membership effects, it is not a formal impact evaluation. The research identifies differences between cooperative members and non-members by creating a valid comparison group, but it does not leverage the necessary data points to evaluate causation.

Components of the Study

- **Country Context Study** – which is based on the analysis of primary and secondary data and provides the policy, regulatory, and other contexts in which cooperatives in Kenya must be understood.
- **Desktop Review of Context Analysis** – includes a literature review and analysis of macro-economic data.
- **Survey research and primary data collection** – includes sampling, in-person questionnaire administration, key informant interviews, and focus group discussions.
- **Data analysis** – uses qualitative and quantitative methods and software.
- **Data interpretation, synthesis, and conclusions** – summarized in this report.

A literature review documenting other research completed in Kenya and related data concerning cooperatives in Poland preceded fieldwork and informed the analysis.[5] Throughout the process, both during the Poland Pilot Study and, in this case study in Kenya, local consultants and research collaborators played essential roles in data collection and analysis. Dalberg Research Kenya won the competitive bid to lead the Kenya country-wide survey implementation, and Global Communities, an OCDC member organization, leveraged its in-country experience with cooperative development to produce the Kenya Cooperative Context Report.

Given that the research involved data collection from human subjects, the data collection was developed and implemented according to the ICC/ESOMAR International

Code on Market, Opinion, Social Research, and Data Analytics.[6] Implementation in Kenya also followed the ESOMAR code of conduct and used professional data collection companies with local and international certifications.[7] The research firm safeguarded all participant information and disassociated identity data from survey responses. The researchers received prior permission to record responses, including video recordings and focus group discussions.

This mixed-methods research project is designed so that each phased component of the data collection builds upon the prior research to create an evidence-based analytical framework with a consistent methodology that permits modifications when necessary. The first step in country-level implementation is an instrument testing and validation process to finalize the country case study's methods.

Instrument Validation

The field research team utilized the instruments tested and validated in the Poland Pilot Country Study and adapted them to the local Kenyan context. When necessary, the team added clarifying details and inserted follow-up questions on select areas, including services offered by the cooperative, the role and experience of women, and the cooperative's operations. The instruments were translated into Kiswahili and loaded into a digital mobile application for administration.

Once the instruments had been adapted, the field team conducted a pretest with a team of senior supervisors. The instruments were tested for validity, reliability, and applicability of the questions. The team then sampled both cooperative members and non-members within Nairobi and its environs through convenience and snowball sampling methods. This process helped to ensure that respondents' answers indicated comprehension of the survey questions. Following the pretest, the findings and recommendations were synthesized, and changes were made to the survey tools pre-research launch.

Surveying and Interviewing

Dalberg Research Kenya recruited local field researchers, both men and women, fluent in local languages, to conduct the surveys and interviews. Enumerators were trained to understand the research study and to abide by standard fieldwork procedures. The final team of 31 individuals was comprised of 25 enumerators, five team leads, and one supervisor. The survey team was divided into geographical zones where they spoke the local languages, and the survey was conducted in Kiswahili, the Bantu-based national language of Kenya.

Sampling Plan

Survey responses were collected from 2,029 households, including cooperative members and non-members. The surveys included multiple-choice and short-answer interview formats, with an objectively designed, random representative sample. Six focus groups and 14 key informant interviews supplemented the quantitative data. The sampling plan was based on a random and representative sample of respondents for (1) cooperative members and (2) non-members. These groups were built using quotas based on national statistics and random intervals to create a valid counterfactual. A matching process identified the comparison group, so that the respondents are geographically comparable and have "equal opportunity" to join a cooperative.

Cooperative Members

The sample of cooperative members was built using a quota system, which governed the random selection of cooperatives and members to create a proportionately distributed sample according to the cooperative sector and county. The geographic and sectoral quotas were built using 2018 data from Kenya's Ministry of Cooperatives. Target cooperatives were selected within the county using systematic random sampling. The value of the skipping interval utilized per type of cooperative depended on the number of cooperatives in the county by type and the predetermined target number of cooperatives per county. Cooperative members were also selected using systematic random sampling. This sampling method ensured that all cooperative sectors and regions were represented. In total, 1,022 cooperative members were interviewed.

Non-Members

The comparison group was built through a matching process designed to yield a comparable counterfactual. This process allowed researchers to pinpoint similarities and differences between cooperative members and non-members. To facilitate a random sample, the local research team, with community leaders' support, developed a list of adults within the village who are not cooperative members. Once the list had been developed, individuals were selected from the list using skipping interval randomization. The number of non-member interviewees matched the cooperative member sample from the village. In some villages, where everyone was a member of the same cooperative, this process proved challenging. In these cases, individuals from a neighboring village were selected for the counterfactual. In total, 1,007 non-members were interviewed.

Focus Groups and Interviews

Focus group discussions and key informant interviews triangulated the quantitative findings and facilitated deeper insight into how members and communities are impacted by their cooperatives. The qualitative data collection included two key components:

1) Focus groups of cooperative members; and
2) Interviews with key community leaders, including local government officials, and cooperative leaders.

Focus group recruitment commenced one week after the quantitative surveying began. The one-week lag allowed teams to recruit participants in the field. Kenya was divided into six main regions for focus group and interview recruitment to ensure that all regions of the country were included. One FGD was conducted in each of the target regions and each group had more than two types of cooperatives represented. The field team struggled to recruit 50% of women, particularly in rural areas, but ensured that both men and women were represented in focus group discussions and key informant interviews. Six focus groups of cooperative members and 14 key informant interviews were completed, which included cooperative leaders and non-member community leaders.

