

Assessing the Impact of Cooperative Societies on the Financial Welfare of Maiduguri Residence

Hamsatu Musa¹, Bashir Kachalla Mohammed¹ & Mohammed Abubakar Gajibo³

^{1&3} Department of Banking & Finance, Ramat Polytechnic, Maiduguri, Borno State, Nigeria

² Department of Accountancy, Ramat Polytechnic, Maiduguri, Borno State, Nigeria

Corresponding Author: E-Mail: hamsatumusa7@gmail.com | Mobile No.: 07038888619

Abstract: *The study aims to evaluate how cooperative societies affect Maiduguri residents' financial well-being, with a focus on the Rice Farmers Cooperative Society according to the stated criteria, which include; ease of access to credit facility, low interest rate on loan, saving opportunity, business advice and entrepreneurial training and social activities support. Questionnaires which was structured on Likert format was distributed to three hundred and ninety five respondents who have been purposively selected from two groups within the cooperative societies in Maiduguri. Data collected from the respondents were analyze using t-test. Majority of the respondents affirm that cooperative societies have strongly assist members both directly and indirectly in acquiring assets thereby improve their wellbeing. The study concludes that cooperative societies have impacted positively on the wellbeing of the people and hence recommended that Cooperative society activities should be properly regulated by government so that it will continue to impact positively on the wellbeing of its members.*

Key words: *Cooperative Society, Financial, Welfare, People, Maiduguri.*

Introduction

A co-operative society is an independent group of people who have come together voluntarily to work for the same economic, social, and cultural goals through a jointly owned and democratically run business. Cooperatives frequently have social goals which they aim to accomplish by investing a proportion of trading profits back into their communities.

International Cooperatives Alliance and International Labour Organization (2003) defines cooperative societies as an autonomous association of individuals who voluntarily comes together as united force in order to meet their mutual social, cultural and economic needs and wants through the help of a jointly owned and democratically managed enterprise.

This type of group mostly of interested persons characterized by limited means of livelihood usually make equitable contribution to the resources required and thereby accepts fair or equal share of the benefits and risks that may come with the undertaking in which the members participate.

Cooperative is a phenomenon that denotes any form of working together voluntarily by persons or individuals to achieve common goals. To narrow it down cooperative refers to the activities of an association of persons with similar social, cultural and economic needs who willingly come together to. The poverty trend in Nigeria is further aggravated due to lack of basic needs for decent life; access to clean or portable water, healthcare services, education

opportunities, shelter, housing (MDG, 2013, UNDP, 2015). Despite the availability of cooperative societies and efforts of government at all levels, it appears that a significant proportion of people are either unaware of the existence of such co-operative societies or are lacking in the basic socioeconomic characteristics that form the prerequisite for participation in such activities.

