

Effect of Cooperative Funding on the Performance of Agricultural Cooperatives (Members) in Rivers State

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Abstract

This study examined the effects of cooperative funding on The Performance of Agricultural Cooperatives in Rivers State. The specific objectives are to examine the level of equity capital (shares) contributions of members to the societies' funds, ascertain the effect of co-operative funding on members' businesses and determine the impact of paid up share capital, thrift savings, special deposits, and loans issued to members on the performance of co-operatives. Data generated were analysed using Descriptive techniques (frequency, mean, standard deviation, and the use of charts) and inferential statistics (Pearson Product Moment Correlation coefficient and Multiple regression analysis). Results shows that Capital accumulation is correlated with Performance and Sustainability of Agricultural Co-operatives giving a coefficient of 0.647, and a p-value of 0.000, which shows that there is a strong positive linear relationship between the two variables. a mean value of 73262.65 before joining cooperatives as against 112661.62 after joining cooperatives shows that there is significant difference in the Value of Members' Agricultural Business Before and After Joining their Co-operative Society. With a Coefficient of determination (R^2) of 0.989, and also the p-value for the F-statistics is ($=0.000$) and less than α ($= 0.05$), the researcher concludes that there is a significant relationship between net worth, and paid up shares capital, thrift savings, special deposits, and loans issued to members of agricultural co-operatives in Rivers State as they improve the performance of member's business significantly. It was concluded that cooperative funding has significant effect on the performance of Agricultural Cooperatives through improving the welfare and business of its members in Rivers State.

Keywords: Cooperative Funding, Agricultural Cooperatives, Performance, Equity Capital, Share Capital, Thrift Savings, Special Deposits

I. Introduction

In Nigeria, like most other developing countries, about 70% of the population live in the rural areas and below the poverty line (Akpomuvie, 2010). With the high level of poverty that is prevalent in the country and its widespread nature, agriculture seems to be a paramount, if not the only avenue by which the poverty situation can be minimized. Farmers are encouraged to get themselves exposed to production enhancing education provided by State sponsored agricultural extension staff. Cooperative societies, in the same vein, are advocated for and established to access production enhancing facilities at minimum of costs and for the achievement of maximum productivity.

Cooperative societies in most parts of the world have proved successful means of transforming the lifestyle and living standards of the socially and economically downtrodden. They have been adopted in such developed countries as United Kingdom, United States of America, Iceland, Norway, Sweden, Denmark, Finland, Spain, Israel and Canada. In all these countries they have been extremely successful (Ostberg, 1985). Pathak and Kumar (2005) similarly

observed that in a good number of developing countries such as India, China, Colombia and Bangladesh cooperatives have been flourishing as well. Through cooperatives, farmers could pool their limited resources together to improve agricultural output and this has enhanced socio-economic activities in the rural areas. This study establishes the connection between cooperative funding and performance of its member's businesses in the study area.

Objectives of the study

The general objective of this study is to determine the effect of cooperative funding on the performance of the cooperatives and its members in Rivers State of Nigeria. Specifically, the objectives are

- (i) examine the level of equity capital (shares) contributions of members to the societies' funds;
- (ii) ascertain the effect of co-operative funding on members' businesses;
- (iii) determine the impact of paid up share capital, thrift savings, special deposits, and loans issued to members on the performance of co-operatives;

Theoretical Framework

The theoretical framework guiding this study are as follows

Investment Financing

The concept of finance theory consequently, involves studying the various ways by which businesses and individuals raise money, as well as how money is allocated to projects while considering the risk factors associated with such projects. (Finance Maps of World, 2016).

Owners' Equity Capital

Business financing customarily starts with funding from the promoters with their own funds which much of the time comes from earlier savings of such promoters. These are most often in terms of share capital contributions. Such shares are new capital requirements from prospective investors to finance the business activities of affected enterprises. Equity capital in the cooperative movement worldwide is seen as a vital source of generating investment capital as it is in the conventional business world. Share capital is recognized by the cooperative sector of the economy as a primary source of finance for the investment on projects that form the business bringing people together.

Outside Equity (Debt) Capital

Outside equity involves financing a project or business with financial resources belonging to non-owners of the business. It involves debt financing which is a method of financing in which an enterprise (a company) receives a loan and gives its promise to repay the loan. Most lenders will ask for some sort of security on a loan (Entrepreneur, 2017).

II Methodology

Study Area

The study area is Ogba-Egbema-Ndoni Local Government Area (Onelga), located at the western axis of Rivers State.

Research Design

The study adopted the survey research approach in view of the scattered nature of cooperatives in the State.

Data Collection Methods and Sources

Data were obtained from two sources in the course of carrying out this research. Primary data were collected using well-structured questionnaire administered by serving and retired cooperative field staff. Secondary data were sourced from the books of the various societies which members responded to the administered questionnaire. In addition to this the records of the Cooperative Department of the Ministry of Commerce and Industry at the State Government Secretariat in Port Harcourt were also accessed for the necessary information.