Desktop Review of Context Analysis

The Kenya Cooperative Context Report serves as a basis for understanding the local environment and data collected in this research study.[8] To better understand Kenya's context for cooperative development, the ICRG reviewed the following data related to cooperatives' economic performance and overall role in the Kenyan economy:

- Macro-economic data on cooperatives' participation in the national economy, looking particularly at data related to production, employment, and the total turnover by cooperative businesses, cited by the Kenya National Bureau of Statistics;[9]
- World Bank publications such as "Kenya Economic Update," "Policy Options to Advance the Big 4"[10] and "Doing Business 2018 – Kenya;"
- Available cooperative subsector data, including financial, agricultural, consumer, housing, crafts, transport, and others;
- Over 20 studies on Kenyan cooperatives, including case studies on coffee, dairy, financial Savings and Credit Cooperative Organizations (SACCOs) and transport SACCOs, marketing, and consumer cooperatives published by academic journals covering social science, economy, and business;
- Data from reports in USAID's Development Experience Clearinghouse (DEC).[11]

Cooperatives in Kenya

The Desktop Review shows that Kenya has risen over the past decade to be regarded as an economic powerhouse in East Africa. In 2019, the economy reached a growth rate of 5.7%, becoming one of the fastest-growing economies in Sub-Saharan Africa.[12] Kenya strives for continued economic growth with aspirations to achieve middle-income status by 2030. Kenya's Vision 2030 goes beyond mere economic goals, with three interdependent pillars striving for economic prosperity, social well-being, and good governance.[13] Case studies from the East African region and around the globe demonstrate that economic prosperity does not necessarily lead to poverty alleviation and good governance.[14] Are cooperatives in Kenya helping to create a "rising tide" for more families? Could they play an even greater role in Kenya's trajectory to middle-income status and promote inclusive economic growth?

Cooperatives in Kenya date back to the colonial era, and they have survived the difficulties brought about by changing cooperative policies in Kenya. Cooperatives have transitioned from considerable government intervention during years of collectivism to relatively little intervention during liberalization and the ongoing decentralization process.[15] USAID has supported cooperatives throughout these processes, assisting Kenyan cooperatives for over five decades.[16] Thanks in part to this support, cooperatives see continued growth in the twenty-first century, from approximately five million members in 2008–2009 to 15 million in 2018.[17]

While cooperative membership has increased, Kenya has experienced significant regional and internal political

changes in the first two decades of the twenty-first century. In 2000, Kenya helped to launch a regional integration process, establishing the East African Community (EAC).[18] Ten years later, in 2010, Kenya enacted sweeping internal political reform. The new 2010 constitution has led to transformative impacts in the political and economic spheres by promoting a comprehensive decentralization process.[19] Some studies have considered the impact of devolution on cooperative development and concluded that cooperatives can serve as an example of democratic governance and promote members' education but need to be supported by county-level governments.[20] The question remains: To what extent will the new decentralized framework yield successful results across the nation?

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[5] Several noteworthy research products and reports precede the present study, including the USAID Legacy Study, the Statistical Analysis Survey Report, the Kenya Cooperative Context Report, and the Poland Pilot Study.

[6] To learn more about the ICC/ESOMAR standards, read here: https://www.esomar.org/uploads/pdf/professional-standards/ICCESOMAR_Code_English_.pdf

[7] Dalberg Research Kenya adheres to industry guides and ethics of the ESOMAR guide for research, the MSRA Code of Ethics and the Global Compact Initiative. OCDC adheres to codes of research and data protection as required by USAID.

[8] The OCDC Kenya Context Study is available here: ocdc.coop/resource/context-study-kenya.

[9] Including the Kenyan Statistical Release Quarterly Gross Domestic Product Report. Third Quarter, 2017, p. 183–188.

[10] April 2018, Edition #17.

[11] USAID's published reports are available here: https://dec.usaid.gov/dec/home/Default.aspx.

[12] The World Bank's data and publications on Kenya are available here: https://www.worldbank.org/en/country/kenya/overview

[13] More information on Kenya's Vision 2030 is available here: https://vision2030.go.ke/

[14] For this reason, the Human Development Index was created to measure development beyond GDP alone. Explore 2019 HDI scores by country here: http://hdr.undp.org/sites/default/files/mpi_2019_table_1.pdf

[15] For a more in-depth analysis, read: Wanyama, F. O. (2009). Surviving liberalization: The cooperative movement in Kenya. International Labour Office. Geneva: ILO. http://base.socioeco.org/docs/wp10_survivingliberazation.pdf

[16] Learn more about USAID's history of engagement in Kenya here: https://www.usaid.gov/kenya/history.

[17] Kenya Ministry of Industrialization and Enterprise Development, Provisional figures, cited in OCDC's Kenya Context Study, p. 19. https://www.ocdc.coop/wp-content/uploads/2020/04/ContextStudy_Kenya_2.0.pdf

[18] The East African Community comprises six partner states: Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda. Read more here:

[19] Kenya's 2010 constitution is available here, with Chapter 11 highlighting the objectives and principles of devolution: https://www.klrc.go.ke/index.php/constitution-of-kenya/138-chapter-eleven-devolved-government

[20] Mumanyi, E. A. L. (2014). Challenges and opportunities facing SACCOs in the current devolved system of government of Kenya: A case study of Mombasa County. International Journal of Social Sciences and Entrepreneurship, 1(9), 288–314; and Muthoni, M. P. (2014). Coffee value chain analysis in Kenya (a case of Kenya Planters Cooperative Union) [in] European Journal of Business and Management, 6(5), 207–215; available at www.iiste.org.

Demographic Data on Study Sample

The Kenya Country Study gathered data from a representative group of cooperative members and a comparison group of non-members. This section describes the demographic breakdown of the study's sample.

TABLE 1 STUDY'S SAMPLE

Population	Sample Size	Methodology
Cooperative Members	1,022	Sector quotas, random selection of cooperatives and members
Non-Members	1,007	Random interval selection from list of non-members in sampled communities

TABLE 2 GENDER DISTRIBUTION

Population	Men	Women	Sample Size
Cooperative Members	765 (74.9%)	257 (25.1%)	1,022
Non-Members	659 (65.4%)	348 (34.6%)	1,007
Total	1,424 (70.2%)	605 (29.8%)	2,029

TABLE 3 COOPERATIVE MEMBER DISTRIBUTION BY SECTOR

Cooperative Member Distribution By Sector	Sample Of Study		National Registry (KNBS 2013)
Cooperative Sector	No.	% of sample	% of KNBS sample
Agriculture Production	229	22.4%	20%
Multipurpose	71	6.9%	14%
Farm Purchase	20	2.0%	0.8%
Financial SACCOs	508	49.7%	49%
Consumer	10	1.0%	1.3%
Housing	93	9.1%	5.2%
Craftsman	12	1.2%	0.6%
Transport	76	7.4%	0.5%
Non-Ag Other	3	0.3%	8.2%
Total	1,022	100%	100%

