

COOPERATIVE SOCIETY AND CAPITAL FORMATION IN IDAH LOCAL GOVERNMENT AREA OF KOGI STATE, NIGERIA.

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ABSTRACT

The study was carried out on cooperative society and capital formation in Idah Local Government Area of Kogi State, Nigeria. The specific objectives are to: describe the socioeconomic characteristics of the respondents; assess ways of capital formation in cooperative society; identify the constraints militating against cooperative capital formation. The primary data used for the study were collected from 120 cooperative society members, eight (8) active members were randomly selected from 15 registered cooperative groups within the study area. Data collected were analysed using simple descriptive statistics such as average (mean) frequency and percentage and mean scores. The findings show that 81% of the respondents were in the age bracket of 21-50years. The mean (average) age of the respondent was 45years. About 54.00% of the sampled respondents were married with average family (household) size of 9 persons. Members contribution accounted for 50.21% and retained earnings of 39.30% were the major sources of capital formation in cooperative society. Cooperative members in the area were constrained with insufficient capital ($M=2.36$) and high level of embezzlement ($M=2.27$). The study therefore recommends that, cooperative members be encouraged to increase the capital base of membership through contribution and access loans from financial institutions. Also, members should be diligent in the choice of their leader to avoid embezzlement.

Key words: cooperative members, cooperative society, capital formation.

INTRODUCTION

The nature and role of capital in cooperative has been of interest ever since modern cooperatives were first established. The difference between cooperatives and other forms of business organisation is that, cooperative is member user owned capital while other businesses are investor owned firms.

Cooperative society mobilizes capital primarily through retained earnings and through member's purchase of shares. Birchall (2004), viewed cooperative society as an autonomous association of persons united voluntarily to meet their common economic, socio-cultural needs and aspiration through jointly owned and democratically controlled enterprise. From the definition above, some salient features of a true cooperative are presented thus: that a cooperative is an "association of persons". This

clearly distinguishes cooperative from joint stock companies that mobilize capital. In cooperatives, members associate as persons/human beings in primary cooperative societies and as registered cooperative societies in secondary and tertiary cooperative societies; in cooperatives persons are united voluntarily; the idea of compulsion is alien to cooperatives (Amaje, 2015). There is freedom of entry or exit making cooperative membership and shares to be variable in size due to fluctuation in size occasioned by the entry or exit of members. The central reason for cooperating is to enable people with similar felt needs and aspirations to come together to meet these needs and aspirations. Cooperative therefore are member-controlled and member-directed.

There are different types of cooperatives, these include thrift and credit cooperatives, input supply cooperatives, artisanal cooperatives, and so on. The cooperative is an autonomous business organization. This pre-supposes that as far as possible outside patrons should not control the activities of cooperative.

Capital formation in cooperative is regarded as a means of increasing member participation and control (COPAC, 1995). Consequently, cooperative capital has a qualitative dimension which is based on the proposition that different types and sources of capital have different degree of what might be called "cooperative power" (Von Pischke, 1993; Amaje, 2015). Some types and sources of funds do a better job of promoting cooperation and empowering cooperative societies to achieve the mix of ideas, democratic processes and commercial performance that constitute the promise of cooperation and which create the epic of member-controlled self-help activities.

When a cooperative needs more capital for the purposes of operation, for example it can appeal to non-member investors or creditors for loans or investment shares. This non-member equity can take various forms like loans and grants from government and non-governmental organization. Example of cooperative societies in Idah Local Government Area of Kogi State are Ujogha consumer cooperative society and Alluche cooperative farming society among others which work as self-help as well as mutual help. Some of the activities of Ujogha consumer cooperative society are: each member has to contribute a fixed amount on a given day; the total of

the contribution is handed over to one member. The cycle ends when every member has received his turn. Another activity is like that of rotating savings and credit society where part of the contributions is saved to build up a contingency fund. The contingency fund is placed in the custody of a trusted member, in most cases the contingency fund when fully built could be used to start a credit scheme for the members.

