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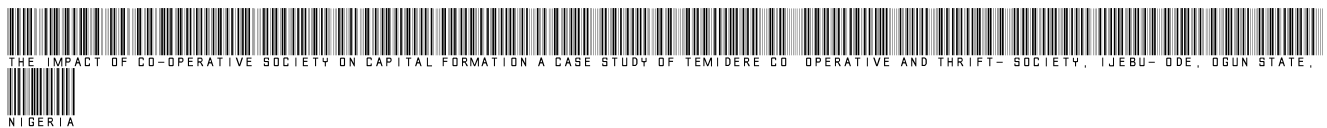
## The Impact of Co-Operative Society on Capital Formation (A Case Study of Temidere Co - Operative and Thrift- Society, Ijebu- Ode, Ogun State, Nigeria)

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# The Impact of Co-Operative Society on Capital Formation (A Case Study of Temidere Co – Operative and Thrift- Society, Ijebu- Ode, Ogun State, Nigeria)

Kareem, R.O<sup>α</sup>, Arigbabu, Y.D<sup>σ</sup>, Akintaro, J.A<sup>ρ</sup> & Badmus, M.A<sup>ω</sup>

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The study revealed that majority of the respondents are males, still in their active age and married, majority have children ranging from 1-3, practice Islam, fairly educated and majority of the respondents are self employed in their various businesses and they are mostly in the management position of their businesses. The results also show that the total amount deposited enhances the capital available to cooperators, majority of the loan collected by the co-operators ranges from ₦20,000 - ₦100,000. Also, the major way by which co-operative societies increase co-operators capital formation is by granting credit services and the problem mostly faced by co-operative societies is the problem of capital

It was concluded that co-operative societies have effect on member's welfare and the role of co-operative societies in poverty reduction and capital formation cannot be overemphasized in the development process of any country particularly Nigeria. The research therefore recommended that the government should assist co-operative societies to improve their capital base through substantial allocation of money to the co-operative societies like the other sectors of the economy.

**Keywords** : cooperative societies, capital formation, descriptive statistics, correlation analysis.

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## I. BACKGROUND TO THE STUDY

Nigerian economy has a lot of potentials for growth and development. The abundant and natural resources of the country remain largely unexplored. These have to be harnessed to the fullest for the general well-being of Nigeria in the world economy. Perhaps, one important way to the realization of this goal is through the encouragement of cooperative movement. (Ayanwu *et al*, 1996).

Cooperatives are defined as “an autonomous association of persons who unite voluntarily to meet their common economic and social needs and aspiration through a jointly owned and democratically controlled enterprise (IC1A, 1995). Cooperatives are established by like-minded persons to pursue mutually beneficial economic interest. Researchers are of the opinion that under normal circumstance Cooperative play significant role in the provision of services that enhance agricultural development. Regular and optimal performance of these roles will accelerate the transformation of agriculture and rural economic development. Ijere (1981), further explains that, it is the cooperative that embraces all type of farmers and a well organized and supportive Cooperative is a pillar of strength for agriculture in Nigeria.

Capital formation can be defined as the transfer of savings from households and governments to the business sector, resulting in increased output and economic expansion (Wikipedia).

The growing need for credit and access to the basic necessities of life and articles of trade led to the formation of most of the co-operative societies. A co-operative societies formed when at least two persons who have common problems joined together to solve such problem collectively ( Akanni, 1986).

Co-operatives vary in meaning for different purposes and with the profession of the people. However a co-operative is a voluntary association of people, engaging in a democratically controlled business organization, operating at cost which is

owned, capitalized and controlled by member patrons as users, sharing risks and benefits in proportion to their participation to achieve a common economic goal. Therefore, a co-operative can be defined as a business, voluntarily organized, operating at cost which is owned, capitalized and controlled by member patrons as users, sharing risks and benefits proportional to their participation ( Akanni, 1986).

Co-operatives are defined by the International Cooperative Alliance's Statement on the Cooperative Identity as autonomous associations of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through jointly owned and democratically controlled enterprises.

A co operative, according to Shaar (1989) in farmer co-operative. What they are and what they are not, is a business voluntarily controlled and owned by the member patrons and operated for them on a non-profit or cost basis.

Barko (1985) views co-operative as a voluntary association of man and woman, organized to solve the socio-economic felt needs of members, called co-operators. Member owner often capitalize, finance, supervise, control and direct the policy of the organization. In this regard, members usually pool their resources together for their socio-economic interest.

Co-operative is a voluntary organization of persons with common interests formal and operated along democratic lines, for the purpose of supplying goods and services at affordable cost to us members who contribute both capital, time, and energy to the co-operatives (Olajide, 1992).

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

The United Nation Research in Social Development (1999) said that co-operative societies are all organizations legally organized as such, which are subject to organized supervisions which claim to follow co-operative principles.

The International Labour Organization (ILO) has provided what is regarded as an internationally accepted definition of co-operative.

It is an established fact that many household in the country today, live below the poverty line, in fact, investigation has shown that the highest percentage of Nigeria's workforce work in the public sector and earn their monthly salary of below one dollar per day (Godwin, 2011).