TABLE 4 RURAL AND URBAN DISTRIBUTION

Population	Urban	Rural	Total
Cooperative Members	741 (72.5%)	281 (27.5%)	1,022 (100%)
Non-Members	753 (74.8%)	254 (25.2%)	1,007 (100%)
Total	1,494 (73.6%)	535 (26.4%)	2,029

Results and Analysis

Economic Benefits to Cooperative Members

Cooperative members were asked to report on their perception of their economic status and income. Ninety-seven percent (97%) of cooperative members affirmed that cooperative membership positively affected their household's economic status, including 32% who respond that the cooperative has had a "considerable" impact and 27% who affirm that the cooperative has had a "strong" positive impact on their household economic situation. When asked what exactly improved in the household after joining a cooperative and presented with nine options, many respondents (82%) stated that their financial security has improved, and 53% indicated an improvement in their general quality of life. Figure 3 highlights that cooperative members, on average, are more likely to consider their economic situation to be average or above average and less likely to consider their economic situation to be bad or very bad when compared with non-members.

Increased Incomes

Cooperative members report higher incomes than non-members, and higher incomes than the national average. Thirty-eight percent (38%) of cooperative members report incomes above 360,000 KSH, while only 21% of non-members report incomes in that range. Annual incomes disaggregated by type of cooperative demonstrate that rural and urban agricultural cooperative members earn more than the average Kenyan and nearly twice as much as rural non-members, who earn an average of 273,057 KSH per annum. Annual incomes by cooperative type are displayed in Figure 4.

FIGURE 3 PERCEPTION OF HOUSEHOLD'S ECONOMIC STATUS

How Do You Assess Your Economic Situation?