Savings scheme known as Ojah contribution by members in the study area are kept safe under the custody of a member who usually is the leader of the cooperative group. At the end of a fixed cycle each member receives the total of his/her contribution which serves as a credit facility for the individual member to carry out his or her project. They also use part of the contribution to build up a fund and loans to members and non-members. All loans are expected to be repaid before the end of the year to enable members take back their total savings and interest.

The Alluche cooperative Farming society also function as self-help, the group agrees from inception that the savings raised each month shall be invested in the purchase of farming inputs such as fertilizers, insecticides, herbicides, seeds, farming tools and also hiring of tractor to reduce the tedium that accompanies manual farm operations and to increase the area of land under cultivation. Total savings each month is used to buy the agreed items which is handed over to a member in turn, until every member gets that item after which the cycle is terminated and a new one begins. Apart from the raising of fund for their members, the Alluche farming cooperative could also help in raising human capital to help a member on the farm by fixing a day whereby the group will visit a member's farm and work on it.

Equity capital is the internal sources provided by the members who invest in the cooperative to get needed services. It is also referred to as own-capital, members share, patent capital, members fund, networth or risk capital. Equity capital includes initial capital investment (membership fee or share, common stock) and capital obtained through operation. For example, patronage refunds. Debt capital means funds from external sources including non-member investors and the investing public who may invest capital in the cooperative to earn dividends and loans from such lending agencies as a cooperative bank or a commercial bank. They are therefore non-member investors or creditors. In most cases, a successful cooperative adapts a judicious mix of equity and debt capital which will make it possible for the cooperative to meet its present goals and objectives and those that might be anticipated (Mc Bride,2006). Yet in pursuing the initial capital for a newly organized cooperative, share capital from the members are considered as the most important financial sources for starting its operations.

Moreover, some studies show that cooperative raise new capital mainly in the form of short term borrowing. Cooperative society may have difficulty

borrowing long-term loan due to the fact that commercial banks are uncomfortable with "unorthodox" ownership structure and the dynamic nature of cooperative equity associated with various retention and redemption plans (Cobia and Brewer, 1998; Ukpere, 2010).

Reserve fund is another way of raising capital for cooperative. It is a necessary counterbalance to the variable share capital which is linked to the variable nature of cooperative membership. Every registered cooperative society is required by the cooperative Act to make laws determining that reserve funds should be created, how the reserve funds would be used, what part of annual surplus would be allocated to the reserve funds and the ceiling of such reserve funds.

It is however important to caution that the reserve fund as a source of finance for the cooperative enterprise shall only be possible and significant after the cooperative has been working successfully for a certain period of time and must have made some surplus which would be a precondition for building up reserves (Agbo, 2010).

Like other economic enterprises, cooperatives need adequate financial resources for their operations and investments (Ijere, 1997). Cooperative capital has not been substantially felt among members of Idah Local Government Area of Kogi State due to the competing needs for capital by members and inadequate attention and support. Members are mostly illiterates and may not be able to keep adequate and accurate records; dishonesty in terms of failure to contribute to the cooperative after collecting one's own share of contribution or failure to turn up at the other people's farm after using the work group is a recurring problem. The limited ability to raise capital within the members' base as a result of the above listed problems in the study area has led to the ineffective utilization and development of the resources of cooperative society. Based on these development, the following questions become pertinent.

1. What are the socioeconomic characteristics of the respondents in the study area?
2. What are the ways of capital formation in the cooperative society?
3. What are the constraints militating against capital formation in cooperative society in the study area?

Objectives of the study

The broad objective of the study is to assess cooperative society and capital formation in Idah Local Government Area of Kogi State, Nigeria. The specific objectives are to:

1. describe the socioeconomic characteristics of the respondents in the study area.
2. assess ways of capital formation in cooperative society.
3. identify and describe constraints militating against capital formation of cooperative society in the study area.

METHODOLOGY

The study area.