The rural community, whose main occupation is agriculture, produces the food consumed in the country, but which is hardly sufficient to feed the people, because farmers still use crude farming implements to till the land. The federal government, in a bid to fight the menace of poverty therefore, has set up some agencies essentially to provide financial assistance particularly to youths and women involved in small scale businesses. So recently, Cooperate Societies, a concept that was given birth from the traditional thrift collection, began to spread like wild fire in virtually every part of Nigeria. There is hardly any workplace in Nigeria today particularly government establishments, where a cooperative society is not operational. It's quite effective because transactions of money are carried out in conjunction with employers of labour on behalf of their staff. For example, staff's savings into the co-operatives are deducted at source and repayment of loans is done through deductions from staff salaries as requested by the operators of the societies (Godwin 2011).

In the same vein, there are co-operative societies that have been set up by private initiative, i.e. group of people seeking a common economic goal and hoping in the long run to improve their economic status. These people-oriented cooperate societies, have capital base in some cases running into millions of Naira which they use to execute multipurpose projects that are commercially viable for the benefit of members. Due also to the multipurpose nature of these societies, they are engaged in selling of shares, purchase of agro-allied products, estate and in addition to members savings. For a co-operative society to operate in Nigeria, it is mandatory for the applicants to register with the Ministry of Commerce both at the state and federal government level and/or with the Corporate Affairs Commission, before the law of the land can back them in their activities (Godwin 2011).

After completing the registration formalities, a certificate of incorporation is issued to the society as well as bye-law which guide the society to draft its constitution. Having fulfilled these guidelines, people can then be registered to form the membership of the society. Subsequently, any surpluses arising from business carried out with members' funds, will be shared accordingly to all shareholders of the society (Godwin 2011).

Going by the experience of some countries that tried these co-operatives like Malaysia and Bangladesh in Asia, it will not be long before the economic indices of the country will begin to leap higher. In recognition of his developmental work translated in grassroots social and economic changes, the world has named Muhammed Yunus; fondly called the father of micro credit, and Grameen Bank as the winners of 2006 Nobel Peace Prize (Godwin 2011).

With the proliferation of cooperative societies in Nigeria today and the concept of self employment

ground, youths will now be empowered and dependency no doubt be on the decline. Even banks and financial institutions are approaching these co-operatives societies to lodge their savings with promises of attractive interest rates (Godwin 2011).

Ever since people have come together to do business as a co-operative; these have been driven by political and ethical values. It is for this reason that co-operatives are often described as values-led businesses (Godwin 2011).

Co-operative enterprise has been described as people-oriented sustainable development. Underlying this idea are some basic philosophical concepts.

- Fundamental respect for human beings and a belief in their capacity to improve themselves through mutual self-help.
- That democratic producers applied to economic activities are feasible, desirable, and efficient.
- That democratically controlled business make a contribution to the common good (Owojuyigbe 1998).

From the foregoing it can be seen clearly that, the concepts of co-operatives contain the following ingredients:

- A duly registered association of persons.
- With a common bond interest.
- Members voluntarily join together to achieve a lawful common social and economic end.
- For a fair share of risks and benefit.
- In accordance with accepted co-operative principle (Owojuyigbe 1998).

#### a) *Statement of Research Problem*

The co-operative societies are formed with the idea of mutual co-operation. Every co-operative society is formed to render service to its members rather than to earn profit.

Generally it is seen that co-operative societies do not function efficiently due to lack of managerial talent. The members or their elected representative are not experienced enough to manage the society. (i.e 'again,') because of limited capital they are not able to get the benefits of professional management.

The gains to the Nigerian economy during the pre-oil era were largely due to positive effects arising from general acceptance by the people of cooperative movements. Unfortunately, those attractions no longer exist today as they have been eroded away with the petroleum becoming the dominant commodity and the mainstay of the economy.

Despite these numerous benefits of the cooperative societies, many cooperators seem not to gain or reap substantially from being membership of various co-operative societies in terms of capital

formation and the improvement of their welfare status. The questions now are: what are socio-economic characteristics of these cooperators, to what extent have the cooperators benefited from joining a co-operative society, what are problems confronting the members in achieving the stated objective of the cooperative society?

#### b) *Objectives of the study*

The broad objective of this study to assess the impact of co-operative societies in the enhancement of capital formation of members in Nigeria. Specific objectives are to:

- i. identify the socio-economic characteristics of the cooperators in the study area;
- ii. identify the uses of funds of co-operative societies;
- iii. determine to what extent co-operatives have benefited members in financing their investments;
- iv. identify problems militating against the effectiveness of co-operative societies; and
- v. offer suggestions and recommendations on how to improve the cooperative societies towards enhancing the capital formation of members.

#### c) *Research hypothesis*

$H_0$ : co-operative societies have no effect on member's welfare.

$H_1$ : Co-operative societies have effect on member's welfare.