Data Analysis Techniques

Data generated in the course of the study were analysed using descriptive and inferential statistics. Descriptive techniques used in the study include frequency, mean, standard deviation, and the use of charts. Inferential statistics used include Pearson Product Moment Correlation coefficient.

III Results and Discussions

Table 1: Members' Contribution to Funding the Co-operative

How often Members make Shares Contribution		
Weekly	26	26.26%
Monthly	61	61.62%
Quarterly	3	3.03%
Yearly	9	9.09%
Total	99	100.00%
Total shares paid up to date (N)		
N51,000 to N100,000	13	13.13%
N101,000 to N150,000	47	47.47%
N151,000 to N200,000	22	22.22%
N201,000 to N500,000	12	12.12%
N501,000 & above	5	5.05%
Total	99	100.00%
Are you in default of shares payment?		
Yes	0	0.00%
No	99	100.00%
Total	99	100.00%
Do you make thrift savings?		
Yes	51	51.52%
No	48	48.48%
Total	48	100.00%
How often do you make thrift savings?		
Never	48	48.48%
Weekly	15	15.15%
Monthly	12	12.12%
Quarterly	13	13.13%
Yearly	11	11.11%
Total	99	100.00%
Have you ever deposited money with the co-operative society voluntarily?		
Yes	0	0.00%
No	99	100.00%
Total	99	100.00%
Why, If no Voluntary Deposit		
Have no money for deposits	3	3.03%

Prefer saving with banks	24	24.24%
Don't trust management team	8	8.08%
No request for voluntary deposit by management	64	64.65%
Total	99	100.00%

Source: Researcher's Field Survey

Members' Financial Contributions

Regarding the level of equity capital (shares) contributions of members to the societies' funds, Table 1 indicated that the highest frequency of 61, representing about 62% of respondents, said they make shares contribution on a monthly basis, followed by 26 (26.26%) which said they make contributions weekly; while only 3 (3.03%) said they make contributions on a yearly basis. Table 1 also shows the highest frequency of 47, representing about 47%, of respondents saying their total paid-up shares to date is between N101,000 to N150,000, followed by 22 (22.22%) saying their total paid-up shares to date was between N151,000 and N200,000, while the least of 5 (5.05%) held their paid-up shares to date as being N501,000 and above. All of the respondents affirmed that they were not in default of shares payment. About half (i.e. 51.52%) made thrift savings and for those who do, the highest frequency of 15, representing about 15%, said they save on a weekly basis while 11 (11.11%) said they save yearly. Table 1 also shows that none of the respondents make voluntary deposits and the reason indicating the highest frequency of 64, representing about 65%, said No request for voluntary deposit was made by co-operative management. Only 3 (3.03%) said they have no money for deposits as reason for not making voluntary deposits.

Table 1.1: Result of Pearson Product Moment correlation coefficient of Capital Accumulation and Performance of Agricultural Co-operatives

		Capital Accumulation	Performance of Agricultural Co-operatives
Capital Accumulation	Pearson Correlation	1	.449**
	Sig. (2-tailed)		.000
	N	99	99
Performance of Agricultural Co-operatives	Pearson Correlation	.449**	1
	Sig. (2-tailed)	.000	
	N	99	99

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS ver. 20.0 Output window

Capital Accumulation is correlated with Sustainability of Agricultural Co-operatives giving a coefficient of 0.647, and a p-value of 0.000, which shows that there is a strong positive linear relationship between the two variables. Direction is same (i.e. as one increases, so does the other).

Table 2: Co-operative Funding of Member's Business

Whether Member Has Received Loan from their co-operative society before		
Yes	99	100.00%
No	0	0.00%
Total	99	100.00%
If Yes, how many times?		
1 to 2 times	16	16.16%
3 to 6 times	58	58.59%
7 to 10 times	17	17.17%
11 times & above	8	8.08%
Total	99	100.00%
Value of Member's Agricultural business before joining the co-operative		
N10,000 - N50,000	44	44.44%
N51,000 - N100,000	25	25.25%
N101,000 - N150,000	19	19.19%
N151,000 & above	11	11.11%
Total	99	100.00%
Value of Member's Agricultural business after joining the co-operative		
N10,000 - N50,000	14	14.14%
N51,000 - N100,000	15	15.15%
N101,000 - N150,000	38	38.38%
N151,000 & above	32	32.32%
Total	99	100.00%

Source: Researcher's Field Survey

Co-operative Funding of Member's Business

From Table 2, all the respondents attested to the fact that they have received loans from their co-operative societies in the past. The highest frequency of time members have received loans is between 3 to 6 times where 58 respondents, representing nearly 60%, affirmed, while the least is only 8 (8.08%) affirming that they have received loans 11 times and above. Table 2 also showed that the highest of 44 respondents, representing about 45%, indicated that the value of their agricultural business before joining the co-operative society was between N10,000 to N50,000 while 11 (11.11%) indicated that the value of their business before joining was N151,000 and above. In contrast, the highest of frequency of 38, representing nearly 40%, indicated that the value of their business after joining the co-operative society was between N101,000 and N150,000, followed by 32 respondents (32.32%) indicating that their business value was N151,000 and above after joining. The lowest frequency of 14 (14.14%) respondents indicated that their business value was between N10,000 and N50,000 after joining their co-operative societies. Also a cursory look at the structure shows members' agricultural business increased in value because there was an increased number of respondents in the categories with higher value ranges. This tallies with the mean scores earlier got for each period, however, a statistical test will provide evidence of the apparent results.