Idah Local Government Area (L.G.A) of Kogi State is chosen for the study. Idah L.G.A of Kogi state is predominantly an agricultural area where about 80 percent of the working population are engaged in farming activities. The L.G.A shares boundaries with Ofu L.G.A to the North, Igalamela/Odolu L.G.A to the East, Ibaji L.G.A to the South and the River Niger which separates it from Edo State to the West.

It has a population of 79,815 inhabitants (National Population Commission, NPC, 2007). It has a land-mass of 39.79 Square Kilometres (39.79Km²). It is situated in the rain forest belt. The vegetation has greatly been modified by human activities. The area is covered with deciduous forest. The trees are green during the rainy season with fresh leaves and tall grasses which wither during dry season. The trees grow in clusters and are up to six metres or more in height interspersed with grasses which grow up to about three metres. Trees found in the area include palm trees, Iroko, Mahogany, Akeeapple, Shea-butter and so on. Tree crops grown in the area include locust bean, mango, orange (*Citrus* spp), oil palm, isoberlinia tree, guava, etc.

The L.G.A is located between latitudes 6^o45'N and 7^o48' North and longitudes 6^o32' E and 8^o03' East. There are two seasons in idah L.G.A – Wet (rainy) and dry seasons. Rainfall usually commences in April to early November. The average annual rainfall is between 1,100mm and 1,300mm and temperature between 30^oc and 32^oc. The dry season usually starts in late November which is followed by harmattan and its winds that continues to early March. The hottest part of the dry season normally falls in late part of February down to the arrival of the rains in April.

Semi-subsistence farming dominates the economic activities of the people in the L.G.A. The soil is fertile and supports variety of crops such as yam, cassava, maize, rice, sweet potatoes, beans, soyabeans, millet, sorghum(guinea corn), benin seeds, pepper, okra, eggplant (garden egg), groundnut e.t.c.; livestock reared in the local government area include cattle, sheep, goat and poultry. Crop such as yam , rice ,maize, are produced in commercial quantity and are sold to the neighbouring states of Edo , Anambra , Enugu and beyond. Other economic activities carried out by the people include fishing , trading in merchandize e.t.c.

The local government has ten wards. The people are predominately Igalas and speak Igala language .other ethnic groups (nationalities) found in the area are Nupe , Ibo(Igbo), Hausa , Yoruba , Ebira , Tiv and Idoma.

Sampling Procedure

A multi-stage random sampling procedure was used for the study. Three district in the study area Ega, Idah Native town and Edeke were used. Five registered

cooperative societies from each district were randomly selected. This gives a total of fifteen (15) registered cooperative societies; eight active members were randomly selected from each cooperative society. This gives a total of 120 respondents which was the sample used for the study

Method of Data Collection

Primary sources of data were collected through the use of structured questionnaire and oral interviews. Five registered cooperative societies in each of the districts were randomly selected to gather information from members of the society in the study area. One hundred and twenty (120) sets of questionnaire were administered on the respondents. Information sought and obtained were information on socio-economic characteristics of the respondents such as age, sex, marital status, level of Education, farm size, household size and occupation. Information was also sought and collected on the cooperative capital, ways of raising capital and constraints.

Analytical Techniques

Descriptive statistics: such frequency and percentage were used to achieve objective I and mean score analysis to achieve objectives II and III.

Mean score analysis: A three point's likert scale was used to analyse the problems militating against capital formation in cooperative society in the study area. The problems were rated in the following order: 3 very serious, 2 serious and 1 not serious respectively.

The mean score model is specified as follows:

$$\text{Mean Score, } M = \frac{\sum f_i (A_i)}{N}$$

Where f_i = Frequency of the respondents

A_i = Value assigned to each rating rule

N = Sample size

\sum = Summation sign

Decision rule: $3 + 2 + 1 / 3 = 2$. Any constraints with a mean score of 2.0 and above was considered as serious and less than 2.0 as not serious.

RESULTS AND DISCUSSION

Socio-economic variables considered for the study include age, sex, marital status, family (Household) size, educational status, farm size and major occupation.

