Role and Contribution of Cooperative Societies in the Economy of Awka North Local Government Area

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Abstract
This study examines the contribution of co-operative societies towards development of Awka North L.G.A. The specific objectives include to determine the socio-economic characteristics of members of the co-operative in the area, to identify the activities carried out by the co-operatives, examine the contributions of the co-operatives toward national development and identified the constraints which hinders their contribution towards development of Nigerian economy efforts. Taro Yamani’s formular was used to determine the sample size of 197 respondents and descriptive statistics such as mean, percentage, frequency distribution and scale analysis were used to analyze data. The study revealed that co-operative societies in the area are engaged in crops, livestock and storage enterprises and that they provides credit facilities and supply farm inputs to their members. The study further revealed that mobilization of savings is among the contributions of the co-operatives towards enhancing national development. In line with the findings of the study, it was recommended among others that the government should encourage the co-operative in the area of increase supply of credit from financial institution and improve on public enlightenment in order to bring about increased participation and involvement of small-scale farmers.
1. Introduction

The roles of cooperatives in development in development of Nigeria economy is an important topic of study and much has been done by scholars and cooperators to justify its prime role of securing economic and political development in the country. The improvement of national development through cooperative has economic effect in that; cooperative enterprises brings better yield which in turn yield better standard of living for the members and their families.

In Anambra State, a good number of inhabitants survive through substantial farming; which attracted the formation of many cooperative, and their aim is to improve the national development. In Awka North Local Government Area, cooperative provide locally needed services and inputs to farmers, they also serve as a medium in which government distribute essential commodities and inputs needed by farmers for the facilitation of their output. Onugu and Ugwuanyi (2007) noted that agricultural cooperative societies are involved in so many aspects of economical activities directed a giving farmer the support to raise their productivity and income level. In order to highlight the contributions of cooperatives towards the development of agriculture, this study was hence carried out.

2. Literature Review

Nigerian economy has a lot potentials for growth and development perhaps, one important way to the realization of this goal is through the encouragement of cooperative movement. (Ayanwu et al, 1996). Cooperatives are defined as “an autonomous association of persons who unite voluntarily to meet their common economic and social needs and aspiration through a jointly owned and democratically controlled enterprise (IC14, 1995). Cooperative are established by likeminded persons to pursue mutually beneficial economic interest. Researchers are of the opinion that under normal circumstance cooperative play significant role in the provision of services that enhance agricultural development. Regular and optimal performance of these roles will accelerate the transformation of agriculture and rural economic development. Ijere (1981). Further explains that, it is the cooperative that embraces all type of farmers and a well organized and supportive cooperative is a pillar of strength for agriculture in Nigeria.

Capital formation can be defined as the transfer of savings from households and governments to the business sector, resulting in increased output and economic expansion (Wikipedia). Cooperatives vary in meaning for different purposes and with the profession of the people. However a cooperative is a voluntary association of people, engaging in a democratically controlled business organization, operating at cost which is owned, capitalized and controlled by member patrons as user, sharing risks and benefits proportional to their participation to achieve a common economic goal.

Therefore, a cooperative can be defined as a business, voluntarily organized, operating at cost which is owned, capitalized and controlled by member patrons as users, sharing risks and benefits proportional to their participation (Akanni, 1986). Cooperatives are defined by the international cooperative alliances statement on the cooperative identify as autonomous associations of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through jointly owned and democratically controlled enterprises. Cooperative, according to Shaar (1989) in farmers cooperative. What they are and what they not,
is a business voluntarily controlled and owned by the member patrons and operated for them on a nonprofit or cost basic.

Barko (1985) views cooperative as a voluntary association of man and woman, organized to solve the socio economic felt needs of members, called cooperators. Members owner often capitalize, finance, supervise, control and direct the policy of the organization. In this regard, members usually pool their resources together for their socio economic interest. Cooperative is a voluntary organization of persons with common interests formal and operated along democratic lines, for the purpose of supplying goods and services of affordable cost to us members who contribute capital, time and energy to the cooperatives (Olajide, 1992).

Lot, (1980) depicts that cooperatives were created and delivered by the economic in which all cooperative benefits felt. An organization of this need was given by early classical cooperative theorist Charles as quoted by Alao (1990) in which he says that the enormity of the disadvantages in the case when there would be in a village a single large granary will tended to insisted of large number of granaries exposed to rats weevils, humidity and fire which economical large tasks managed by unskilled people who either know to improve or conserve year outputs.

