

Farmers Cooperatives: Financing of Agricultural Cooperative Societies for Capacity Building in Anambra State, Nigeria

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Abstract

This study empirically examined the methods of financing of agricultural cooperative societies for capacity building in Anambra state. Two hypotheses were formulated to guide the investigation and the statistical test of parameter estimates was conducted using Friedman's 2 ways ANOVA. The study employed Survey Design in the data analysis. Primary data was used for the study and was obtained through questionnaire survey administered to the selected farmers' cooperative societies in Anambra State. The findings generally indicated that farmers' cooperative societies are variously involved in agricultural development and capacity building at 1% level of significance. Hence, the study recommends that government should create enabling environment for holding and managing the means for production in the process of developing under-privileged and disadvantaged areas. Also, the attitudes of government and the generality of the people must be changed positively towards cooperative development since it will be too difficult to achieve a meaningful balanced development without involving and stimulating the under-utilized rural resources which these cooperatives are trying to pool together to develop themselves

Keyword: *Farmers' Cooperative, Agricultural Cooperative, Capacity Building*

1.0 INTRODUCTION:

Financing is the management of money and the managerial activity that concerned with planning and controlling of finance. Finance is the raising and using of fund by individuals, firms, organizations, cooperatives, government e.t.c for the day to day running and management of their business activities (Mark, 2019). Farmers cooperative can be financed internally through share subscription by members, savings by member or individual member deposit, monthly dues, fines and penalty, from reserve or retained surplus generated by farmers cooperative business;

While external financing is through grant from government, short and long term loan from financial institutions, from trade credit offered by suppliers, government agricultural loan scheme, foreign aids. The essence of all these sources is that farmers' cooperative societies need them for growth/sustainability, production, marketing/distribution, investment and purchase of assets.

Agricultural finance empowers poor farmers to increase their wealth and food production to be able to feed 9 billion people by 2050; agricultural finance helps clients provide market-based safety nets, and fund long-term investments to support sustainable economic growth (World Bank, 2020). International Cooperative Alliance (ICA) (2010) in Nwankwo, Ogbodo and Ewuim (2016) defines cooperative as an autonomous association of persons unified voluntarily to meet their common economic, social and cultural needs through a jointly-owned and democratically controlled enterprise.

Farming and agriculture is where the cooperative business model is most widely utilized; because in agricultural sector, cooperatives together have an estimated 32 percent of the global market share. According to Bibby (2014), challenges faced by farmers or agricultural producers often include; remoteness and lack of access to information about food prices on national and international markets; access to high quality inputs and variable costs of buying seedlings and fertilizer; access to loans to buy these inputs; lack of transport and other infrastructure in rural areas. Agricultural cooperatives help farmers overcome these obstacles by offering their members a variety of services such as group purchasing and marketing, input shops for collective purchase, warehouse receipt systems for collective access to credit and market outlet. A cooperative is an autonomous association of women and men, who unite voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. (IYC, 2012)

Onugu and Abdulahi (2013) note the types of cooperatives linked to agriculture. They include: Thrift and credit cooperative societies, farm supply cooperatives, agricultural marketing cooperative societies, farmers multipurpose cooperative society, agricultural insurance cooperatives, women agricultural cooperative, cooperatives for water supply and control, cooperative for poultry, livestock breeding and related services, cooperatives for pasture improvement and management, cooperative in forestry and cooperative for fishery production.

Insufficient fund and low membership strength were found to be the major problems militating against financing of farmers cooperatives; this has consequently affected the productivity and income of member farmers in Nigeria, thus, affecting food production in the country. Researchers have attributed the gap between the demand and supply of food in the country to the fact that the agricultural production in Nigeria is dominated by small-scale farmers characterized by small, uneconomic and often fragmented holdings that make use of simple implements and unimproved planting materials for farming; Also low membership strength of most of the societies has eluded the farmers of the opportunity of polling enough resources together to enjoy the benefit of large scale production and other benefit accruable to members of cooperatives. Adefila (2012) added that the farmers are constrained by many problems including those of poor access to modern inputs, inadequate credit facilities, poor infrastructure, and inadequate access to markets, environmental degradation, and inadequate agricultural extension services. As a result

of these, the government and donor agencies have continued to intermedate in the agricultural sector in a bid to increase output performance through financing of cooperatives as a strategy to large- scale production, promote collective action to strengthen farmers' livelihoods by linking them to national and international market.