#### d) *Significance of the study*

It is becoming very apparent that people still find it difficult or almost impossible to raise capital for their respective business transactions. This analysis would have at the end made a critical analysis of the various methods of raising capital with particular reference to co-operative society with the main intention of highlighting the prospect and trends of co-operative societies in Nigeria as it affect capital formation. It is hoped that the result or findings from this study will contribute to knowledge in the area of capital formation as well as a contribution to policy framework with respect to cooperative society in Nigeria.

## II. LITERATURE REVIEW

#### a) *Historical development of co-operative societies*

Co operation as a form of individual and societal behaviour is intrinsic to human organization. The history of modern co-operative forms of organizing dates back to the agricultural and industrial revolution of the 18<sup>th</sup> and 19<sup>th</sup> centuries. The status of which was the 'first co-operative' is under some dispute, but various milestones in the history may be identified.

In 1761, the Fenwick weavers' society was formed in Fenwick, East Ayrshire, and Scotland to sell discounted oatmeal to local workers. Its services expanded to include assistance with savings and loans,



emigration and education. In 1810, Welsh social reformer Robert Owen, from Newtown in mid-Wales, and his partners purchased New Lanark mill from Owen's father-in-law and proceeded to introduce better labour standards including discounted retail shops where profits were passed on to the employees. Owen left New Lanark to pursue other forms of co-operative organization and develop co-op ideas through writing and lecture. Co-operative communities were set up in Glasgow, Indiana and Hampshire, although ultimately unsuccessful. In 1828, William King set up a newspaper, *The Cooperator*, to promote Owen's thinking, having already set up co-operative store in Brighton.

The Rochdale society of equitable pioneers in 1844, is usually considered the first co-operative enterprise, used as a model for modern co-operative societies, following the 'Rochdale principles'. A group of 28 weavers and other artisans in Rochdale, England set up the society to open their own store selling food items they could not otherwise afford. Within ten years there were over 1,000 co-operative societies in the United Kingdom.

In 1844, co-operators in Rochdale realized a more productive, sustainable way of running a retail co-operative for the benefit of its members and the local community. Like other co-operatives, they were formed to meet the needs of members, in this case, the need for unadulterated, wholesome food, sold in honest weights. In addition, they put in place a set of values and principles to guide their activities, and the Rochdale Equitable Pioneers Society went from strength to strength. Very quickly, other existing societies adopted the Rochdale principles and new co-ops set up in the same manner. The Derby Co-operative Society was registered in 1854 and was one of the earliest in the Midlands.

The Rochdale Principles are a set of ideals for the operation of cooperatives. They were first set out by the Rochdale Society of Equitable Pioneers in Rochdale, England, in 1844, and have formed the basis for the principles on which co-operatives around the world operate to this day. The implications of the Rochdale Principles are a focus of study in co-operative economics. The original Rochdale Principles were officially adopted by the International Co-operative Alliance (ICA) in 1937 as the Rochdale Principles of Co-operation. Updated versions of the principles were adopted by the ICA in 1966 as the Co-operative Principles and in 1995 as part of the Statement on the Co-operative Identity.

Other events such as the founding of a friendly society by the Tolpuddle Martyrs in 1832 were key occasions in the creation of organized labour and consumer movements.

The introduction of modern cooperative business into Nigeria dates back to the year 1935

following the acceptance, by the Colonial Administration, of Mr. C.F. Strickland's Report on the prospects of cooperatives in Nigeria. After seventy-four years of operation, the cooperative movement in Nigeria can boast of a membership of more than five million persons distributed in more than thirty-six thousand cooperative societies. Unfortunately, cooperative businesses in Nigeria are still contending with problems that have hampered their development. One such problem is the lack of access to investment credit.

From the report of the workshop held on 10<sup>th</sup>-11<sup>th</sup> November 2008 during the 8th International Cooperative Alliance (ICA) Africa regional assembly at the international conference centre, Abuja. Mr. Tom Tar – The Executive secretary of cooperative Federation of Nigeria, in his introduction of the movement in Nigeria, said the cooperative Federation of (CFN) was formed in 1945 and registered in 1967.

In Nigeria it would be recalled that towards the end of the First World War (1914-1918). Some European living in Lagos colony and in parts of western Nigeria organized a kind of consumer society to take care of their own needs.

He traced the background of cooperatives in Nigeria to the traditional savings and loans system. He added that following that agitation by the Agege cocoa planters union in 1907, the study for establishment of formal cooperation was commissioned in 1934. This was followed by the enactment of cooperative in 1935. The early move was in agriculture and later shifted to marketing following the shift in the Nigerian economy from agriculture to crude oil. He gave the scope of cooperative activities in Nigeria as covering: On population, he said there are about 5million family members covering 20 million households. Total number of registered cooperative societies is about 50,000.

#### b) *Basic principles of co-operative societies*

Cooperatives worldwide generally operate using the same principles as adopted in 1995 by the Intern Cooperative Alliance. The principles are part of a cooperative statement of identity, which also includes the definition of a cooperative and a list of cooperative values.

- A. Voluntary and Open Membership: Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
- B. Democratic Member Control: Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.