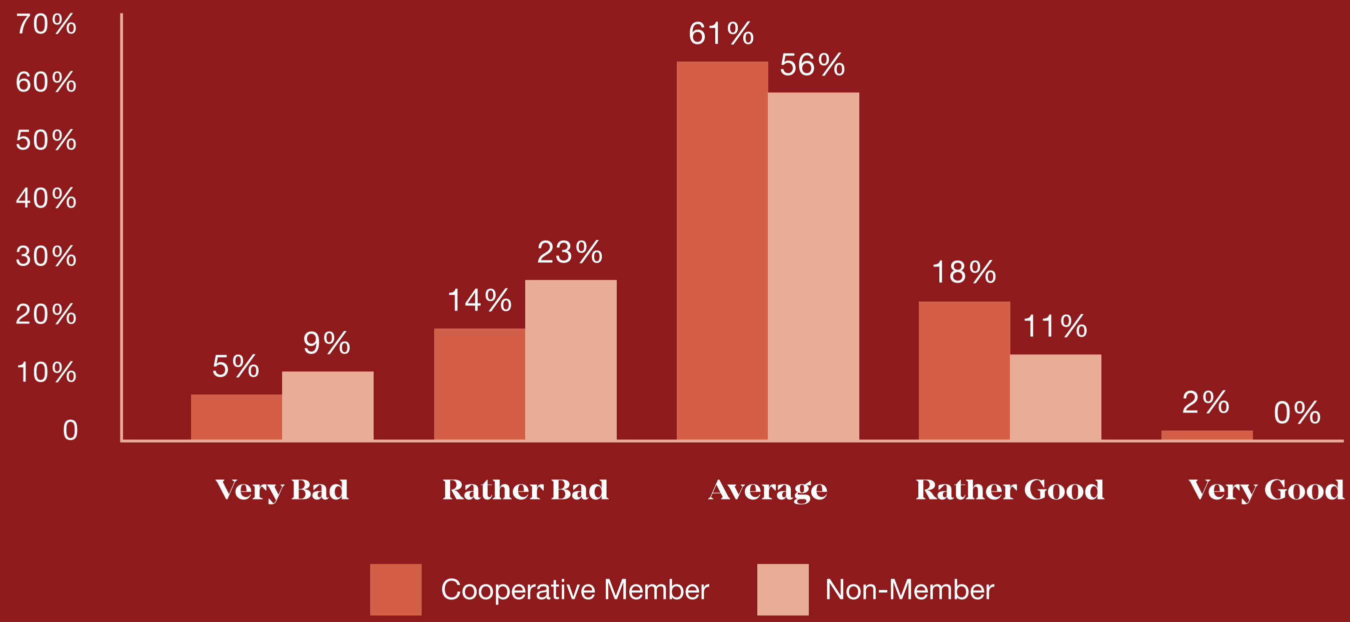


FIGURE 4 AVERAGE ANNUAL INCOME BY COOPERATIVE TYPE

Average Annual Income by Cooperative Type, in KSH

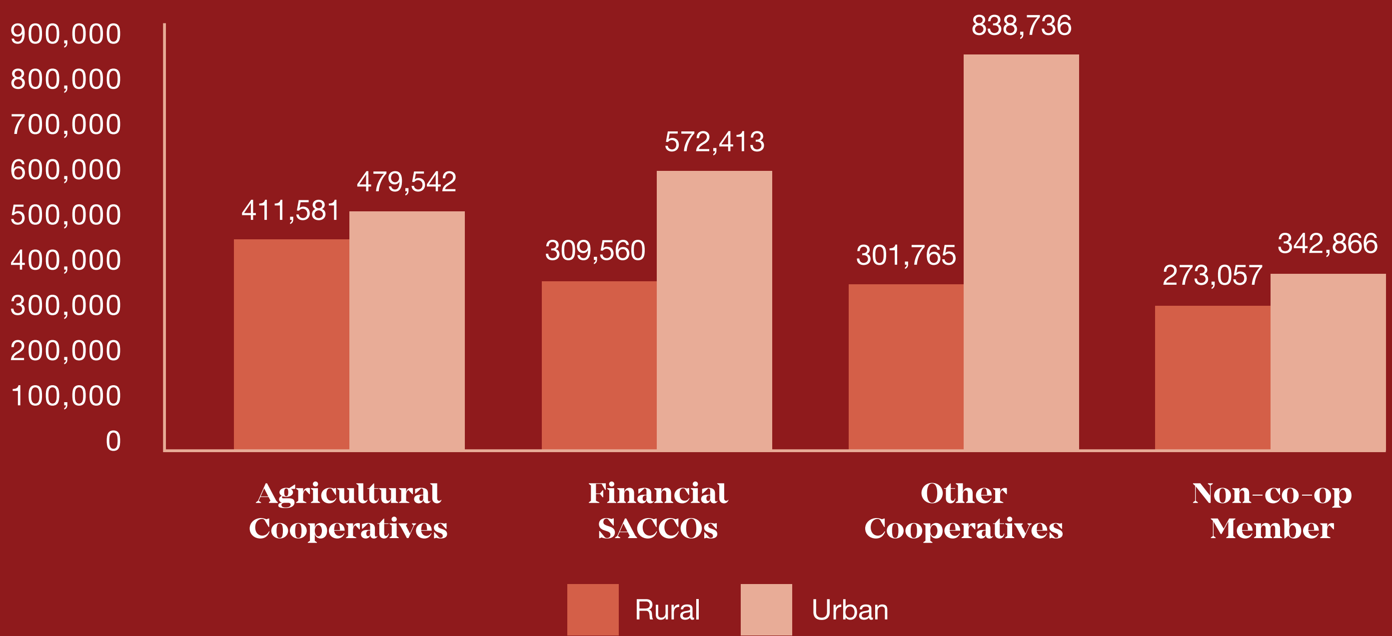


Photo: Land O'Lakes Venture37

Motives for Joining Cooperative

The economic motivations are validated for Kenyan cooperative members in various ways, as this study has shown, most strikingly through the comparative income differential and through the sense of economic security that their membership engenders. Specific ways in which cooperatives provide this advantage varies across sectors; however, one notable result is the value that members place on access to credit. Figure 6 shows that, by a large margin, economic benefits are the primary motivation for cooperative membership in Kenya: 71% chose "economic advantages," and 53% affirmed "access to loans/credit."

Cooperatives—not limited to but importantly including credit unions—increase access to credit and loans for their members, who may not be deemed credit-worthy by traditional banks. Even those considered "bankable" by the commercial banking industry cite several reasons for preferring cooperative loans. Members cited business loans and emergency loans as two critical motives for borrowing. Such cooperative loans often have favorable interest rates, are easier to obtain for members, and are more convenient to repay through scheduled deductions from their SACCO accounts. In focus group discussions, members explained the impact of loans on their livelihoods. In some cases, loans can help to diversify income sources and expand business activity. Farmers explained that cooperative loans can support additional income generation activities while their main crop is still in the field.[21]

Financial Benefits to Members: Testimonials

"Cooperatives help me out instead of going to the bank because there are a lot of issues in the bank."

"For me, being a cooperative member and also having a bank account, if I want to do something, then I have two sources of getting the money."

[21] FGD member in Kisumu: "You cannot just sit and wait 16–17 months for sugarcane to be harvested."

FIGURE 5 COOPERATIVE MEMBERS' PERSPECTIVES

97%

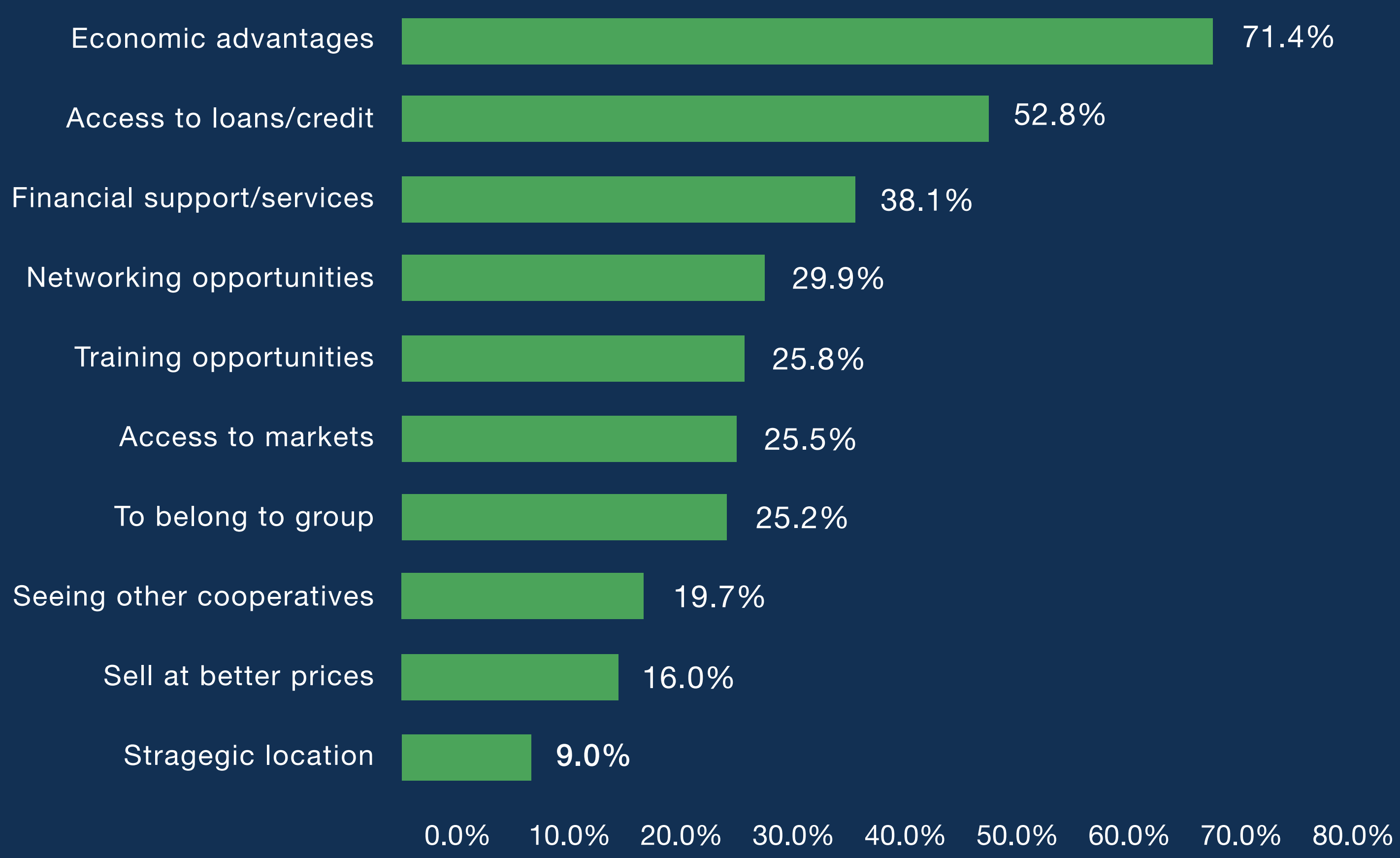
state that membership "positively influenced" their financial situation.