2.1.2 Historical Development of Cooperative Societies

Cooperation as a form of individual and societal behavior is intrinsic to human organization. The history of modern cooperative forms of organizing dates back to the agricultural and industrial revolution of the 18th and 19th centuries. The status of which was the "first cooperative" is under some dispute, but various milestones in the history may be identified. In 17, the Fenwick Weavers society was formed in Fenwick, East Ayrshire, and Scotland to sell discounted oatmeal to local workers. Its services expanded to include assistance with savings and loans, emigration and education. In 1810, Welsh social reformer Robert Owen, from Newtown in midwales, and his partners purchased New Lanark mill from Owne’s father in law and proceeded to introduce better labour standards including discounted retail shops where profits were passed on to the employees. Owen left New Lanark to pursue other forms of co-operative organization and develop co-operative ideas through writing and lecture. Cooperative communities were set up in Glasgow, Indiana and Hampshire, although ultimately unsuccessful. In 1828, William king set up a newspaper, the cooperator, to promote Ownn’s thinking, having already set up cooperative store in Brighton.

The Rochdala society of equitable pioneers in 1844, is usually considered the first co-operative enterprise, used as a model for modern cooperative societies, following the ‘Rochale principles’. A group of 28 weavers and other artisans in Rochadale, England set up the society to open their own store selling food items they could not otherwise afford within ten years there were over 1000 cooperators in Rochdale realized a more productive, sustainable way of running a retail cooperative for the benefit equitably to and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. They usually receive limited compensation, if any, on subscribed as a condition of membership. Members allocate surpluses for any or all of the following purpose: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.
a. **Autonomy and Independence**: Cooperatives are autonomous, self-help organizations controlled by their members if they enter into agreements with other organizations, including governments, or raise capital from external source, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

b. **Cooperation Among Cooperatives**: Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

c. **Concern for Community**: While focusing on member needs cooperatives work for the sustainable development of their communities through policies accepted by their members.

### 2.1.4 Types of Cooperative Societies

Cooperatives societies are of various types depending upon their objects and nature of work, some of the cooperatives have been formed to help consumers and other have been established to help producers. There are some societies which help the farmers in providing credit for the purchase of fertilizers and seed etc and some help them in the promotion of trade. Prof. Hafiz some of the important types of cooperative societies are:

1. **Producer’s Cooperative Societies**: The producers cooperative are established by the small producers. The members of the society produce goods in their houses or at common place. The raw material, tools money etc. is provides to them by the society. The output is collected by the society and sold in the market at the wholesale rate. The profit is distributed among the member in proportion to the goods supplied by each member.

2. **Consumers Cooperative Societies**: Consumer’s cooperatives are established to remove middlemen from the field of trade. These societies purchase foods at the wholesale prince and sell these goods to the members at cheaper rates than the market price. However, the goods are sold to the non members at the market rates. The profit, if any, is distributed among the members in the shape of bones according to their purchase ratio.

3. **Marketing Cooperative Societies**: The marketing societies are formed by the small produces for the promotion of trade. The two main objectives of these societies are, to sell the goods at reasonable prices by eliminating middlemen and to make the ready for the product of the members. These types of societies are formed by small agriculturist and artisans. Theses societies collect the products of its members and make its grading and keep them in warehouses and sell them in the market at whole sale rate when the market is ready for the these products. The profit is distributed among the members according to the ratio of goods supplied by them.

4. **Credit Cooperative Societies**: These cooperatives are formed for the financial help of the members. These societies provide loans to the members at low rate of interest. In rural areas these provide loans to the farmers for the purchase of seeds, fertilizers and cattle. In urban areas these societies provide loan to its members for the purchase of raw material and tool.

5. **Farming Cooperative Societies**: These solicit are formed by the small agriculturist to get the benefits of large scale farming. These societies provide help to the farmer for the improve method of cultivations by providing large scale farming tools such as tractors, threshers and harvesters etc.
2.1.5 **Significance of Cooperatives in Economy**

A cooperative society according to Lawal (2006:15) is a form of business, registered under cooperative law and the by law of each society. The important roles a cooperatives play in an economy cannot be over emphasized. According to Akinwunwi (2006:12) those who introduced formal cooperative realized that individual farmers were two small in terms of farm holdings, total production and column supplied. Thus they encouraged cooperative which facilitated quick transfer of technical knowledge about the major commodities to groups of farmers. They demonstrated the efficacy of the cooperative approach to problem solution. They helped to nurture small groups with little financial means into larger groups by encouraging the creation of unions out of the societies.