Despite all these mitigations, food deficit gap still persist, therefore, warranting an empirical probing to examine the methods of financing farmers cooperative societies for capacity building in Anambra State, Nigeria.

Objectives of the Study:

The main objective of this study is to examine the methods of financing of agricultural cooperative societies for capacity building in Anambra state. Specifically, the study intends to:

1. determine the socio-economic characteristics of farmers in terms of financing and membership strength in their society.
2. ascertain the farmers constraints of poor access to modern inputs, inadequate credit and inadequate agricultural extension services.

2.0 LITERATURE REVIEW

2.1 Farmers Cooperatives

Farmers' cooperatives have played far reaching roles in agricultural development (Adefila & Madaki, 2014). The cooperative movements among farmers are viewed to be instrumental to Agricultural transformation and boosting productivity in the sector. For some decades, cooperatives have been playing remarkable roles towards the growth and development of the national economy.

2.1.1 Benefits of Farmers Cooperatives

Anigbogu, Agbasi and Okoli, (2017), Agbo (1999) identified specific benefits accruable to farmers if they are members of cooperative societies as: get a strong bargaining power for loans and other services; a favourable atmosphere for a more effective government aid scheme; improved marketing opportunities for members; provision of services for members at highly reduced costs; mobilization of funds for farm business; improved dissemination of extension services through the group approach; self-reliance and motivation for members; increased access to improved skills, exchange of ideas and educational opportunities through adult education and literacy programmes; and creation of avenues for members democracy and assume collective responsibility.

2.1.2 Producer Cooperative Societies:

Producer cooperatives were formed to enhance the production of goods and services of various kinds. Indeed, the chief characteristic of producer cooperative society is its pronounced cooperative nexus. By this it means a strong functioning working relationship between the

cooperative complex and the members. There is a very strong working relationship between a productive society and its members. Nwankwo, Ogbodo and Ewuim (2016), Ijere (1986) classified producer cooperative in two: producer cooperatives for mutual work in the area of farming, livestock, fishing, forestry extraction (or mining), processing, industry, labour and handicrafts; and auxiliary cooperative for the marketing of product and the supply of professional goods, such as credit machinery, tools, input, storage, irrigation, accounting, insurance, technical guidance, etc.

2.1.3 Cooperatives: A Pillar for Agricultural Development and Food Security

Agriculture – farming, forestry, fisheries and livestock – is the main source of employment and income in rural areas, where most of the world’s poor and hungry people live. Agricultural cooperatives play an important role in supporting small agricultural producers and marginalized groups such as young people and women. They empower their members economically and socially and create sustainable rural employment through business models that are resilient to economic and environmental shocks.

Cooperatives offer small agricultural producers opportunities and a wide range of services, including improved access to markets, natural resources, information, communications, technologies, credit and training; thus contributing to poverty alleviation, food security and the eradication of hunger.

2.1.4 Hindrances to Cooperatives’ Sources of Finance

Many cooperators in Nigeria have quite often lamented the impediments on their ways as they try to raise funds for the operations of their cooperative societies. Experiences vary very much here, but there are a number of common problems. of course, cooperatives are subject to the same set of every day frustrations of all small and medium enterprises in Nigeria such as lack of collateral, poor accounting and record keeping, general lack of credit worthiness in the estimation of potential lenders, and high interest rate structures and so on. But cooperative societies are additionally affected by the peculiarities inherent in their nature and structure: the principles, laws and regulations guiding them.

- i. The rank and file of most cooperative societies in Nigeria are not knowledgeable enough to all explore the available opportunities that can expand their ability to borrow, extend credit and invest money;
- ii. Cooperative banks which are supposed to be most sympathetic to cooperatives’ yearnings for funds are regularly hijacked by non- cooperative interests and in most cases, their loans are more readily given to big business rather than to cooperatives;
- iii. In most cooperative societies, the amount of money that can be raised through issue of shares is too low as a direct consequence of low membership size and general poverty of the members;
- iv. Because the shares of cooperative societies are non-negotiable, the voluntary holding of multiple shares by members is discouraged thereby holding down the size of the share capital

v. Managers and leaders of cooperative societies in Nigeria have become too used to easy handouts from government to be innovative in their fund raising activities. Besides, they often are not able to conceive bankable projects.

vi. Finding ways to overcome these and other obstacles is a major challenge of the cooperative movement in Nigeria.