Table 2.1: Mean Value of Members' Agricultural Business Before and After Joining Co-operative Society

	Mean	N	Std. Deviation	Std. Error Mean	Error
Pair 1 Value of Member's Agricultural business before joining the co-operative	73262.65	99	45265.45	4549.35	
Value of Member's Agricultural business after joining the co-operative	112661.62	99	41609.69	4181.93	

Source: SPSS ver. 20.0 Output window

Table 2.2: Result of T-test analysis on Effect of Joining Co-operative Society

		Pair 1
		Value of Member's Agricultural business before joining the co-operative - Value of Member's Agricultural business after joining the co-operative
Paired Differences	Mean	-39398.98990
	Std. Deviation	59783.79327
	Std. Error Mean	6008.49730
	95% Confidence Interval of the Difference	
	Lower	-51322.65724
	Upper	-27475.32256
T		-6.557
Df		98
Sig. (2-tailed)		.000

Source: SPSS ver. 20.0 Output window

Interpretation of results

From the above Table 2.2, the tabulated t-score is 6.557 and the p-value is 0.000. Because $t (= 6.557)$ is greater than two-tailed t critical of 1.289, and also, two-tailed p -value = 0.000 is less than the level of significance, $\alpha (=0.05)$, we therefore reject the null hypothesis; and summarise that there is significant difference in the Value of Members' Agricultural Business Before and After Joining their Co-operative Society. That is, the means are different in that business value increased after members joined their co-operative societies.

Table 3: Impact of Paid up Shares Capital, Thrift Savings, Special Deposits, And Loans Issued to Members on Net Worth

	Coefficients	Standard error	Beta	T-Statistics	Sig.	N
Constants	.031	.063		.492		
Shares	.046	.018	.328	2.499		99
Thrift and Savings	-.705	.222	-1.033	-3.177		99
Special Deposits	.001	.007	.006	.085		99
Loan Outstanding	1.599	.165	1.723	9.676		99
R-squared	.989					99
Adjusted R-squared	.987					99
S.E of regression	.00414					99
Sum of squared Resid.	0.27					99
F-Statistics	390.120					99
F- Probability	.000					99

Source: Authors Computation from spss

Dependent variable: Networkth

From the regression model summary table 3, multiple correlation coefficient (R) = 0. 0.995 indicates a strong positive linear relationship between the independent variables, and the dependent variable, net worth since it is close to 1. Coefficient of determination (R^2) of 0.989 shows that about 98.90% of the variations in the dependent variable, net worth, can be explained by variations in paid up shares capital, thrift savings, special deposits, and loans issued to members. This is a measure of the goodness of fit of the model and the high value of the figure (98.90%) indicates that this model is said to be a good fit. In testing these results for overall significance, we find that at numerator degree of freedom of 4 and denominator degree of freedom of 17, the critical (or tabulated) F value is 2.96. However, since, the computed F statistics of 390.120 is greater than the critical value F (= 2.96), and also the p-value for the F-statistics is (=0.000) and less than α (= 0.05), the researcher conclude that there is a significant relationship between the dependent variable, net worth, and the independent variables, paid up shares capital, thrift savings, special deposits, and loans issued to members of agricultural co-operatives in Rivers State.

Contributions of Individual Variables

Research needs to determine the significance and nature of the contribution of each of the independent variables. Table 3 shows that for 1 unit change that takes place in net worth, shares increases by 4.6%, yielding a significant p-value (= 0.023) which is less than α (= 0.05) leading to the conclusion that this variable, shares, is contributory. For 1 unit change that takes place in net worth, thrift savings decreases by 70.5%, yielding a significant p-value (= 0.006) which is less than α (= 0.05) leading to the conclusion that this variable is also contributory. For 1 unit change that takes place in net worth, special deposits increases by 0.1%, yielding a non-significant p-value (= 0.933) which is more than α (= 0.05) leading to the conclusion that this variable is not contributory. Finally, for 1 unit change that takes place in net worth, outstanding loans increases by 159.90%, yielding a significant p-value (= 0.000) which is less than α (= 0.05) leading to the conclusion that this variable is also contributory.

IV Conclusion

Based on the findings, it was concluded that cooperative funding has significant effect on the performance of Agricultural Cooperatives through improving the welfare and business of its members in Rivers State. The study recommended the following; Efforts should be further made for members to realise the importance of increased contributions to the funding of the cooperatives as a source of ensuring their businesses growth for individual as well as the groups business.

Governments and their agencies should seriously see cooperatives and their credit activities as a serious means of empowering the poor, boosting agricultural development and production in the country as well as growing the national output and economy generally.

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