- C. Member Economic Participation: Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.
- D. Autonomy and Independence: Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.
- E. Education, Training and Information: Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public — particularly young people and opinion leaders — about the nature and benefits of cooperation.
- F. Cooperation among Cooperatives: Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.
- G. Concern for Community: While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

*c) Types of cooperative societies*

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

**Some of the important types of cooperative societies are:**

1. Producer's cooperative societies: The producer's cooperatives are established by the small producers. The members of the society produce goods in their houses or at common place. The raw material, tools money etc. is provided to them by the society. The output is collected by the society and sold in the market at the wholesale rate. The

- profit is distributed among the member in proportion to the goods supplied by each member.
2. Consumer's cooperative societies: Consumer's cooperatives are established to remove middlemen from the field of trade. These societies purchase foods at he wholesale prices and sell these goods to the members at cheaper rates than the market prices. However, the goods are sold to the non members at the market rates. The profit, if any, is distributed among the members in the shape of bonus according to their purchase ratio.
3. Marketing cooperative societies: The marketing cooperative societies are formed by the small produces for the promotion of trade. The two main objectives of these societies are, to sell the good at reasonable prices by eliminating middlemen and to make the ready for the product of the member. These types of societies are formed by the small agriculturalist and artisans. Theses societies collect the products of its members and make its grading and keep them in warehouses and sell them in the market at whole sale rate when the market is ready for these products. The profit is distributed among the member according to the ratio of goods supplied by them.
4. Credit cooperative societies: These cooperatives are formed for the financial help of the members. These societies provide loans to the members at low rate of interest. In rural areas these provide loans to the farmers for the purchase of seeds, fertilizers and cattle. In urban areas these societies provide loan to its members for the purchase of raw material and tool.
5. Farming cooperative societies: These solicits are formed by the by the small agriculturalist to get the benefits of larges scale forming. These societies provide help to the farmer for the improve method of cultivations by providing large scale forming tools such as tractors, threshers and harvesters etc.etc.
6. Housing cooperative societies: These societies are formed for the procurement of land for the construction on houses on homogeneous basis. These societies are formed by those members who are intended to construct their own home. These societies provide loan to the members for the construction of houses. These also purchase construction material in bulk and provide this material to its member at cheaper rates.
7. Insurance cooperative societies: Theses societies make contract with insurance companies for the purchase of different insurance policies for its member at lower premium. This society may take a group insurance policy for its members. The main object of the society is to minimize the risk of its member.
8. Transport cooperative societies: These societies are formed to provide the services of transport to its

members at lower rates. Welfare bus scheme is an example of this type of society. A pass is handed over to the member for traveling on approved routes.

9. Storage cooperative societies: These societies are formed for the provision of storage facilities to its member for perishable and non perishable goods at lower rates. These societies also provide grading and distribution services to its members.
10. Labour cooperative societies: These societies are formed by unskilled labour for selling their services at reasonable wage rate. This type of society makes a contract with different firm for the provision of labour to them.
11. Miscellaneous societies: Some other important societies, in addition to the major form of societies discussed above are, Processing cooperative societies, Fisheries cooperatives societies, Forestry and poultry forming etc.

d) *Theoretical framework*

The only known and recognized theory, which backed the activities of the co-operative, is the “theory of Democracy” but this theory of democracy was later categorized into:

- a) The classical theory
- b) The modern theory
- c) Co-operatives and the classical theory

i. *Theory of democracy*

The principal objective of this theory is to make co-operative an easy and profitable organization in which their aims and objectives are achieved. The theory provides at least some of the materials required to enable us to make a realistic assessment of decision-making in retail co-operatives. An appraisals, however requires more than facts. If we desire to make some judgment about how democratic co-operatives really are, we need first of all a clear conception of the meaning of the term “Democracy”. Although there is no agreed definition of democracy, even though a cursory study of the uses of the term by modern writers and politicians shows that there is no agreed meaning. Some equate it with the rule of the majority, others emphasis the importance of protecting the rights of the minority. Some regard it as a system, which maintains certain valued institution, such as freedom of speech and association, while others said a way, which totalitarian democracy.

Co-operative democracy could be view as the democratically control in the co-operative set-up, that is, democracy within co-operatives. The concrete elements in a co-operative democracy may of course, be different from those in a state democracy. For example, in a co-operative, the members take the place of the citizens and the Board of Directors take the place of the Government of the state. But these substitutions do not

involve a change in the meaning of democracy. And any conclusions, which hold good democracy within the states, will apply equally well to democracy within co-operative societies.

ii. *The classical theory*

The classical theory was developed in the eighteenth centuries. In essence, it holds that democracy is a method of government, which realizes the common good by a system in which the people themselves decide political issues, the decision taken can be said to express the will of the people. So stated, the presumption is that all the people participate in decision making, the system is one of direct democracy. The physical and practical impossibility of everyone taking part in every decision in all save relatively small groups; is recognized and leads to the introduction of the notion of representation and thus of indirect or representative democracy. In this attenuated form, the people’s will is not expressed, directly by themselves but indirectly through representatives who are elected by people and who meet periodically in assembly to carry out the will of the people. Representation on this view is an important device to enable democracy to be applied in large scale groups and small groups like co-operatives and trade union but it is nothing more than this: it changes the form but not the substance of democracy. Provided that the representatives do not attempt to substitute their wills for the people’s will and regular periodical elections help to ensure this. Thus, democracy of co-operative is thus seen as an institutional arrangement for arriving at co-operative decisions realize the common goals by making the people itself decide issues through the election of representatives who assemble in order to carry out its will.