Distribution of Respondents According to Age

Table 1 shows that majority of the cooperative members (81.7%) are within the ages of 20-50 years. The rest are either between 51 to 60years (12.5%) or above 60years (5.8%). This implies that cooperative members in the study area are in the active and productive age with the required energy to carry out agricultural activities. Although there is no age limit in the membership of agricultural cooperative societies, agricultural activities are generally strenuous. This finding agrees with Ibitoye, (2012) who reported that about 77percent of cooperative members in Kogi State are within the age bracket of

25-50years. Pur et al; (2013) also found that most of the cooperative members in Yobe State were strong and able-bodied people who could provide the labour required for agricultural production and other economic activities.

Distribution of Respondents According to Sex

Table 1 shows that 51.70% of the sample respondents were males while the remaining 48.30% were females. The high percentage of female members could be due to the fact that cooperative membership is free from gender, political and religious considerations.

Distribution of Respondents According to Marital Status

The marital status of the respondents shows that 54.20% of the sampled cooperative members were married. About 22.50% were single 23.30% were either divorced or are widowed. This shows that marriage gives people composure to belong to the cooperative society.

Distribution of Respondent According to Household (family) Size

Table 1 showed that household (Family) size of most of the respondents ranged from 6-10 members (persons) 45.80%. This was closely followed by household size of 1-5 persons (38.30%). About 4.20% had a family (Household) size of 15 persons and above. This shows that by Africa standard the concentration of the household size is moderate. The mean (average) household size for the study was 9 persons. The average household size recorded for this study was found to be less than the average of 13 persons recorded by Kurimoto (2002) for the entire Northern region. This may be as a result of the education received by cooperative members on family planning.

Distribution of Respondents According to Educational Status

The educational status of the respondents showed that majority (93.30%) of the sampled cooperative members could read and write while the remaining 6.7% had no formal education. The level of education among the respondents is generally high when compared with the Eastern and Northern regions which recorded only 38% and 28% respectively (Audu, Ibitoye and Umar, 2010). The relatively high level of education could encourage acceptance of

innovations as a way of raising farm productivity and income. This study is in contrast with Jungur (2011) who reported low literacy level among cooperative members in Adamawa state, Nigeria.

Distribution of Respondents According to Farm Size

Table 1 shows that farm size of the majority of the respondents (74.20%) had farm size of 1-2 hectares, 14.2% had less than one(1) hectare of farm size while the remaining 11.6% had above 2 hectares. This result agrees with Ibitoye (2012) who reported an average farm size of 2 hectares among cooperative members in Kogi state.

Distribution of Respondents According to Occupation

The study showed that only 25.8% of the sampled respondents are full time farmers while the rest 74.2 percent of them took farming as subsidiary occupation with 40.90% as artisans, 30 percent as civil servants and 3.3% as petty traders respectively. This high percentage of civil servants can be attributed to the high level of literacy in the study area. Also, the high proportion of artisans which are majorly composed of fishermen is attributed to the fact that the study was carried out in the riverine area.

Table 1: Distribution of Respondents According to socio-economic characteristics

Distribution of Respondents According to Age (years)

Age (years)	Frequency	Percentage	Mean/Mode
Less than 20	01	0.80	
21 – 30	30	25.80	
31 – 40	38	31.70	
41 – 50	29	24.20	
51 – 60	15	12.50	45 years
61 and above	07	5.80	
Total	120	100.00	