20%

consider their economic status to be "above average" compared to 11% of non-members.

FIGURE 6 MOTIVATIONS FOR COOPERATIVE MEMBERSHIP

What Motivated You to Join the Cooperative?



Social Benefits to Cooperative Members

Cooperative members possess a high degree of social capital as measured by trust, the ability to access networks, and overall engagement in membership organizations. Non-members in Kenya experience similarly high social capital levels, and most belong to other (non-cooperative) community organizations. Eighty percent (80%) of cooperative members belong to another membership organization, similar to 75% of non-members.

Ninety eight percent (98%) of cooperative members can count on their neighbors in times of need, whereas 90% of non-members reported the same. While financial benefits serve as a key motivation for individuals to join and remain in cooperatives, members also value cooperatives for the opportunity to gain training and enlarge their social networks.

Cooperative members appreciate the opportunities that cooperatives offer to expand their skill set in leadership, business, and financial management. A FGD member from Mombasa explained, "Being a member of a cooperative…there are so many trainings that you get, and you can apply these trainings outside the cooperative in leadership and business." Various members share how their cooperative motivates and encourages them to engage in regular savings and financial planning. Others mention the benefits associated with the community of cooperatives.

Economic Benefits to Community

In this section, participants were asked a series of questions to ascertain their perception of the cooperative's influence on economic development and quality of life. When asked what cooperatives offer to society, both groups of respondents (cooperative members and non-members) identified cooperatives' significant impact on their communities in financial terms. Fifty-eight percent (58%) of cooperative members agreed that cooperatives "contribute to the improvement of quality of life and work of the community's residents." Of the most-selected explanatory reasons, members chose employment creation, access to low-interest loans, and business development.

> "The SACCO has taught me something called 'financial management skills.' I learned financial discipline, which is very important."
>
> **—Mombasa FGD Member**
>
> "You get to meet people from other SACCOs, and they can link you up with opportunities at different places… it has helped in terms of networking and interaction with people."
>
> **—Nairobi FGD Member**

Cooperative member and non-member responses were relatively similar relative to the perceived impact of cooperatives on distinct areas, with the former ranking cooperatives higher across all three areas of "attracting investors," "caring for the environment," and "infrastructure improvements," as displayed in Figure 8.

Social Benefits to Community

One of the challenges in the study was measuring and evaluating the social benefits offered by cooperatives. If "social benefits" are understood as programs offered by cooperatives to support health, education, or other similar aspects of life, the study concludes that these are not widely offered in Kenya. Only 15% of cooperative members confirmed cooperative-led training programs for youth, and under 15% reported that their cooperative offers health education and training. However, the study also shows that many "social benefits" other than such formal programs are derived by cooperative members. Cooperatives offer an array of social and financial benefits to members and the wider community, as demonstrated in previous sections of this report. The most important social benefits to the community mentioned by respondents include (1) support for formal and informal education, (2) cooperatives' ability to intervene during moments of emergency or members' financial crises, and (3) the promotion of healthy behaviors.

Support for Education

Access to education and the ability to afford children's education were mentioned as essential benefits of cooperative membership in all six focus group discussions. In Kenya, private schools offer higher-quality education, and attendance is a privilege desired by individuals across socioeconomic groups. Therefore, the ability to pay for school fees and uniforms is essential for Kenyans and can transform communities. This research highlighted that cooperatives help families to secure quality formal education for their children. Select participants also highlighted cooperative scholarships or bursaries to assist with education fees; however, most mentioned leveraging loans or increased income to pay for school fees. Besides supporting formal education, some cooperatives selected support informal education events and youth training in the community. A Catholic church-affiliated SACCO shared examples of trainings it leads seeking to keep youth engaged in productive activities.

FIGURE 7 COOPERATIVES' IMPACT ON QUALITY OF LIFE

Do Cooperatives Positively Influence Communities' Quality of Life?

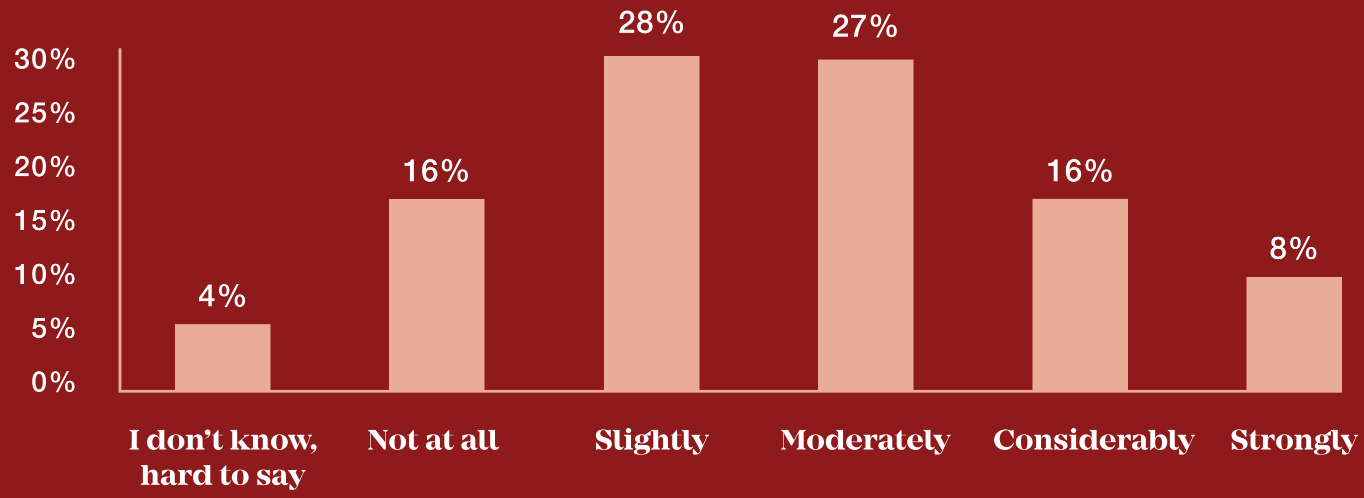


FIGURE 8 COOPERATIVES' INFLUENCE ON COMMUNITY ECONOMIC DEVELOPMENT

68–77%
Attracting Investors

37–41%
Caring for Environment

19–24%
Infrastructure Improvements

Support During Crises

In addition to community projects implemented by select cooperatives, cooperatives' presence offers additional indirect benefits for the broader community due to their ability to serve as a safety net for cooperative members. Non-members did not access this same benefit and were more likely to rely on their family and friends in moments of crisis. Therefore, the presence of a cooperative in the community strengthens the community's overall resilience during moments of widespread economic shock.