The first requirement of any theory is that its central concepts should be unambiguous. But the classical theory fails to meet this test. “The common good” is a much phrase, but its reference is selfdom clear. On analysis it is doubtful whether- it is something which can be “realized”. It is not an objective like full employment for which precise criteria can be established.

The classical theory is also vulnerable to be changed as it ignores the problem of representations. It assumption that representation is merely a device to enable democracy to work in large-scale group is naïve. Representation is one of the most puzzling concepts in politics and nobody has, succeeded in explaining satisfactory how one person can represent another.

iii. *The modern theory*

The modern theory of democracy rejects the questionnaire assumptions of the classical theory and seeks to provide model, which embodies ideas having clear and unambiguous empirical references. The main emphasis of the classical theory is on self-government,

in the sense of government acting in the expressed interest of the people or at least a majority of them. It answers to the question. How DOES one ensure responsible government? Is through institutionalization of competition for leadership. Schumpeter has defined the modern democratic method as that "institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people's vote. On this view, the main function of the people is not to make, or indirectly, the multitude of decision involved in government, but to make one big decision to produce, by means of periodic elections, either a government or an intermediate body, which in turn will produce a government

The model of democracy avoids the problem of representation since the problem arises only in the context of self-government. When the assumption that they themselves make the decisions is dropped, the representative need no longer be concerned about whether they reflect accurately the views of the electors: the right to make the decisions is theirs and due allowance is made for the exercise of leadership as distinct from the expression of the wills of other. The system works in such a way as to ensure that the interests of the government will not be neglected.

In short, the modern theory is both neater and empirical than the classical theory. Its relation to the older theory is well summed up. Democracy can mean government of the people by the people, by the people and for the people. The modern theory has been developed to explain, and perhaps also to justify, the working of western parties state system. The importance the theory attaches to parties has now been generally recognized by the ordinary citizen who is inclined to regard the existence of a legitimate opposition party as the very hall-mark of a democratic state.

#### iv. *Co-operative and the classical theory*

This is certainly true of co-operators. If the two theories of democracy are regarded as "Ideal types", the classical theory is more useful for analyzing the practice of retail co-operative government. In the early days of the movement, co-operatives approximated very closely to ideal direct democracies in which all the members meet together in terms of equality to make decisions. The representative executive body-"the Government" of the co-operative exercised only limited powers between general meetings and there was no sharp distinction between the execution and other member.

In some societies, the execution would be chosen by a system of rotation rather than election and it was common practice for ordinary members to attend executive meetings. Today, even in the smallest societies, the roles of the executive and the members are clearly differential but the element of direct

democracy remains relatively pronounced. Over the years, the indirect representative element in co-operative government has markedly increased, but all representative bodies remain, in theory at least, directly accountable to the business meeting as well as accountable to the membership through the election procedures.

Other features of co-operative government underline its classical democratic character. Most obvious, perhaps, is the emphasis placed upon local democracy. Although the structure of the movement, based, as it autonomous local societies, seems to many observers ill-adapted to modern trading conditions, most active co-operative regard it as a landing of democracy.

In theory, of course, it is possible to envisage as some reformist co-operators do, a single natural co-operative society constructed according to the canons of representatives classical democracy. Those co-operators who see democracy as direct self-government by the members are, therefore, correct their point of view, in questioning the ideas of a normal society. The member, it is implied, ought to be interested in the government of his society and the more members who are interested, the more likely is the society to be a "genuine" co-operative.

#### e) *Empirical review*

Rainforest alliance (2006), opined that smallholders have lost their access to overseas markets and a major source of income. As one of the effective means of overcoming most of these obstacles to sustainable smallholder cocoa production, cooperative cocoa production in which farmers pull their resources together to increase agricultural productivity and enhance the economic and social status of member farmers has been suggested (Nweze, 2003). Interest in cooperative societies has grown widely in the study area (Unuigbo, 2005). At various times; Federal and State governments have endorsed cooperative societies as instrument for socio-economic transformation of rural areas Edo Cooperative Federation (ECF, 2002). Cooperative societies' increasing involvement in production and farm inputs distribution in Nigeria has been widely reported. These include marketing, processing, supply of farm inputs (seeds, fertilizers, chemicals and modern farm implements), consumer goods, credit and banking, insurance, warehousing, transportation, farm extension and relevant support such as research and publication (Alufohai and Ilavbarhe, 2000; FAO, 1993 and Nweze, 2003).

Adekunle and Henson (2007) he studied the effect of cooperative thrift and credit societies on personal agency belief: a study of entrepreneurs in osun state, Nigeria. He opined that little or no attention has been paid to the role of entrepreneurship and the



capacity of institutions like Cooperative Thrift and Credit societies to promote entrepreneurship.