Distribution of Respondents According to Sex

Male	62	51.70	
Female	58	48.30	Male
Total	120	100.00	
Distribution of Respondents According to Marital Status			
Single	27	22.50	
Married	65	54.20	
Divorced	10	8.30	
Widowed	18	15.00	Married
Total	120	100.00	
Distribution of Respondents According to Family (Household) Size			
1 – 5	46	38.30	
6 – 10	55	45.80	
11 – 15	14	11.70	9 persons
16 and above	05	4.20	
Total	120	100.00	
Distribution of Respondents According to Level of Education			
Non-formal Education	08	6.70	
Primary Education	36	30.00	
Secondary Education	37	30.80	Tertiary
Tertiary Education	39	32.50	
Total	120	100.00	
Distribution of Respondents According to Farm Size (Hectares)			
Less than 1	17	14.20	
1 – 2	89	74.20	
Above 2	14	11.60	2 hectares
Total	120	100.00	
Distribution of Respondents According to Occupation			
Farming	31	25.80	
Artisan	49	40.90	artisan
Civil service	36	30.00	
Petty trading	04	3.30	
Total	120	100.00	

Source: Field survey, 2014

Capital Formation In Cooperative Society

The various ways in which cooperative society in the study area raise capital is presented in Table 2. The result shows that 50.21% of the capital raised in cooperative society is through members' contribution. About 39.33 percent of its capital formation is through

retained earnings while 13.30% and 7.50 percent of the capital raised are through loans from government and grants from Non-governmental organizations (NGOs) respectively by the cooperative societies in the area. The result is presented in Table 2 below:

TABLE 2: Capital Formation in Cooperative Society

Capital Formation	Frequency	Percentage
Members' contribution	120	50.21
Retained Earnings	94	39.33
Loan from Government	16	13.30
Grant from Non-governmental Organization	09	7.50
Total	239	100.00

Source: Field survey, 2014

The high percentage of member's contribution as a way of capital formation in cooperative society in the study area is not surprising as one of the principles of cooperative society is members' economic participation where members are expected to contribute equitably to and democratically control the capital of their cooperative. At least part of their capital is usually the common property of the cooperative society. They usually receive limited

compensation if any on capital subscribed as conditions for membership.

Constraints Militating Against Capital Formation in Cooperative Society

The major constraints militating against capital formation in cooperative society as identified by the sampled respondents in the study area is presented in table 3 below.

Table 3: Distribution of Respondents According to Constraints Militating Against Capital Formation in Cooperative Society

Items	Frequency			Total	Sum of scores	Mean Score
	VS(3)	S(2)	NS(1)			
Insufficient Capital	64	35	21	120	283	2.36*
High level of Embezzlement	57	38	25	120	272	2.27*
Inadequate attention & Support by Members	46	36	38	120	248	2.07*
Inadequate loanable funds	39	48	3	120	246	2.05*
Weak Management	35	44	41	120	234	1.95
Illiteracy	26	28	66	120	200	1.67

Source: Field survey, 2014

*= Major constraints

The major constraints identified by the respondents in Table 3 above include: insufficient capital with the mean score of 2.36; high level of embezzlement with the measure of 2.27. Illiteracy has a mean score of 1.67 indicating that it is not a problem or constraint in cooperative society. The findings agree with Ibitoye (2012) who reported that the most serious problems militating against cooperative society in Kogi State are inadequate capital accumulation (96%), government interference (86%) and inadequate loanable funds.

Conclusion

The study was carried out on cooperative society and capital formation in Idah Local Government Area of Kogi State, Nigeria. Cooperative members who are financially active have benefited from cooperative society. From the study, it is evident that cooperative society raises most of their capital through members' contribution and retained earnings. The inadequate capital base of the cooperative societies in the area calls for urgent attention by government. The continued existence and operation of cooperative societies is imperative if we must make meaningful progress both individuals and government should support the growth of cooperative societies.

Recommendations

Based on the findings, the following recommendations are made:

1. Inadequate capital being a major constraint, cooperative societies in the area should be encouraged in the aspect of increased supply of credit to the cooperative societies by financial institutions. Individual co-operators should be encouraged to increase their share contribution to the cooperative.
2. In order that embezzlement of cooperative funds may be avoided, members should be diligent in the choice of their leaders. Also, there should be constant monitoring and evaluation of registered cooperative societies by the government and other relevant agencies.

3. Members interest and support can be increased through cooperative education, training and public enlightenment in order to bring about participation and involvement of small scale farmers in the cooperative movement.

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