2.1.5 Solution to Cooperatives' Lack of Finance

Cooperative societies can do a number of things to extend its fund raising possibilities thereby cushioning the serious effect of lack of finance to run successfully. The practices to adopt can be categorised into internal, external and indirect mechanisms.

1. Internal Mechanism

These include overt accumulation strategies, covert accumulation strategies and amalgamation

➤ Overt Accumulation Strategies

The cooperative society could engage in several arrangements to extract additional contributions from its members apart from the usual provisions in the bye laws. However this should be made voluntary to avoid complications with the laws and principles of cooperation. For instance, wealthier members of the society could be permitted to hold multiple shares above the minimum shareholding with an explicit provision that the one man one vote principle is not affected. This will help infuse the much needed capital without compromising the democratic principle. Of course to be in accordance with Nigerian cooperative law, under such an arrangement, maximum shareholding for the multiple shareholders cannot exceed 20% of the society's total shareholding. In some Swedish dairy cooperatives holders of multiple shares are even permitted to vote in proportion to their shareholding (smith, 1961). It should be noted that for this action to have sustainable effect, the cooperative must at the same time increase the range of competitive profit making services it offers in which to deploy the extra capital arising from sale of multiple shares.

➤ Covert Accumulation Strategies

In many cooperatives, a lot of members are not interested so much in the specific procedures that management adapts so long as it is obvious that surpluses are declared regularly and progressively. It then gives room for management to try out methods of raising additional capital the technicalities of which members may not understand but would nevertheless sanction. This is only possible where there is trust between members and the management.

➤ **Amalgamation**

One of the problems plaguing Nigerian cooperatives is limited and uneconomic membership size which in turn reflects in low capital formation capabilities and ultimately in inability to invest in meaningful ventures.

2. External Mechanisms

The basic thing to do here it to diversify the cooperative's activities into ancillary interest areas other than those for which the cooperative was originally created. This can be done within the ambit of the law by exploiting the loophole in the cooperative society's law which provides for investment of cooperative funds in, among others, "any other mode approved by the board of the society" (kraenzle and volkin 1979).

In this connection, a cooperative society could invest in a subsidiary service or cooperative related company in which it has no direct control. Such companies are joint venture enterprises between the cooperative and private interests.

3. Indirect Mechanisms

Indirect mechanisms are ways an economic entity can create financial capital without necessarily handling money physically. They include the following;

➤ **Lease and Hire Purchase Financing**

Capital equipment could be secured by lease or hire purchase thereby minimizing the expense of immediate cash. Fortunately the range of items that one can obtain by this means has expanded rapidly in recent years in direct proportion to the increase in small businesses' financing problems.

➤ **Merchant/Suppliers' Credit/Out-Grower Schemes**

Traders, merchants and industry operators who are interested in any particular produce, be it agricultural or otherwise, are sometimes willing to finance the working capital of the producer cooperatives involved in order to encourage steady supply, maintain standards and to exclude other buyers.

2.2 Theoretical Framework:

The present study is anchored on the collective action theory. Marshall (1988) defined collective action as an action taken by a group (either directly or on its behalf through an organization) in pursuit of members' perceived shared interests. Members can contribute in various ways to achieve the shared goal: money, labour or in-kind contributions (food, wood).

The action can take place directly by members of a group, or on their behalf by a representative or even employee. The coordination can take place through a formal organization, through an informal organization, or, in some cases, through spontaneous action. Thus, an organization may

contribute to collective action, but the two concepts are not the same. In the context of natural resource management, the collective action of deciding on and observing rules for use or non-use of a resource can take place through common property regimes or by coordinating activities across individual farms. Three major tenets of collective action are that (1) It requires the involvement of a group of people; (2) it requires a shared interest within the group; and (3) it involves some kind of common action which works in pursuit of that shared interest.