From the perspective of cooperative welfare in Nigeria, one of the fundamental constraints is the peasant nature of the production system, with its low productivity, poor response to technology adoption strategies and poor returns on investment. The farmer cannot supply input out of his own resources, leading to lower productivity, underemployment, low income, low savings, low investment in farm and low yield. It does appear therefore, that farmers may not get out of their present predicament without positive external intervention. Government at various level and non-governmental developmental agencies have tried their best to improve livelihood of the people, but despite this efforts people still lack hope to improve their livelihood (World Bank, 2005). This could be because some of these farmers still do not understand and believe in the operational system of the cooperative societies, preferring and trusting their own simple but crude way of helping themselves financially. Co-operatives all over the world are often faced with challenges ranging from crisis of ideology, capital, credibility and management (Tiamni, 1997). (Cheney, 1995) in his own submission identified cultural transformation, competition/expansion, wage solidarity, centralization/ reorganization and lack of programmes to increase productivity and participation. (Groove, 1985) however hints that one of the major challenges of co-operatives has to do with how to keep balance between business efficiency and democracy. He proceeds by identifying the fact that those who are charged with the operation of a co-operative (the board members and manager) are to ensure good business practice while performing the role of a business organization. Furthermore, educating, training and retraining of members in general and officers of the co-operatives in particular have always been a challenge to co-operative societies. The Nigerian economy, despite endowments with abundant resources, her monoculture nature has created a narrow and weak economic base. The sluggish economic growth has forced the governing authorities to adopt an expansionary fiscal policy in with the aim of stimulating the economy. (World Bank, 2015) reports that over 100 million Nigerians live below the poverty line. 83.9% still live on less than US \$2 per day and the inequality of wealth distribution is 42.9%. Youth unemployment is over 42% in 2015 creating high level of poverty. Most of the studies on cooperative societies and members' welfare tend to focus on savings and credit and acquisition of products in agriculture and industry related areas. Not much, however, has been done on how communities maximize their welfare by forming cooperative societies. Besides, little is known as to the effect of cooperatives on the welfare of members in the society. This study addresses some of these gaps by examining the impact of Rice farmers' cooperative societies on welfare of Maiduguri Residence. It considers how the existence of these cooperative societies affects the welfare of their members and the society at large. It questions consumer cooperatives welfare promoting effect in relation to their roles and features as identified in literature reviewed.

Review of Related Literature

The Conceptual, theoretical explanations and empirical review to key issues relating to the study is discussed.

Conceptual Framework

Cooperative Societies

Cooperative societies are first and foremost voluntary business associations created by people with limited financial resources through the contribution of share capital that serves as the foundation for the distribution of business profits or use as determined by the members, which is why it must be democratically managed by the members themselves. ICA (International Cooperatives Alliance) defined cooperatives as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise.

The Role of Cooperatives in the Economy

Partomo (2013), stated that the cooperatives have an impact or role in the process of socio-economic development. The impact of these cooperatives may be a direct micro impact on the economy of its members and also the indirect micro impact on the cooperative organizations environment through the increase of employment, improved innovation, growth and better revenue sharing and so forth. While the macro impact of cooperatives, among others are, cooperatives potential contributions to economic development.

Bello (2010), states that: “for over 160 years now cooperatives have been an effective way for people to exert control over their economic livelihoods as they play an increasingly important role in facilitating job creation, economic growth and social development. The paper concludes that to be effective and successful, cooperatives must continuously achieve two inter-related goals: enhance viability and improve ability to service its members; and remain an economically viable, innovative and competitive enterprise”.

The Role of Cooperatives in Welfare of Society

Cooperatives play a role in the welfare of society, associated with the benefits, functionality and cooperative influence on aspects/dimensions which forms the welfare of society. Cooperative aims to promote the welfare of members in particular and society in general as well as to help build national economic order in order to form a just and prosperous society.

Concept of Farmers' Cooperative

Farmers cooperatives is a philosophy of common interest and ownership, common sharing and consumption and investment and liability culture (Klemen, 2000). A practical motivation for the creation of agricultural cooperative is sometimes described as overcoming the course of smallness (Agbo, 2000).

A cooperative is an association of a large business entity in the market reaping the significant advantages of economies of scale that are not available to its member individually. Typical examples are machinery pool, a marketing cooperative and a credit Union. In order to increase farmer's ability to benefit from agricultural technologies they should be encouraged to join existing farmers' cooperative or form their own (Tiger, 2001).

The central concept of cooperative society is that of a group of people who voluntarily come together to form an association with the aim of promoting a common economic interest in accordance with the laid down cooperative principle. Patrick (2000) reported that cooperatives

are formed when people put together their effort in the pursuit of collective goal. Agbo (2000) further stated that farmers' cooperative society are number of farmers with variable membership who organize themselves on self-help material equitable and democratic basis to form a business enterprises which helps them to solve their socio economic problems for better standard of living.