Decreasing Substance Abuse

Cooperatives set standards for healthy living and positive community engagement for young people. Given that members work together to advance their collective well-being, cooperatives establish membership standards based on conduct. Some cooperatives sampled have established conditions for entry to ensure that their members include diligent and hard-working individuals. For a transport-focused cooperative, one of these "good behaviors" means diminishing alcohol and drug abuse. One cooperative member explained, "No one convinced me (to join), but I saw the livelihoods of people who joined change. You see, those (with whom) we used to drink that joined the SACCO had to follow the rules and be changed… That organization changed a lot of youth and made them busy." Thirty-one percent (31.5%) of cooperative members sampled in this study were under age 36. Another member shared: "Many of the youth were idle and started engaging in activities such as drinking, and I, too, started engaging in such. Now there are rules within the SACCO that don't allow such things… (so) my life improved." Due to the cooperative's presence in the community, positive behavioral traits were incentivized, and risky behavioral traits disincentivized.

Women in Cooperatives

The cooperative potential has not been fully realized for women in Kenya, where women do not yet make up 50% of cooperative members. Based on this study, expanding women's membership and agency within cooperatives could greatly enhance women's financial empowerment and advance Kenya's overall agenda for broad-based economic growth. Figure 9 highlights the gender breakdown of the study's sample.

Some nuance is required to understand gender dynamics in cooperatives in Kenya. Even if a man in the cooperative formally represents a cooperative household, women are often involved in the day-to-day labor and work activities of the cooperative. The study also highlighted some regulatory conditions that can disfavor women's formal membership, particularly female-headed households, who made up just 5% of the study's sampled cooperative members. When specific assets are required for membership, such as land, women in Kenya may not formally qualify for membership. After women have overcome both societal and cooperative-specific challenges to cooperative membership, the study shows that most members believe that men and women have equal opportunities within the cooperative.

FIGURE 9 PARTICIPATION IN THE STUDY BY SEX

Despite the limited female participation in cooperatives and thus a correspondingly low representation in the study, members affirmed that within cooperatives, men and women receive equal opportunities.

Women cooperative members demonstrate higher incomes. However, when assets like financial capital and land are prerequisites to cooperative membership, some Kenyan women are left behind.

Economic Status of Women

Cooperative members were asked whether membership in a cooperative had a positive impact on the financial situation of women. An overwhelming 98% of women agreed. Moreover, members attested to receiving equal treatment in their cooperative. During a focus group discussion in Mombasa, a female member affirmed, "I'm satisfied because they (men and women) are treated equally." The cooperative leader affirmed, "If you are a woman or a man, the rules are the same, and everyone has to be treated equally." In case of infringements on the cooperative code of ethics, members call upon the cooperative's disciplinary processes before reporting through external channels.

As demonstrated in Figure 11, when disaggregated by gender, male non-members earn on average 47% less than male members. For women, non-members earn on average 35% less than members. While cooperative membership leads to a more significant increase in income for men, the impact of membership on women's incomes is also significant, demonstrating that cooperatives in Kenya provide a pathway to economic empowerment for women.

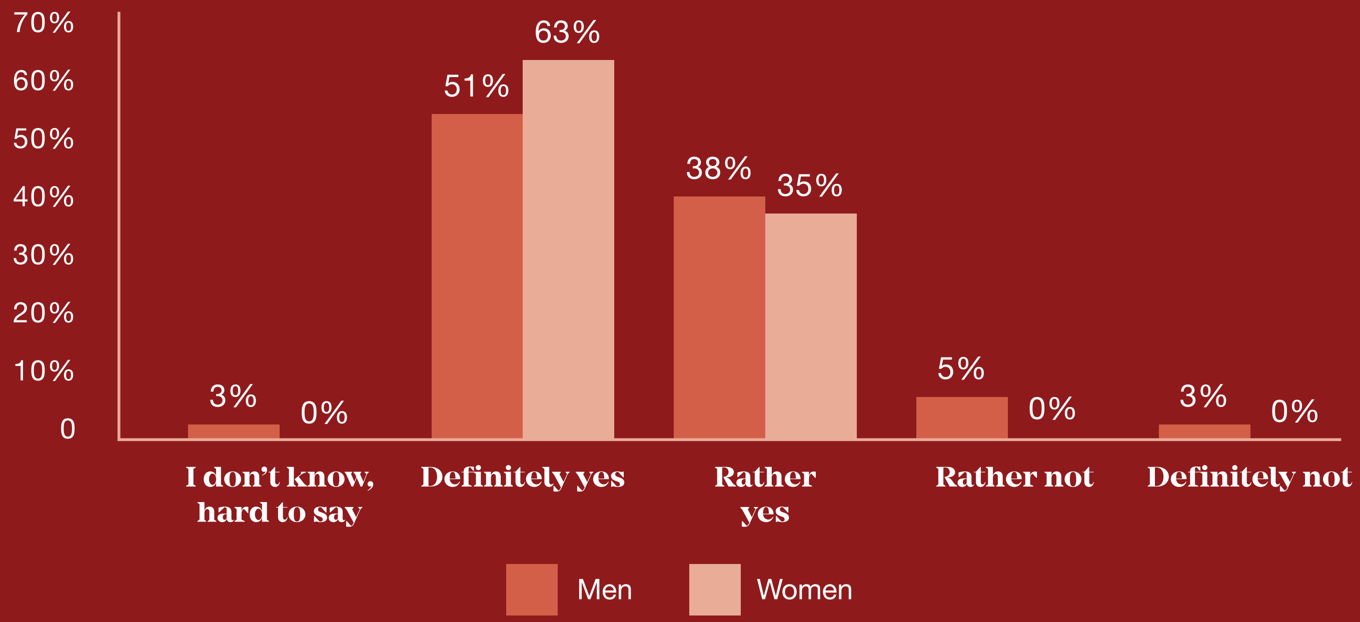
Separate from the direct benefits to women members, three caveats arose during data collection regarding women's engagement with cooperatives.