2.3 Empirical Review

Adefila and Madaki (2014) assessed the farmers' cooperative roles in Agricultural development in Sabuwa local government area Katsina State, Nigeria. The primary data was collected with the aid of structured questionnaire as a major research instrument for the study. A purposive sampling technique was employed in the selection of 60 samples among registered farmers' cooperative members in the study area. Data was analysed by measures of central tendencies such as frequencies, mean, percentages and multiple regression techniques. The study revealed that income generation, duration of cooperative experience, type of agricultural activities and quality of leadership were found to be significantly correlated with the roles of the farmers' cooperatives in agricultural development at .05 alpha value while membership enrolment in terms of population size was found to have a weak correlation. Based on the findings, it was recommended among other things that agricultural policy makers and economic planners should take into cognizance the morale boosters for the cooperative organizations such as lowering interest rates on granting credit facilities, empowering the farmers' cooperatives to perform through legislative control and adopting cooperatives as an effective strategy towards socio-economic transformation of the less-privileged and disadvantaged lagging areas and by so doing, it will assist in fostering regional balance in our developmental efforts.

Similarly, Ofuoku and Urang (2009) assessed the effect of cohesion of farmer co-operatives societies on loan repayment among members in Delta State, Nigeria using Spearman's rank order correlation analysis. The study observed that there was almost perfect positive relationship between rates of loan repayment perception and cohesion. Consequently, they recommended that extension agents should take advantage of the effect of cohesion on loan repayment to promote cohesion in upcoming co-operative societies.

In evaluating agricultural credit utilization by cooperative farmers in Benue State, Nigeria, Okwoche Asogwa and Obinne (2001) observed a significant difference between the agricultural output and income of farmers' before and after the utilization of loan acquired. The t-test analysis shows that farmers joined the farmer co-operatives societies mainly to access credit. The study recommended that the farmers should be adequately motivated with needed credit facilities as this will further enhance agricultural production. However, little attention is drawn to the performance of farmers' cooperatives in agricultural development particularly in Sabuwa local government.

Ogbodo and Ochiaka (2020) examined the financing of cooperative societies and its effects on co-operative performance in South East Nigeria. Specifically, the study sought to: determine the sources of financing available to co-operatives and examine how finance impacts on co-operatives' performance in south east Nigeria. The study adopted descriptive research design.

The sample size of 176 was determined using Taro Yamane formula. The two hypotheses were tested using chi-square statistical tool. The instrument used in data collection was questionnaire. The study reveals that there are no various sources of financing available to co-operatives and there are no finance impacts on cooperatives' performance in south east, Nigeria. The study recommended that cooperative societies should improvise alternative sources, get funds so as to enable them make serious and positive impact on members should judiciously and prudently utilize the funds available to them; allocate funds to members on the bases of impacting goals so as to live up to its very essence since findings have shown that financing impact on co-operatives' performance.

Onugu And Abdulahi (2013), in a study titled the performance of agricultural cooperative societies under the national programme on food security in Enugu State, Nigeria appraise the performance of agricultural cooperative in the national food security programme. The study was carried out in Aniri local government area of Enugu State. The specific objectives of the study are to ascertain the socio-economic characteristics of farmers; identify the services available to farmers in the NPFS; determine the extent agricultural services are accessible in the NPFS, appraise the effect of using agricultural cooperative societies in the implementation of NPFS as well as examine the challenges. Data were obtained from both the ADP staff and cooperative farmers using a structured questionnaire. Simple percentage and statistical package for social sciences (SPSS version 17) was employed in analyzing the data and correlation analysis was used to pair the two variables (farmers and extension workers) and t-test was used to test the hypothesis. The study revealed that agricultural cooperative societies are effective means of accessing agricultural services under NPFS.

3.0 METHODOLOGY

This study was carried out in Anambra state. The state is in the south-eastern Nigeria. Its name is of the original "Oma Mbala", the native name of the Anambra River which is a tributary of the famous River Niger. The Capital and the Seat of Government is Awka. Onitsha and Nnewi are the biggest commercial and industrial cities. The state's theme is "Light of the Nation". The boundaries are formed by Delta State to the west, Imo State and Rivers State to the South, Enugu State to the East and Kogi State to the North. The indigenous ethnic groups in Anambra state are the Igbo (98% of population) and a small population of Igala (2% of the population) who live mainly in the north-western part of the state. Anambra is the eighth most populated state in the Federal Republic of Nigeria and the second most densely populated state in Nigeria after Lagos State. The stretch of more than 45 km between Oba and Amorka contains a cluster of numerous thickly populated villages and small towns giving the area an estimated average density of 1,500–2,000 persons per square kilometer.