Farmers' cooperative society are also organizations of financially weaker sections of the society. They convert the weakness of members into strength by adopting the principle of self-help through mutual cooperation. It is only by working jointly on the principle of each for all and all for each; the members can fight exploitation and secure a place in the society.

Rice Farmers Cooperatives

Rice farmer cooperatives works to develop production, milling and marketing programmes to ensure a secure supply of quality rice for consumers and a profitable return on the investments made by its members Agbo (2000) stated the purpose of rice cooperative is to improve small holder farmer access to market and to create a fair price for goods. Some achieve this by the purchase of small plots of land at a price mutually agreed by members and others buy various tools and items needed for farming in large volumes keep the hiring cost for the farmers down. The main aim of rice farmers cooperative is to give farmers support to process rice as well as given training on how to improve their techniques (Satumia, 2005).

Roles of Rice Farmers Cooperative

Rice farmer's cooperative play significant role in provision of service that enhance rice production. Patrick (2007) described rice farmers cooperative as medium through which services like provision of farm input farm implement farm mechanization agricultural loans, marketing of members farm produce and other economic activities and services rendered to member regular. Agbo (2000) further stated other roles of rice farmer cooperative are increased opportunity for capital formation for their farm business provision of services to members at greatly reduced cost, improved marketing opportunities to members that members will not bear loss in selling their products again, create the atmosphere for a more effective spread of government aid schemes among rice farmers. According to Ambruster (2001) rice farmers cooperative have been noted for their role in assuring bargaining power for loans and other services and improved dissemination of extension services through the group approach, increases employment opportunities for members, they assure self-enhance and motivation for individual members.

Significance of Cooperatives in an Economy

A cooperative society according to Lawal (2006) is a form of business, registered under cooperatives law rules and regulations and by laws and should be so managed. Therefore, the management of any cooperative society should be according to the existing cooperative Law and the by Law of each society. The important roles a cooperative play in an economy cannot be over emphasized. According to Akinwunmi (2006) those who introduced formal cooperatives realized that individual farmers were too small in terms of farm holdings, total production and volume 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. Asaolu (2004:46) argued that cooperatives are potentially an important instrument of social transformation, especially in the rural areas. Cooperative methods

have proved 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 cooperative projects had been undertaken such as feed mills, block making ventures, fishing projects, transportation, and interstate cooperative marketing of food crops.

Challenges of Cooperative Societies

In most part of the world, cooperative societies remain in fluxes which are majorly faced with one or more problems ranging from the crises of ideology, capital formation, problems of acceptability and credibility as well as crises of management (Taimni, 1997). Five major challenges of cooperative societies have also be identified by Cheney (1995) to includes cultural transformation, competition and expansion, wage solidarity, centralization and reorganization, and policies and programmes of increasing productivity and participation. While on the other hand Groves (1985) emphasizes that the major problems of cooperatives are how to strike a balance between efficiency and democracy as the major part of co-operative business. i.e imbibing good business practices and the social purpose of a community of people, making it an organizations with a human face and therefore difficult to manage.

Theoretical Framework

Contemporary economic theory has played an effective role in the cooperative (Hill, 2000; Kalmi, 2007). Nevertheless, alternative theoretical lenses provide insight into the cooperative advantage indifferent economic sectors and why this advantage is not always realized or exploited. In fact, the evidence is overwhelming that cooperatives can be potentially much more economically efficient than their non-cooperative counterparts and can represent important dynamic components of contemporary competitive market economies (Altman, 2006; Bonin et al., 1993; Dow, 2003; Doucouliagos, 1995).

Theory of Marketing Cooperatives

Marketing cooperatives are cooperatives that market farm commodities produced by member farmers. In some cases, a marketing cooperative simply purchases a commodity from its members and resells it to food manufacturing or processing firms after providing some minimal services such as assembling and grading the commodity. After the cooperative sells the commodity to a manufacturer or processor, it distributes any additional revenues, after deducting transportation or handling costs, to members as patronage refunds. In other cases, the co-operative may process the commodity and sell the processed product to consumers or retailers. In those cases, the patronage refunds include any value added to the commodity by the cooperative.