Afolabi and Fagbero (1998), the informal source of credit is more popular among small scale farmers which may be due to the relative ease in obtaining credit devoid of administrative delay, non existence of security or collateral, flexibility built into repayment which is against what is obtained in the formal sources. Ojo et al (1993), observed that the institutional lending system has failed to meet the objective for which they were set up. According to him only 15 percent of the trading bank credit to agriculture has been covered. The major short comings of their transactions he observed are due to the inaccessibility of these funds to rural farmers as a result of the bureaucratic procedures and high service cost, which are very difficult for the farmers to meet.

Alufohai (2006) examined the sustainability rates of co-operatives and NGOs in farm credit delivery in Edo and Delta states in Nigeria. The subsidy Dependence Indices (SDI) and the capital formation rates were determined using both primary and secondary data obtained from 80 and 20 purposely selected cooperatives and NGOs respectively, based on their involvement in farm credit delivery. A well structured questionnaire was used to obtain the primary data from the 100 organizations selected from a comprehensive list from the ministry of commerce and industry as well as corporate Affairs Commission. Both descriptive and quantitative statistics as well as financial analysis were employed in analyzing the data. The results showed low capital formation rate of 0.1815 and 0.123 for cooperatives and NGOs respectively. Cooperatives had zero SDI having no subsidies throughout the period while NGOs had an SDI of 0.7642 which is considered too high for them to sustain the credit delivery function on the withdrawal of subsidies. Though with low loan volumes, the study showed cooperatives more likely to sustain the credit delivery function than the NGOs, but they may need to improve their capital formation rate.

Credit is considered as a catalyst that activates other factors of production and makes under-used capacities functional for increased production (Ijere, 1998). Thus farm credit plays a crucial role in agricultural and rural development as it enables farmers reap economies of scale, venture into new fields of production, employ new technologies and empower them to provide utilities for a widening market. Farm credit plays this role because it bridges the capital gap that exists in an agricultural production. Farm credit could be obtained from either the formal sources which are the commercial banks and government owned institutions, or the informal sources which are the self-help-group (SHG) money lenders, cooperatives and Non-Governmental Organization (NGOs). However, Aryeetey (1997), stated that the informal rural financial sources in Africa perform better than the formal system

because they have adapted to the high-risk environment. He therefore advised that the formal sector should learn from the informal institutions.

### III. RESEARCH METHODOLOGY

#### a) Study Area

Ijebu Ode is one of the Local Government Areas in Ogun State located in South-Western Nigeria. The city is located 110 km by road north-east of Lagos; it is within 100 km of the Atlantic Ocean in the eastern part of Ogun State and possesses a warm tropical climate. With an estimated population of 222,653 (2007), it is the second largest city in Ogun State after Abeokuta. The largest city inhabited by the Ijebus, a sub-group of the Yoruba ethnic group who speak the Ijebu dialect of Yoruba, it is historically and culturally the headquarters of Ijebuland.

#### b) Sources of data

- i. Primary sources Primary sources include data collected from questionnaire. Questionnaire was administered randomly to the members of cooperative society to gather information from members of staff of the society. The data collected most especially from primary data were analyzed using descriptive statistics and inferential statistics e.g Chi-Square and data collected from secondary data was analyzed using correlation analysis.
- ii. Secondary data: This was collected from the statement of account of Temidere- co – operative and thrift- society, Ijebu-Ode Ogun State.

#### c) Method of data collection

The data was collected through random selection of the respondents from the list of co-operators corroborated with statement of account of Temidere- co – operative and thrift- society, Ijebu-Ode Ogun State. The total sampled were 50 respondents out of 75 members.

#### d) Scope of the study

The study was limited to Temidere- co – operative and thrift- society, Ijebu-Ode Ogun State. Data was obtained from the Temidere- Co – operative and thrift- society on the socio-economic characteristics of the cooperate members which include age, sex, marital status, household size etc. Though, emphasis was solely on their thrift and credit functions. The society was chosen because it is a fairly big establishment, well recognized in Ijebu-ode and a registered organization.

#### e) Method of data analysis

Structured questionnaires were distributed to the respondents that are made up of the members of Temidere - co – operative and thrift- society and was corroborated with secondary data sourced from their statement of account. For the purpose of this study,

data collected was analyzed using descriptive statistics, Chi-Square analysis and correlation analysis. This was used to test the hypothesis which states that cooperative societies have no effect on member's welfare.

i. *Descriptive statistics*

These were used to capture specific objectives one, two, three, four and five.

ii. *Inferential statistics*

These were used to test the hypothesis that cooperative societies have no effect on member's welfare.

**Chi-Square formula:**

$$(O-E)^2/E$$

Where;

O= observed frequency

E= expected frequency

iii. **Correlation Analysis:** This was used to test the objective 3.

**Pearson's Correlation Formula:** The formula for correlation is as stated below;

$$r = \frac{\sum(X-\bar{X})(Y-\bar{Y})}{\sqrt{\sum(X-\bar{X})^2 \sum(Y-\bar{Y})^2}}$$

Where; X and Y are independent and dependent variables respectively.