- In some SACCOs in urban areas, professional women are deeply involved and hold key positions. Other women are highly involved in informal savings and loan groups, commonly referred to as chamas, which means "group" or "body" in Kiswahili. Chamas are not governed by the Ministry of Trade and Industry and are not formally registered as cooperatives, so they fall outside this study's scope. For women, these informal savings groups serve as a low-barrier source of loans. Chamas have potential to transform social capital into financial capital, given that women are often in chamas with other members of their family, work, or community.
- While this study looks at high-level cooperative outcomes, it also must be clarified that in some cases, men and women may occupy different roles within their cooperatives. For example, when the cooperative's activities are culturally or historically performed by men, such as wood carving or fishing, women often assume secretarial or managerial roles while men perform the trades. Similar examples were given by members of the transportation cooperatives, who rely on women members to perform office-based roles. On the other hand, women are involved in marketing in the dairy sector, whereas men often operate on-the-farm activities. These statements about the diverse roles that women and men assume within their cooperatives do not seem to detract from the principle of equal treatment and opportunity in the members' view. Additional social and psychological benefits exist for women's membership, such as an enhanced sense of self-worth, increased respect, and more harmonious family relationships.[22]
- Finally, during dialogue and through anecdotal information gathered during the study, it is worthwhile noting that often a cooperative member is a member on behalf of a household. When such is the case, traditionally it is the man who is the member and participates in the decision-making of the cooperative. However, it is also often the case that the woman of the household may be actively engaged with and contributing to cooperative activities.

[22] See ILO's 2012 study for an analysis of cooperatives' impact on women, available here: https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---coop/documents/publication/wcms_735776.pdf

FIGURE 10 IMPACT ON FINANCIAL SITUATION OF WOMEN

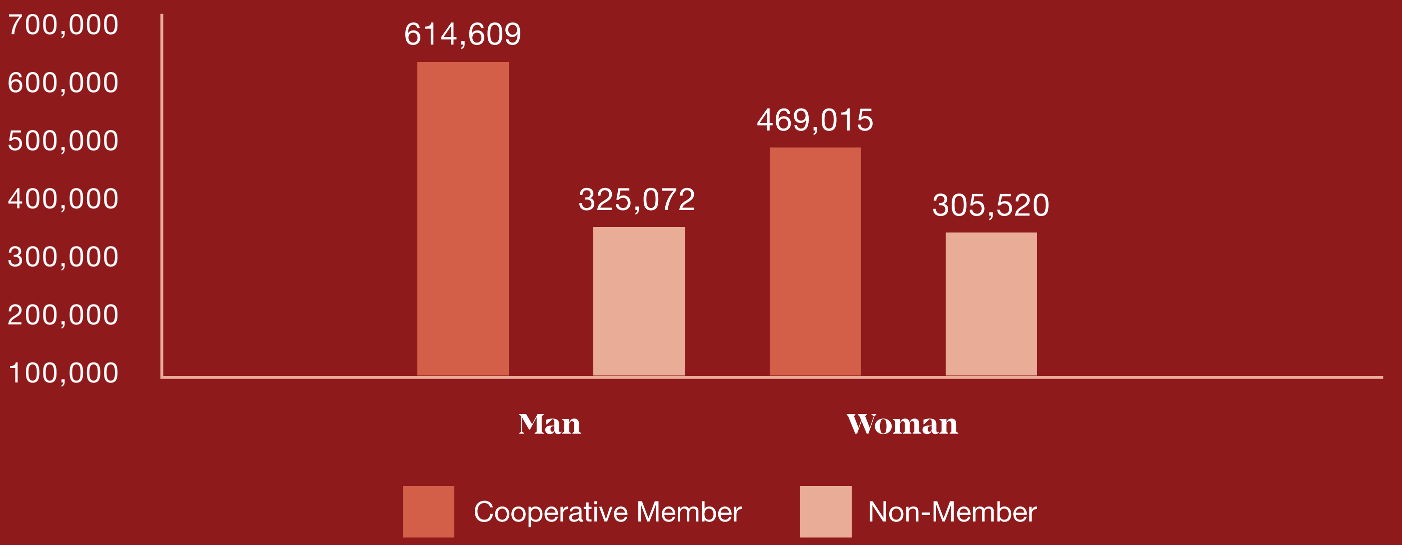
Do Cooperatives Have a Positive Impact on the Economic Situation of Women?



Women who are members of cooperatives report higher economic levels and perceive the benefits positively: 98% of female members believe that cooperatives have a positive impact on the economic situation of women.

FIGURE 11 AVERAGE ANNUAL INCOME BY GENDER

Average Annual Income



Conclusion

The multi-country and multi-year research project, **"What Difference Do Cooperatives Make?"** systematically investigates the economic and social impacts of cooperatives on their members and the communities in which they operate. In Kenya, members perceive that cooperatives offer important measurable benefits for their households and regard cooperatives as vehicles for improving their communities' quality of life. The most-valued benefits for cooperative members are financial in nature. Survey results confirm that "economic advantages" and "access to credit and loans" are primary motivations for Kenyans to join cooperatives. When asked, "What would you lose if you left your cooperative?" the members referred to various financial benefits. Specifically, they cited an inability to apply for a loan, a loss in income from not participating in end-of-year profit-sharing, and a forfeited opportunity to receive a bonus for bringing new members to the SACCO. One member highlighted that membership in a SACCO motivates them to save regularly, so leaving their SACCO could also mean losing the motivation to save. For these and other reasons, cooperative members demonstrate a desire to remain in the cooperative system: 96% of members are satisfied with their cooperative and 88% envision remaining an active member for at least the next five years.

Cooperative members' perceptions of financial advantages are demonstrated by the higher income levels reported by cooperative members in the study. Findings from Kenya are similar to those from OCDC's research on cooperatives in the other country studies. Indeed, a striking finding is that cooperative members' household incomes are higher than those of non-members and higher than the national average. When disaggregated by gender, both male and female members report higher incomes than their non-member counterparts. When disaggregated by cooperative type, rural agricultural cooperative members cite incomes nearly twice those of rural non-members.