Cooperative methods are the most practical to adopt to meet the needs of the mass of the people in all spheres of development. Asalo (2004:46) argued that cooperatives are potentially an important instrument of social transformation, especially in the rural areas cooperative methods have provide to be useful in achieving increased domestic production of food, industrial raw materials, manufactured products and equitable distribution of farm inputs, farm products and other commodities. A number of capital cooperatives projects had been undertaken such as feed mills, block making ventures, fishing projects, transportation, interstate cooperative marketing of the country, consumer cooperatives were doing a flourishing wholesale and retail businesses. They provide a valuable means of stabilizing the prices of consumer goods. The thrift and loan societies are common among small traders and urban wage earners and constitute a valuable means of mobilizing small saving for productive investment Lawal (2006:151-155) believed that cooperatives is a household name and need not much propaganda as to its economic importance. The following benefits of cooperatives were highlighted by him;

- Opportunities for cooperators to build up capital to finance their business through gradual but regular saving of money.
- Employment opportunities: The cooperative is the second largest employer of labour after government.
- Substantial contribution to the commercial growth and development of the country by undertaking business ventures economic productions and small scale enterprises financing.
- Promotion of physical and social development of the country through transportation business, low cost housing units and community development effort.
- Significant contribution to the national output by way of massive production of goods and services.
- Promotion of workers empowerment. Many civil servants and other workers own houses, cars and other properties by virtue of being members of one cooperative society or the other.
- Apart from assisting members to participate in international trade, cooperative make it possible for Nigeria, through members representing the cooperatives at international apex, to sit among the community of nations.
- Cooperative leaders are being trained as good community leaders through the training and skill acquired from the democratic principles and cooperative practices.
• Cooperative provides ready markets for members produce members are encouraged to engage in economic production and services that enhance gross domestic product and national income.
• Retail goods are made available for the consumption of the cooperators as well as the public at affordable prices.
• Bonuses are given to members on patronage which enhance their personal income.
• Cooperative members readily benefited from government and nongovernment organizations of expert advisory services in various ways.
• Cooperative enjoys soft loan benefits from the government banks and other similar institutions for the operation of their joint or individual business.
• Functional cooperative education and training imported on the members enable them to do well in their businesses.
• Standard of living of the cooperators has been raised thus guaranteeing quality of members’ lives.
• Cooperation is a major vehicle for a nation’s industrial development.

Ayoola (200:3) opined that the impressive performance of the savings and credit cooperatives can be seen in the establishment of cooperative banks in the western, eastern and northern Nigeria respectively. Even though these cooperative banks have overtime, lost their cooperate identities with the cooperative Bank of Plc which survived until the recapitalization in the banking sector in December 2005, it is obvious that credit cooperatives have made and will continue to make a positive impact as truly “people” bank. Even cooperative had existed as a rural bank in their various local areas before the government introduced the concept of rural banking in 1988.

Cooperative society provides opportunities for millions of people in all economic sectors, particularly in the rural and urban low income groups, to escape poverty in a sustainable ways. Statistics are not available, but is a general fact that cooperative is second only to government in employment, particularly in the southwest of the country. And certainly there can be no bigger provider of employment in the formal sector than the cooperatives in their various types and forms. Cooperative is meant to provide its members with some benefits and opportunities which ordinarily will cost more if is to be derived outside the cooperatives.

Olesin (2007:7) is of view that cooperative societies in Nigeria have for decades resolved some of the financial challenges faced by workers or low income business owners, by using the power of numbers to provide individual needs from resources pooled together by the collective efforts. The financial challenges were identified to be poverty, low income, high cost of living, inflationary pressures and lack of access to credit. Offer overlooked as an association for the poor cooperative societies have functioned in place of traditional lending institutions to provide microfinance, mortgage facilities, and personal loans.