**IV. RESULTS AND DISCUSSION**

a) *Socio-economic characteristic of the respondents*

Table 1 showed that the majority (78%) are males while females constitutes of 22 percent. The

implication of this result is that the majority of the in co-operative society members are males. The age of the majority (44%) of those in the co-operative range from 31-40 years, followed by age range 51-60 (26%) and the least being age range 41-50 (8%). The result implies that most of the respondents are in their active age. Majority (80%) of the respondents are married, and (20%) of the respondents are single. This might have being the reason for joining the cooperative as a way of augmenting the marriage responsibilities. Also, half (50%) of the respondents have number of household ranging from 1-3, followed by 4-6 number of household with (30%) and the least with (20%) which is 7-9 number of household. This further confirms that the respondents are married.

Similarly, table 1 shows that (52%) of the respondents practice Islam while (48%) practice Christianity. The implication is that majority of the cooperators are Muslim.

High proportion of the respondents (38%) are WASCE/GCE holders, followed by HND/B.Sc holders which is (24%), and the least is OND/NCE holders which is (24%).The implication is that majority of the co-operators are fairly educated. Table 1shows that (58%) of the respondents are businessmen, followed by artisans which is (24%) and the least (18%) of the respondents are civil servants. This shows that majority of the co-operators joined to augment their businesses.

*Table 1 : Socio-economic characteristics of the respondents.*

Characteristics		Frequency	Percentage (%)
Gender	Male	39	78
	Female	11	22
Age (yrs)	21-30	11	22
	31-40	22	44
	41-50	4	8
	51-60	10	20
Marital status	Single	10	20
	Married	40	80
Household size (Number)	1-3	25	50
	4-6	15	30
	7-9	10	20
Religion	Islam	26	52
	Christianity	24	48
Educational qualification	WAEC/GCE	19	38
	OND/NCE	09	18
	HND/BSc	12	24
	Others	10	20
Occupation	Civil Servant	09	18
	Artisan	12	24
	Business Man	29	58

*b) Loan Disbursement/ Administration*

Table 2 shows the range of loan awarded by the co-operative society. The result shows that majority collected between ~~₦20,000-₦100,000~~ and the least between ~~₦581,000-₦660,000~~ with 2%. This shows that the maximum loan collected by the respondents is 660,000, while the minimum loan collected by the respondents is 20,000. Majority of the respondents (40%) make use of surety (Others), followed by 30% with landed property and the least (2%) of the cooperators used their personal/inherited building.

Table 2 also shows that majority (94%) of the respondents spent the loan collected on businesses while loan spent on payment of children by the co-operators is (6%). The implication is that most of the loan collected by the co-operators is spent augment their businesses. The financial assistance constitutes the most (60%) benefits derivable from joining co-operative society and the least is support by members in

time of needs with (6%). This shows that the benefit received by being a member of the co-operators is financial assistance by co-operative society. Higher proportion (84%) of the cooperators agreed that co-operative society increase their capital formation.

Diito, table 2 shows how much co-operative society grant to empower members to own their businesses. The result shows that ~~₦20,000-₦100,000~~ (60%), ~~₦181,000-₦260,000~~ (22%). This shows that the minimum loan collected to empower co-operators own business is ~~₦20,000~~ while the maximum loan collected to empower co-operators own business is ~~₦660,000~~. The table also shows majority of the loan collected by co-operators to own their own business ranges from ~~₦20,000-₦100,000~~. The result also shows that majority (98%) agreed that it plays a leading role in poverty reduction. This implies how co-operative society contributes to ameliorating the poverty rate of its members and the society in general.

*Table 2 : Loan Disbursement/ Administration.*

Characteristics		Frequency	Percentage (%)
Amounts of loan disbursed	20,000-100,000	28	56
	101,000-180,000	4	8
	181,000-260,000	11	22
	261,000-340,000	4	8
	421,000-500,000	2	4
	581,000-660,000	1	2
Collateral for loan disbursement	Landed property	15	30
	Building	4	8
	Car/Motorcycle	11	22
	Others	20	40
Moratorium (years)	1-2	48	96
	3-4	2	4
How the loan was spent	Business	47	94
	Payment of school fees	3	6
Benefit of being a member	Friendship	4	8
	Support by members in there needs	3	6
	Financial assistance	30	60
	All of the above	13	20
Does cooperative society increase your capital formation	Yes	42	84
	No	8	16
Does Cooperative society play a leading role in poverty reduction	Yes	49	98
	No	1	2

*c) Welfare of members*

Table 3 shows how the welfare of members is emphasized in the cooperative society. The result revealed that 78% of members agreed that welfare is an important consideration in co-operative movement. Monitoring of income and expenditure of members has (38%), followed by advice on how to improve their business which was (24%), and the least being (2%) was ensuring that every member engage in one business or another. This implies that monitoring of income and expenditure of members is how co-operative society impact on members with a view to improving their welfare status.

Table 3 : Distribution of respondents based on attainment of welfare objectives.