Theory of Farm Supply Cooperatives

Farm supply cooperatives are cooperatives that supply members with inputs they use in farm production. Farm supply cooperatives may manufacture these inputs or purchase them from other firms. For simplicity, we assume the cooperative in our model supplies a single input to farmers. We also assume the cooperative produces the input it sells to its members. The model can be extended to a cooperative that purchases the input from another firm by considering the production costs as consisting of the costs of acquiring, transporting, and merchandizing the input.

Methodology

The sources of data for this study included primary and secondary data. Primary data was mainly used to gather information from the cooperative societies and community opinion leaders because they have in-depth knowledge and also open avenues for the group to asked relevant questions and secondary data sources was from related books, publications, journals, newspapers and previous research works.

The research adopted the description research module which involves both the quantitative and qualitative research methods. Convenience sampling was used to select the various cooperative societies in the State; Purposive sampling was used to select the members of the various cooperative societies for the interview because they have in-depth knowledge about the research topic. Community opinion leaders and relevant government bodies were also be purposively selected and interviewed because they also have in-depth knowledge about the topic. The major instrument used in this research work is a self-structured questionnaire and interview. The questionnaire for this study was developed by the researcher. The instrument faces content validation by other researcher. After undergoing series of correction by adding relevant information to the questionnaire, it was perfectly good to be administered to the respondents in the target population.

The questionnaire was divided into 2 sections. Section A and B. Section A of the questionnaire consisted of the demographic characteristics of the respondents while section B of the questionnaire is the socio-economic features which is designed based on the research objectives. While the interview will be a single section of logical questions that will be used to derive further analysis about the cooperative society.

Study Area

Borno is one among the 36 states that formed the federal republic of Nigeria. It was created in 1976 from the then north-eastern State. Located in the north-eastern geo-political part of the country with Maiduguri as its capital, the state has an area of 61, 435sq. km. One unique features of the state is that it shares border with three countries namely Cameroun republic to the east, Chad republic to the north-east and Niger republic to the north. It also shares boundary with other states like Yobe state to its north-west, Gombe state in the west and Adamawa state in the south. Located on latitude 10⁰ N and 14⁰ N and longitude 11.30⁰ E and 14.45⁰ E, the state has a hot and dry climate in most part of the year particularly from March to July and a cold climate during the hamattan period which last from November to February. The period of rainfall is normally from June to September in the north and from May to October in the southern part which varies from 300mm to 500mm and 700mm to 1000mm in the northern and southern part respectively. Borno has a vast and fertile land for rice and wheat production in Nigeria and West Africa in general. The land along the shores of Lake Chad is fertile and can be cultivated without fertiliser. Borno has the capacity to deliver Nigeria's rice requirements with continuous support by the Government. In 2019 about 2,700 farmers have benefited from the federal government anchor borrowers scheme. (Mustapha, Gwary and Makinta, 2014).

Method of Data Analysis

The data collected was analyzed using both descriptive and inferential statistical methods. The descriptive statistics that the study adopt includes the use of frequency, percentage and proportion. Also, the statistical methods of t-test was used to test the stated hypotheses.

Table 1: Result of t-test and descriptive statistics for access to financial support by membership base of the cooperative societies

External Support Variables	Group						Mean Difference	t	df	Sig
	Employment Based			Non-employment Based						
	Mean	SD	N	Mean	SD	N				
Social Act. Support	4.59	2.434	180	4.83	2.690	215	-0.285	-1.07	390	0.268
Low Interest Rate										
On Loan	4.75	2.453	180	4.75	2.708	215	-0.006	-0.02	390	0.967
Saving Opportunity	4.79	2.695	180	4.64	2.694	215	-0.580	-1.97	390	0.025*
Business Advice and Entrepreneurial Training										
Training	4.59	2.601	180	4.96	2.550	215	-0.350	-1.33	390	0.134
Ease of Access to Credit Facilities	4.60	2.69	180	5.03	2.621	215	-0.455	-1.70	390	0.066

Source: Authors Computation using STATA 14.