Positive social impacts from cooperatives accompany the financial benefits, both for individuals and communities

“Communities are the sum of their parts, and when their residents are better off, the community is also better off.”

and provide a unique vehicle for advancing self-reliance and strengthening resilience. Communities are the sum of all parts, and when their residents are better off, the community is also better off. In times of economic shock, cooperatives increase communities’ economic resiliency, given that members have an increased layer of protection and an extra source of emergency financial support. Cooperatives contribute to social capital, which was high in the Kenyan context, and incentivize good behaviors, such as an increased tendency to save, while decreasing negative behaviors, such as substance abuse. Cooperative membership allows families to invest in high-quality education for their children, increasing long-term capacity in their communities and regions and serving as an investment in the country’s progress toward social development indicators. While cooperatives offer a “hand up” to women and are highly valued by female members, the study suggests that more can be done to encourage women’s participation in cooperatives, given their great potential to improve women’s well-being.

Considering the COVID-19 global pandemic and accompanying economic recession, donor agencies and national governments must rethink strategies, adjust policies, and allocate resources to avoid a resurgence of poverty. Cooperative development can be leveraged as a powerful mechanism to advance and scale locally owned sustainable economic and social development. The Kenyan case study demonstrates the potential to support resilient and democratic organizations from the “bottom-up” through cooperatives. As Kenya continues to work toward its economic growth goals, political transformation, and social inclusion, cooperatives can play an important role in fostering sustainable development and inclusive economic growth. Local and national authorities should support the cooperative ecosystem as a potential vehicle to achieve Kenya’s future profile as a middle-income country where inclusive economic opportunities support sustainable development.

Key Recommendations

The study has shown that cooperatives are already making a significant economic and social difference to both male and female members, giving them distinct advantages over the comparison group of non-members. Thus, the findings point to cooperatives' great potential for increasing the financial and social well-being of households and communities across Kenya.

For the Government of Kenya:

The evidence of this study suggests that cooperatives can serve as an excellent vehicle in the country's journey toward middle-income economic status. As the Government of Kenya (GOK) focuses on "The Big Four"[23] development plan and embraces decentralization, cooperatives provide a scalable structure, which is highly regarded within Kenyan society, to achieve these overarching development objectives. The evidence of this study shows that cooperative members achieve better economic outcomes than those of the comparison group or the average person within Kenya. Cooperative policy that incentivizes, supports, and strengthens cooperatives that are member-owned, democratically controlled, and autonomous will help to drive inclusive, broad-based economic growth.

For USAID:

USAID Kenya has aligned with the GOK's "Big Four" development strategy and supports that trajectory through its development assistance. The evidence of this study suggests that pursuing an intentional cooperative sector assistance program[24] to support the potential of cooperatives in Kenya would contribute to Kenya's commitment and capacity as set out in the Kenya Roadmap.[25] Specifically, a cooperative sector assistance program is likely to strengthen the GOK's commitment to inclusive development.

Within these macro frameworks, the rich results from this country-wide study inform several important policy recommendations for the donor community, the Kenyan government, and cooperatives across Kenya, detailed on the next page.

1. Make cooperatives a policy priority to achieve broad-based, inclusive economic growth. Cooperatives have demonstrated essential benefits for households and communities.

Therefore, they should be encouraged to flourish with appropriately tailored donor interventions to foster self-reliance and democratic character in a supportive environment on the national and regional levels. The WDDCM research demonstrates that cooperative members enjoy a higher economic status on average than non-members and attribute this status to their cooperative membership. The cooperative model is scalable, and the benefits are measurable. Therefore, facilitating cooperatives' formation and performance and supporting the broader, more inclusive mobilization of members may foster inclusive economic growth.

2. Actively mobilize women to become cooperative members.

The income advantage of women cooperative members over non-members is notable. Therefore, a focused initiative to encourage women to become cooperative members would help the Government of Kenya advance women's economic empowerment. Broadly, the study suggests that women's membership in formal cooperatives provides significant economic benefits to them, so a first order would be to increase their membership. However, considering the nuances of cooperative participation in Kenya, other strategies should also be used, including women's cooperatives and addressing the household membership issue.

3. Leverage cooperative networks for trusted communications, such as disseminating crucial public health information.

This study has demonstrated that cooperatives are well-respected and trusted pillars of economic development and community cohesion. So, in times of crisis, such as the COVID-19 pandemic, cooperatives' grassroots networks can be used to communicate crucial public health information in culturally appropriate ways. This local-level support for the community healthcare system in Kenya can help to create a more resilient health ecosystem prepared to take on current and future public health threats. This study was carried out before the COVID-19 pandemic. Its occurrence has amplified the need for trusted communications and the potentially central role that cooperatives can play.

4. Develop strategies to include vulnerable and marginalized socioeconomic groups within the cooperative sector to increase their agency and economic status

Cooperative benefits should be extended as widely as possible, without endangering the cooperative's ability to succeed as a viable business. The Kenyan cooperative community should consider inclusive strategies to share the benefits of cooperatives more broadly, to optimize their productive engagement in Kenya's economic development, and to increase the economic well-being of Kenyans across the country.

5. Draw on cooperatives to play a critical role in economic recovery.

The vast cooperative network, its proven track record, and inherent resilience together position cooperatives to be key actors in building back the economy post-pandemic and should be included in Kenya's national economic recovery program.

6. Involve cooperatives in community, regional, and national efforts to mitigate and adapt to climate change.

Considering the climate-related challenges that Kenya is facing, cooperatives provide a ready vehicle to mobilize climate mitigation and adaptation strategies through scaling knowledge transfer. The cooperative platform can increase resilience to climatic shocks by introducing new technologies and information sharing, which will build resilience among cooperatives and provide environmental benefits.

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[23] The "Big Four" are food security, affordable housing, manufacturing, and affordable healthcare. Available at https://vision2030.go.ke/towards-2030/#

[24] Cooperatives gain strength from mobilizing domestic resources and member equity. Assistance to cooperatives has been shown to be most effective in supporting sustainability when it is focused on technical assistance and capacity building rather than on capital assistance.

[25] See USAID Kenya's website on self-reliance for more information: https://selfreliance.usaid.gov/country/kenya

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