Characteristics		Frequency	Percentage (%)
Is welfare of members employing	Yes	39	78
	No	11	22
How welfare was observed	Indifference	11	22
	Business improvement	12	24
	Advance on loan spending	5	10
	Education	2	4
	Monitoring of business	20	40

d) *Forms of business enterprises invested*

Table 4 shows that though there are various businesses invested on, but most co-operators invested on transport with 16 percent followed by fish farming/cosmetics trading with 12 percent among others.

Table 4 : How the loan collected was spent.

		Frequency	Percentage (%)
Forms of Business/enterprises	Building material	1	2
	Buying of motor tyres	3	6
	Carpentry work	1	2
	Cement trading	3	6
	Compressor	2	4
	Drinks	1	2
	Electronics	3	6
	Education	1	2
	Farming	1	2
	Fish farming	6	12
	Kerosene	2	4
	Motorcycle cycle	3	6
	Plumbing material	1	2
	Refrigerator	1	2
	Rental services	1	2
	Foodstuff	1	2
	Tailoring	4	8
	Cosmetics trading	6	12
	Transportation	8	16
Wood selling	1	2	
	Total	50	100

e) *Problems encountered.*

Table 5 shows that most of the cooperators agreed that capital was the most serious problem facing co-operative societies with particular reference to

Temidere cooperative society. This results could imply that inadequate capital is a major challenge confronting Nigeria, a case of developing economy.

Table 5 : Problems encountered being a cooperative members.

Characteristics		Frequency	Percentage (%)
Problem	Capital	18	36
	Leadership	8	16
	Unity among members	7	14
	Poor attendance	17	34

f) *Hypothesis testing that co-operative has no significant effect on members' welfare*

Table 6 shows the results of the Chi-Square test which determine the hypothesis that co-operative have no significant effect on members' welfare. The result shows that co-operative societies has a significant contribution to members welfare at  $p < 0.01$ . Hence, our null hypothesis was rejected. By implication, the

acceptance of alternative hypothesis (H1) which indicates that co-operative societies have effect on member's welfare was accepted. Therefore, it can be inferred that cooperative society plays a significant role in capital formation which essentially is an ingredients to poverty reduction and socio-economic development of the country.



Table 6 : Chi Square Test Statistics.

	benefit you receive in your membership	does co-operative society play a leading role in poverty reduction	is welfare of members emphasized
Chi-Square	20.880 <sub>a</sub>	46.080 <sub>b</sub>	15.680 <sub>b</sub>
Df	3	1	1
Asymp. Sig.	.000	.000	.000

g) Correlation matrix

Table 7 shows the results of the correlation matrix of the secondary data collected from the statement of account of Temidere cooperative and thrift society, Ijebu-Ode on the amount of deposit by the cooperators and the amount of loan given out by the cooperative society. The result shows that there is a significant relationship between loan and amount deposited at 10% probability level. The implication is that the total amount deposited enhances the capital available to cooperators, hence will eventually contribute to the level of loan administration and capital formation.

Table 7: Correlations.

		Lndeposit	Inloan
Indeposit	Pearson Correlation	1	.990**
	Sig. (2-tailed)		.000
	N	10	10

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

h) Summary of research findings

The results of the research findings show that majority of the respondents (cooperative members) are males, still in their active age and married, with children ranging from 1-3, practice Islam, fairly educated and high proportion being in their private businesses. Majority of the respondents are self employed (sole proprietors) in their various businesses and they are mostly in the management position of their businesses and the loan collected by the co-operators ranges from ₦20,000-₦100,000, using surety (others) as their collateral and being given a moratorium of 1-2 years on the loan collected. Majority of the loan collected is spent on their various businesses, the co-operators enjoy the benefit of financial assistance by the co-operative society, which increases the capital formation of the co-operators.

The major way by which co-operative society increase co-operators capital formation is by granting credit services, the co-operative society gives timely loan to co-operators which empower members to own

their own business. Most of the loan collected by the co-operators ranges from ₦20,000-₦100,000, co-operative society offer better services to members to increase their income by charging low interest rate on the loan collected. Co-operative society helps to improve business entrepreneurial, they play a leading role in poverty reduction and emphasizes on the welfare of its members by monitoring the income and expenditure of members. The problem mostly faced by co-operative society is the problem of capital. the correlation matrix shows the high positive relationship between amount of deposit by the cooperators and the amount of loan given out by the cooperative society. This implies that the amount of loan given out from the deposited funds have great influence on the cooperators. This however, supports the earlier argument in table 6 that cooperative society improved the welfare of members though capital formation for investment purposes”.

V. CONCLUSION

Based on the research findings, it was concluded that co-operative societies have effect on member’s welfare and the role of co-operative society in poverty reduction and capital formation cannot be overlooked in the development process of any country particularly the less developed countries like Nigeria. Thus, in order to enhance capital formation through the co-operative society, the following policy issues are raised for consideration: The government should assist co-operative society to improve their capital base through the annual budget of the country. That is, substantial amount of money should be allocated to the co-operative society like the other sectors of the economy. There is need for co-operative research and organization of symposium and public lectures with a view to enhance the efficiency of co-operative movement in Nigeria.

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