Table 1 above shows that the null hypothesis for these items is accepted and this means that there are no significant differences between the two groups of co-operatives in constraints experienced in relation to social activities support, low interest rate on loan, saving opportunity, business advice and entrepreneurial training and ease of access to credit facility, educational support. However, with respect to Saving Opportunity, the null hypothesis is rejected, since ($t = -1.97$, $df = 390$, $p = 0.025 < 0.05$). For this variable, the differences in savings opportunity comes from higher access enjoyed by employment-based co-operatives compared to non-employment based co-operatives ($M=4.79$ and $M=4.64$ respectively).

Discussions of findings

The descriptive statistics show that employment based co-operatives had stronger participation at all levels of development process than non-employment based members within the Maiduguri Metropolis, and this might be attributed to a number of reasons such as support from the host co-operative, higher capitalization of co-operatives and even higher effectiveness in loan recovery. This implies that non-employment based co-operatives could require some support in further expanding on their activities. Thus, policies for encouraging increased loan uptake and access to other agricultural and entrepreneurial activities could be more impactful if directly targeted to non-employment based co-operatives; while employment based co-operatives could be supported to further expand on their current loan provision and asset acquisition activities to increase access for their members.

However, it is important to note that even though government support generally varies with the type of government and macro-economic realities, when co-operative societies are supported by government, they generally tend to perform better in the market. Thus, the issue of support is very important in the actualizing the latent opportunities co-operative societies have.

Conclusion

This research has been able to assess the impact of cooperative societies on the welfare of Maiduguri residence. The research work has revealed extensively that cooperative is one of the bedrock of development and gateway to economic freedom in Maiduguri, Nigeria. Cooperative

impact saving culture on members, provide easy and unhindered access to micro credit thereby not only making personal development a reality but also contributing effectively to the wellbeing of the entire population. Cooperative assist members directly and indirectly (cash or kind) in acquiring assets.

Acquisition of various assets like electronics, automobiles, landed property and building among others had been made possible through the assistance of cooperative society. This had assisted individual members in meeting their needs physiological and safety need and bring about improvement in economic condition of the people. Assets acquisition is physical economic development and members who acquired assets after meeting their basic need had been able to overcome extreme poverty.

Recommendation

It is therefore recommended that:

- Cooperative society activities should be properly regulated by government so that it will continue to impact positively on the wellbeing of its members.
- The sharing of information of members' credit profile is particularly important for non-employment based co-operatives, while employment based co-operatives require improved information from employer organizations on members' credit risk profile.
- The use of ICT as a tool for creating databases of members could be instrumental, with support from the private sector such as donor organizations and the financial sector.

Reference

- Ade Wale, J.G, Olanyi, O.A and Adamou N.A (2007). Farmers adoption of improved rice technology in Nigeria, Rice Droite Area, Niger Republic world Journal of Agricultural Science Vol. 3(4) Pp.530-535.
- Adebayo, S.T., & Pascal, H. (2010). Cooperative Association as a Tool For Rural Development and Poverty Reduction in Rwanda: A study of Abahuzamugambi ba Kawa in Maraba Sector Educational Research, 1(11), 600-608.
- Adeboye (2007). Strategies for managing the opportunities and challenges of the current Agricultural Community. Booms in SSA in seminar paper on managing commodity Booms in sub Saharan Africa. A publication of the AERC Senior policy seminar K African economic Research consortium AERC Nariobi Kenya.
- Adisa B and Okunade E.O (2005) Women in Agricultural Extension. In Agricultural Extension in Nigeria, edited by Adedoyin S.F. AESON pp 69 – 77.
- Agbo F.U (2000). Increasing the output of cassava through women cooperative. Nigeria Journal of Cooperative studies pp 24 – 28.
- Akande P.T (2002). An overview of the Nigerian rice economy. An online paper retrieved on the 13th of October 2010.
- Bello, Dogarawa Ahmad., The role of cooperative societies in economic development. Journal of departement of public administration, 2010.
- Birchall, J. (2003). Rediscovering the Cooperative Advantage Poverty. Reduction through Self-help: Cooperative Branch, International Labour Office, Geneva.
- Bottomley (2002). Farmers centred enterprises for agricultural development England phinkett foundation pp 41 – 53.
- Central Bank of Nigeria (2018) Statistical Bulletin and Annual report and statement of account pp. 215-220.