2.1.6 Problems Militating Against Performance of Cooperative Societies

Much are desirable as cooperative societies are in that development of a nation, there are problems and constraints that have militated against its effective performance of its role in nation building. This has made for poor performance, declining and death of some cooperative. Cooperative over the years have suffered neglect of the government especially in its microfinance
institutions and agencies have not been able to address to problem for their establishment
government dictated the shots for these organization like FEAP, NAPEP, NAPEP, SMEDAN,
NERFUND < NDE etc to mention but few. The true cooperatives were absent and thus the few.
The true cooperatives were absent and thus the little success recorded. There were those who, as
individuals with connections, made far more progress than the cooperative groups. It was indeed
discouraging. Wherever cooperation was imposed rather than growing from the felt needs of the
people the chances of success are small.

The other critical element according to Akinwunmi (2006:3) was leadership. If there is
purposeful leadership, if leaders are transport, dedicated and truly serving, the cooperative society
will succeed. A true leader does not cut corners, does not inflate contracts so as to receive kick
backs, does not have favorites among members and does not mismanage the resources.

Another problem is insufficient fund to executive cooperative programmes. For many years
the movement was unable to pay its mandatory dues to international bodies like Ica. Thus the
Nigerian cooperative movement was derived entry, participation and gain that would have accrued.

The general problems facing the cooperatives are due to political and socio economic
factors as identified by mass mobilization for social and economic recovery (MAMSER, 1988)
and include lack of adequate working capital, high overhead cost, misappoartion of societies funds
by the paid employees, struggle for leadership, lack of modern business techniques and inability
to compete with others in the same trade.

2.1.7 Relationship between cooperatives societies, small scale business and development

The role of the small and medium enterprises (SME) as a catalyst for economic growth and
development has been well documented in the economic literature and recognized in most
countries (Sanusi, 2003). For example, in many of the newly industrialized nations, more than 98
percent of all industrial enterprises belong to the SMEs sector and account for the bulk of the
labour force. It enjoys a competitive advantages over large enterprises in servicing dispersed local
markets. Cognizant of this fact, programmes of assistance, especially, in the areas of finance,
extension and advisory services, as well as provision of infrastructure have been designed by the
Nigerian government at the Federal, State and Local Government levels for the development of
the SMEs. Governments in Nigeria have in the last four decades shown much interest in ensuring
adequate financing for small and medium enterprises (SMEs), by establishing various schemes
and specialized financial institutions to provide appropriate financing to this subsector of the
economy.

Two main source of finance to this very important sector of the economy are formal and
informal source. The formal sources include banks, government loan agencies such as the micro-
credit schemes, Entrepreneurial Development Programmes (EDP), poverty Alleviation
Programmes and Financial institutions, while the informal source of finance include business
owners, savings, ploughed back profit, friends, families, “esusu”, money lenders, clubs such as
cooperative, thrift and credit societies (CTCS) among others. The informal rather than formal
sector provides the bulk of financing especially in the developing countries, for small enterprises
in the rural areas (Anin, 2001). The continued importance of informal markets, despite the growth
of the capital market and the financial sectors of these countries, is due to restrictive and repressive
financial policies, lack of innovative measures and instruments to integrate informal and formal market and often the lower transaction costs of certain informal market credit intermediaries.

The peculiar characteristic of informal market is that they are far more loosely monitored and regulated than formal finance (Onyenwaku and Fabiy, 2001). Capital in the form of money is crucial for entrepreneurial development. This is enunciated by Harper (2003), who contents that one way money affects entrepreneurs agency belief is through its impact on their perception of their problem situation. An entrepreneurs estimates of self efficacy and degree of agency may include a cognitive appraisal of the situation context in which entrepreneurship occurs, including the nature of the goals to be achieved and the requirements of transactions to be carried out. The challenge is that economists have not analyzed the role of financial institutions such as cooperative thrift and credit societies (CTCS) on agency belief entrepreneurship and micro enterprise development. small-scale business which require small startup capital are faced with problems of financing. In attempting to solve this problem, government established agencies to assist in the provision of finances to small-scale business entrepreneurs.

2.1.9 Relationship between cooperative society and women empowerment

A lot of literature has been articulating the interrelationship between cooperative society and women’s empowerment. Women have been considered to be the poorest among the poor and they dominate the informal economy in developing countries. They dominate the informal economy in developing countries.

Women’s empowerment through cooperative society has been one of the priorities of stakeholders throughout the world, it is regarded women hardly have access to loans in convention banks because of the insinuation that these women do not have access to collateral such as land to obtain loans from the banks unlike the men who work in the formal sector and commercial banks do patronize them.

