UACE S101 General Paper section B: Comprehension story 1

With the financial meltdown taking toll on most world economies, one question that has been posed by financial experts relates to relevancy of the cooperative model in the 21st century.

The crisis has grave effects on world financial institutions largely manifested through the collapse of numerous banks in the US, UK and massive **bail-out** plan for banks as well as countries with great suffering the recent impact on the crisis.

Available evidence indicates that cooperative around the world continue to show resilience to the crisis with savings and credit cooperative also known as SACCOs, building societies and cooperative banks all over the world reporting that they are still financially sound, and the customers are ***flocking to the bank*** with them because they are highly trusted.

In fact, Rabo Bank, a cooperative Dutch based bank has been rated to 3rd world's safest and biggest Agricultural Bank in the wake of the economic turmoil. Financial cooperatives are cooperative form of enterprise to respond to new economic realities.

On the other hand, privately owned equity businesses have been closing shop, including our very first Victim in Uganda, GTV which rendered hundreds jobless. But what is it with cooperative business that has enabled the approach to maintain this resilience?

Cooperatives are member owned. Member used and managed is that they **aggregated** the market power of people who, on their own, could achieve little or nothing, and in so doing they provided ways out of poverty and powerlessness.

The business enterprises are guided by a set of principles which include voluntary and open membership, democratic, member control, member economic participation autonomy and independence, education, training and information, cooperation among cooperatives and concern for community.

The first four of these are core without which a cooperative would lose its identity. They guarantee the conditions under which members own controlled and benefit from the business. The education principle is a commitment to make membership effective and so is precondition for democratic control, while cooperation among cooperatives is really a business strategy without which cooperative remains economically vulnerable.

The last principle, concern for community, recognize than unlike investors, cooperative members tend also to be members of a particular community and all the benefits that the cooperatives generated are shared and infused back in the community. This is opposed to **private equity** business where profits generated from the business are repatriated.

Available evidence further indicates that the cooperative business enterprises tend to last longer as compared to private equity businesses. Cooperatives live within the community, and they are the community while private equity firms will **close shop** or shift to other countries where the **returns are higher** or production costs are lower cooperatives never shift or relocate because the community, Uganda has over the years consistently supported the cooperative movement, but a lot still needs to be done. Cooperatives will be the foundation block for Uganda's economic transformation and Government should support the cooperative movement.

Around the world, cooperatives continue to play a fundamental role in agricultural development. Over50% of the world's agricultural production is marked through cooperatives. The future of the African economies will most likely depend on a group of organized people working together to deal with their common problem. The earlier we embark on this, the better.

Questions

(a) Suggest an appropriate title for this passage
Cooperative banks /organizations are more resilient in economic turmoil
Or
Roles of bank ownership on economy
Or
Promotion of cooperative banks/organization is essential for stable economy

(b) What according to the writer are the economic effects of economic meltdown on the financial institution?
Economic meltdown hits private institution more severely than cooperative financial institutions.

(c) In not more than 100 words summarize the author's arguments for cooperative business being able to maintain resilience
Cooperative businesses are more resilient to economic hardships because they are located, owned/possessed, marketed and run/administered by the community. And all benefits the cooperatives return to the community through financial education and training, cheap credit and dividends to members. Thus, organized groups of people in the community incur lower costs of running businesses thereby maximizing profit to sustain the business.

(d) Explain the meaning of the following words and phrases as used in the passage
(i) **Economic meltdown:** meant rapid/sudden/abrupt business failure/breakdown
(ii) **Bail out:** meant money/credit given to the business/organization to save it from collapsing/financial problems.
(iii) **Flocking to bank:** meant moving/go in large/big number to financial institution

(iv) Economic turmoil: a state of financial failure/breakdown/collapse/disaster
(v) **Aggregate the market power:** provide large collective market for the business
(vi) **Private equity:** some one's capital
(vii) **Close shop:** collapse of business or closure of business
(viii) **Returns:** profit/proceeds/income
(ix) **Fundamental blocks:** necessary/essential tool/instrument for success or development

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