- Central Bank of Nigeria (CBN). (2016). Nigeria's development prospects: Poverty assessment and alleviation study. Abuja; Central Bank of Nigeria in Collaboration with the World Bank.
- Emodi A.I and Madukwe M.C (2008). A review of policies, acts and initiatives in rice innovation system in Nigeria. *Journal of Agricultural Extension (AESON)* vol. 12 (2) Pp 94-152.
- Eze .R. (2000). The perception of government participation in cooperative organization: A case study of Biu local government Borno State Nigeria. Unpublished Dissertation for the degree of M.Sc submitted to Department of rural sociology and Anthropology Univ of Maiduguri.
- Ezekiel, P.O (2014). A study on co-operative societies, poverty reduction and sustainable development in Nigeria. *IOSR Journal of Business and Management*, Vol. 16, Issue 6. Ver. II (Jun. 2014), PP 132-140. Retrieved from www.iosrjournals.org
- F A O, (2008). Scoop: Rice production to Hit Records High08, prices up press Release United Nations. [Docstraininginfotmgttoolsectf.html](http://www.docstraininginfotmgttoolsectf.html).
- Fapojuwu, O. E, Alarima, C.I & Abiona, B.G (2012). Contribution of co-operative organizations to poverty alleviation in Yewa North Local Government Area of Ogun State, Nigeria, *Journal of Human Ecology*, 40(2): 189-196.
- FAS Attach (2001). Rice report <http://www.riceweb.org/countries/nigeri.htm>. food and agricultural organization (FAO) (2001) Rice statistics website www.fao.org.
- Federal Ministry of Agriculture and rural development (FMARD, 2002). cooperative policy for Nigeria Abuja Government printer. Sutherland (2001). Problems of agricultural development in Nigeria. *Journal of Agriculture Extension* vol. 13 (2) Pp. 27-47.
- International Labour Organization (ILO). 2002. The Promotion of Cooperatives. Recommendation, No.193. International Labour Office, Geneva.
- Izekor, O.B., & Alufohai, G.O. (2010). Assessment of Cooperative Societies Effectiveness in Agricultural Credit Delivery in Ikpoba Okha Local Government Area, Edo State, Nigeria: *African Journal of General Agriculture* 6(3): 139-143
- Onyeaghocha S. (2008). Comparative study of the methods and performance of micro finance institution in south eastern Nigeria Central Bank of Nigeria Economic and Financial review Vol :39 No 4 Pp 243-269.
- Orji, J.I. (2005). An assessment of Poverty reduction Programmes in Nigeria as a Development Strategy, 1970-2005. Ph.D. Thesis, Unpublished. The St. Clements University, Turks and Caicos Island.
- Tunji A.T (2002). An overview of the Nigerian Rice economy. The Nigerian Institute of social and Economic Research (WFSER). Ibadan Nigeria.
- Wanyama, F.O., Develtere, P., & Pollet, I. (2008). Encountering the Evidence: Cooperatives and Poverty Reduction in Africa. Working Papers on Social and Co-operative Entrepreneurship WP-SCE 08-02-2008.