This study adopts survey design in examining the methods of financing of agricultural cooperative societies for capacity building in Anambra state. A total of 100 copies of questionnaire were distributed to the selected agricultural cooperatives in Anambra state. 82 copies of the questionnaire were retrieved because some of the answers to the questionnaire were incomplete. Hence, the remaining valid 82 copies were used in the analysis of the study.

The questionnaire survey was designed where respondents were asked to assess the methods of financing agricultural cooperative societies for capacity building in Anambra state using Likert five point scale referred to as: (1) To a very high extent, (2) To a high extent, (3) Neutral, (4) To a very low extent and (5) To a low extent.

The Likert Five Point Scale was used to transform the data to scale measurement and the hypotheses were statistically tested using Friedman’s 2 Way ANOVA operated with SPSS Version 20 at 5% level of significance.

4.0 Results and Discussion

Friedman’s 2 ways ANOVA Statistical Test Tool was employed to test the linear relationship between the dependent and independent variables. It was operated using SPSS version 20 as shown in the table 4.1.1-4.1.2 below:

Table 4.1.1: Result on Socio-Economic Characteristics of Farmers in Terms of Financing and Membership Strength in the Society.

Hypothesis Test Summary				
	Null Hypothesis	Test	Sig.	Decision
1	The distributions of TVHE, THE, N TVLE and TLE are the same.	Related-Samples Friedman's Two-Way Analysis of Variance by Ranks	.001	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Source: SPSS Computational Result (2022).

Table 4.1.2: Result on Farmers Constraints of Poor Access to Modern Inputs, Inadequate Credit and Inadequate Agricultural Extension Services

Hypothesis Test Summary				
	Null Hypothesis	Test	Sig.	Decision
1	The distributions of TVHE, THE, N TVLE and TLE are the same.	Related-Samples Friedman's Two-Way Analysis of Variance by Ranks	.001	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Source: SPSS Computational Result (2022).

4.2: Discussion of Findings

The result of the analysis of the study using Friedman's 2 way ANOVA test tool operated with SPSS version 20 is expressed as follows:

H₀₁: Socio-Economic Characteristics of Farmers in Terms of Financing and Membership Strength in the Society. The study revealed that the majority (58.4%) of the farmers' cooperatives collected funds from credit facilities made available for farmers cooperative. In addition, (30.0%) and (8.3%) of the cooperative societies got their income from levies and dues respectively. Indeed, only (3.3%) of the income came from launching programmes. This implies that the farmers' cooperatives had little or no access to external financial resources in executing agricultural development activities. Also, the result shows a median difference on socio economic characteristics of farmers in terms of financing and membership strength in the society. Thus, the Friedman's test as shown on the table above shows a p-value of 0.001. This probability value is statistically significant at 1% level.

H₀₂: Farmers Constraints of Poor Access to Modern Inputs, Inadequate Credit and Inadequate Agricultural Extension Services. In view of the analysis as shown on Table 4.1.2, the result shows a median difference on farmers' constraints of poor access to modern inputs, inadequate credit and inadequate agricultural extension services. The Friedman's test as shown on the table above shows a p-value of 0.001. This probability value is statistically significant at 1% level.

5.1 Conclusion

The study has revealed that farmers' cooperative societies are variously involved in agricultural development. Moreover, certain factors are influencing their role performance which includes annual income, experience in farming, leadership training and membership size. In this regard, serious attempts ought to be made to address these issues at stake that are serving as impediments to the growth and development of the farmers' cooperatives. Also, constraints ranging from poor access to modern inputs, inadequate credit and inadequate agricultural extension services were also noted as a challenge for farmers cooperative. The appeal for the promotion of cooperatives at the grassroots and community levels should be seen as an instrumental strategy towards sustainable rural development now that government cannot be depended upon to meet individual numerous needs.

5.2: Recommendation

The study recommended that the attitudes of government and the generality of the people must be changed positively towards cooperative development since it will be too difficult to achieve a meaningful balanced development without involving and stimulating the under-utilized rural resources which these cooperatives are trying to pool together to develop themselves. The government should create enabling environment for holding and managing the means for production in the process of developing under-privileged and disadvantaged areas.

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