What is empowerment? Different definitions have been used to conceptualize empowerment. Mayoux (2005) defines empowerment as “a multidimensional and interlinked process of change in power relations”. In understanding women’s empowerment, Krishna (2003) defines women’s empowerment as “the process of increasing the capacity of women to make choices and to transform the choices into desired actions and outcomes” while the UN (2001) classified women’s empowerment into five components: their “right to make choices”; “right to have access to resources”; “right to control their own lives”, “sense of self-worth and the ability to create a social and economic order”.

2.2 Conceptual Framework

2.2.1 The Concept of Cooperatives

In relating cooperative society to women’s empowerment, some experts have formulated indicators to measure the impact of cooperative society on women. Hashemi et al. (1996) examines the impact of women’s empowerment by developing an empowerment indicator to measure economic security, household decision and political awareness of women. Ackerly (1995) built an accounting knowledge indicator, while Goetz and Gupa (1996) manufactured an index of marginal control to see how women utilize their loans for financial activities. What is not known for now is to see if the empowerment of women through microfinance has deviated them from their
traditional responsibility. Hashemi et al. (1996) examine if women access to microcredit has an effect on their wellbeing, the outcome of the result of women who took loans from the banks did not use their loans for what they are meant for, there are situations that loans are used for birthday, child naming and marriage ceremonies. There has been an incidence where spouses of women use their wives loans for their personal use.

Howoet (2005) analyses women’s decision making patterns as regard to loans borrowing, women who borrow directly from the banks always have fewer decision patterns, but when the loans are secure through women’s group and are combined with investment then a positive shift in decision making patterns is noted. The idea of women to form cooperative had been beneficial to women; most of the microfinance institutions, always align with women’s cooperatives in order to empower women and they find this medium easy for loan repayment. In case study by Major and Mendes (2009) on ‘women’s empowerment: comparing concepts and assessing the implications for microfinance; they found out of the 18 women interviewed, 17 of them said they are already empowered expecting only one who said she needs a constant income to be empowered, quoting one of the interviewees: “let me tell you, there is nothing as good as being acknowledgment woman” microfinance client, Kenya role in agriculture cover all facts of agribusiness including food production, livestock production, fishery as well as farm management. Literature is replete in the effect of cooperative scheme on women’s livelihood to poverty reduction, through asset creation association with a series of loan financed investments, higher income that will help women to better perform their reproductive role as brokers of health, nutritional, and educational status of other household members Cheng and Ngwuyen (2000); Gurgand et al; (1994); Shane, (2004); Holocomb and xu, (1997). Cooperatives have been regarded as one of the main institutional machineries for empowering the economically weak members of the society. Despite the availability of cooperative societies and efforts of government at all levels, it appears that a significant proportion of rural women are either unaware of the existence of such cooperative societies or are lacking in the basic socioeconomic characteristics that form the prerequisite for participation in such activities.

The findings of study showed that agricultural cooperative in Awka North L.G.A are involved in both livestock and crop enterprises, group processing and supply of farm inputs. The society also enables it members to access credit facilities, farm implants, storage facilities and participate fundamentally in the marketing of members farm products. They encourage capital formation in the rural community by mobilizing savings which then from the capital needed for carrying out economical activities. The study further revealed that high rate of loan default, inadequate infrastructural facilities and lack of cooperative and technical education are among the constraints that hinders the performances of the cooperatives.

5.2 Conclusion

The cooperative is no doubt a vehicle of development of Nigeria economy, this due to the effect of it activities which ensures that both human and material resource are efficiently mobilized, granting the small scale farmers who carry out the bulk of the nations economical activities opportunities to expand and diversify their product which will bring about food security to the ever increasing population. The poor financial state of the cooperative societies which is caused by inadequate capital formation, misappropriation of fund and high rate of loan default will
however restrict the performance of the cooperative towards efficiency. There is no disputing the fact that agricultural cooperatives if well managed, supported by government and development of Nigerian economy.

5.3 Recommendation

Based on the findings and conclusion of this research work, following recommendations are offered:

i. As a result of low capital accumulation by cooperative members, cooperative societies in Awka North L.G.A should be encouraged in the areas of increased supply of credit to them from financial institution.

ii. The financial policy of the cooperative societies should be rectified to minimize the rate of loan default and increase the utilization of fund.

iii. The government should intensify efforts on cooperative education, training and public enlightenment in order to bring about increased participation and involvement of small scale farmers in the cooperative movement.

References


