

# Measuring economic contribution of cooperatives to GDP important

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*President William Ruto (right) and Prime Cabinet Secretary Musalia Mudavadi (centre) during the launch of the Hustler Fund at Green Park Terminus in Nairobi on November 30, 2022.*



By [Isaac K. Nyamongo](#)

Deputy Vice-Chancellor

The Cooperative University of Kenya

The 13th African Ministerial Cooperative Conference concluded in Egypt with a declaration committing the ministers to a 13-point agenda that will be the focus of cooperative development in Africa for the next three years.

Among the commitments from the October meeting were an expression to enhance cooperation among cooperatives; access to markets and cooperative-to-cooperative trade; inclusive participation in cooperatives; development of cooperative policies and legal frameworks; support

cooperative entrepreneurship; and access to finance. The meeting reaffirmed the impact of cooperatives on cooperators and the community, a reminder that they make a positive difference in our lives.

Accounts of how cooperatives have supported families in Kenya abound. They play the guarantor role for members who don't have money to pay school fees, provide loans at lower interest rates compared to commercial banks and help to improve member incomes. In Botswana, we were told at the Cairo conference, cooperatives have improved incomes several times. Chobe Basket Weavers Cooperative members experienced a three-fold growth after forming a cooperative.

Cooperatives also provide secondary downstream employment along the various value chain. They help to develop local leadership (human capital) that can start and lead other social and business ventures.

## **GDP**

But exactly what is the contribution of cooperatives to Kenya's gross domestic product (GDP)? GDP is measured in three ways: Total money spent by consumers, businesses and government in a given period (expenditure method); total income earned within the country in a given year (income approach); and total value added at various stages of production in a given year.

We are told cooperatives contribute roughly 45 per cent to our GDP, which underscores their importance to the country. But, do we have the data to estimate the contribution? I am yet to find a study that has measured the contribution of cooperatives to Kenya's GDP.

The lack of data is not unique to Kenya. Few studies have measured the economic impact of cooperatives at the national level. Indeed, the contribution of cooperatives to economic development is not well quantified to enable comparisons across sectors and countries.

There is a lack of data to allow for describing the impact of cooperatives' economic activities on GDP. If we had better data and economic impact analysis, Parliament, policymakers and community development practitioners could make more informed decisions regarding what level of support to give to cooperatives. Without gainsaying, determining their business activities' economic contribution to GDP is of uttermost priority.

And, here is why. Every one of us gets impacted by the strength of our, and the global, economy. The size, performance and health of the economy is measured by GDP. We learn from the trends in GDP if the economy is growing, shrinking or stagnating and, based on that information, the government can act to steer the economy appropriately.

Comparisons can be done among sectors and, based on this, governments can make decisions on the level of support needed for the specific one. The comparisons are more insightful if surveys are conducted over some time to generate data for assessing trends.

The agenda of the government is to drive inclusive economic growth to improve household incomes. The intention is to inject Sh50 billion annually to support MSMEs and cooperatives. To

assess growth within the target sectors, key indicators should be mapped and tracked. More importantly, to determine how this action will influence the direction of our GDP, the time to map and track is now.

As the government rolls out the Hustler Fund to support the two sectors, baseline data will help in measuring impact and progress. It would help to establish the base upon which to estimate success. If we don't measure it now, we can never tell how successful we have been with the fund. Until the scope and potential of cooperatives are accurately captured through research, policies and actions to promote them could be hamstrung.

***Prof Nyamongo, an anthropologist, is a deputy vice-chancellor at The Cooperative University of Kenya. inyamongo@cuk.ac.ke. @Prof\_IKNyamongo***