



Research Paper

The Role of Micro Finance Bank in Financing Co-Operative Societies in Nigeria: A Case Study of OHHA Micro Finance Enugu State, Nigeria

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ABSTRACT:- This research was carried out with the aim of finding out the extent to which Ohha Micro Finance Banks have gone in financing co-operatives in Nigeria. The researcher used frequency tables to present the responses of the respondents. Frequency distribution and percentages were used in analyzing the data collected. During the research the following findings were made: majority of the respondents had experience of micro-finance co-operative funding. This helped the research. Ohha Micro-finance Bank provided credit facilities to co-operative societies. Co-operative societies encountered some problems in obtaining loans from Micro-finance Bank. Also, acquiring funds, government support programmes and feasibility studies could be able to boost co-operative production and services in Nigeria. Farming co-operative, government intervention and grants from international agencies are measures that could boost co-operative finance in order to help her realize organizational goals. Increasing co-operative reserves, membership and government takeover could be an alternative to co-operative societies other than Ohha Microfinance Bank. Based on these findings, the following recommendations were made: in order to reduce the risk and doubtful credit facilities, the government should increase the percentage of loans to micro finance bank for co-operative societies. Government should put more emphasis or efforts on credit guarantee scheme and other measured services should be introduced by the bank extension instead of insisting on securities and collaterals.

KEYWORDS:- Micro finance, bank, loan, collaterals and Ohha.

I. INTRODUCTION

Successive Nigerian developmental plan emphasizes more on the attainment of economic reforms, self reliance and development of private section [1]. The need for this national objective is to create and help women to earn high per capital income and economic growth and skill acquisition increase in capacity initialization and foreign exchange earnings through the production of goods and services by co-operative societies and other private sectors in Nigeria [2].

But outputs of these co-operative societies established continued to decline despite the priority given to this sector by the government. Consequently Central Bank of Nigeria (CBN) was mandated to increase available condition for credit facilities through money deposit bank for cooperative societies funding for higher productivity and better output [3]. These credits were grossly inadequate, misapplied and misappropriated by the banks and recipients [2] and [3]. Secondly, several efforts were made in the reach of the rural areas with banking services. This gave place to branches of money deposit banks, cooperative banks, Agricultural credit guarantee scheme fund (ACGSF), Agricultural and commerce based development bank of central Bank and other several programmes for co-operative societies and agricultural development in the rural area.

All the programmes failed to achieve the anticipated objective because they were hijacked by the middle class and so called progressive, who turned to the relatively easy and heavily subsidized government credit scheme rather than avail themselves of the services of the normal money deposit banks credit facilities without subsidies [4]. Besides, there were large misappropriations of such funds for the fact that people who obtain these loans were not adequately prepared to manage these credit facilities. All these facilities went to private individual who expands the loan for other purposes other than what it was meant for [5]. Then micro-finance banks were introduced to serve as an alternative to un-willing attitude of the orthodox bank towards

addressing the issue of credit facilities for cooperative producers that had been marginalized for so long in Nigeria.

Micro finance banking institutions were conceived and came into being in December 1990 [6] and [7]. It was packaged to address the issue of cultivation and appropriate modern banking habits in the rural area, through the social local institution such as community social clubs and other individuals or non-governmental organization (NGOS) who are encouraged. The micro finance banking institution was introduced by the government, packaged to address the issue of appropriate modern banking system in rural areas and set aside certain percentage of their credit facilities for co-operative society's assistance for rural development [8].

The importance of micro finance banks in granting credit facilities to co-operative societies can only be known by the dominant role it plays in our present needs of economic development. Co-operative society is an autonomous association of people who voluntarily come together to achieve their socio-economic and financial needs through a jointly owned democratically controlled business enterprise [9].

However, cooperative societies are the mainstay of Nigeria economy, providing almost 70% of employment for able bodied men and women in our society and takes care of the about 50% of material and food production in the country [10]. It is approximately estimated that hundred of thousand industries of different capacity located in various part of the country, statistically 80% of these industries are co-operatives and were established for manufacturing, exports, distribution and retail services to the teaming population [9] and [10]. Therefore, the role of micro finance bank in financing co-operative societies in Nigeria obviously is an obligation of providing credit facilities for active services. The scope this research is aimed at investigating the role of micro-finance banks in financing co-operative societies in the area concerned. The specific objectives of this research were:

- To find out extent which Ohha micro finance bank has gone in assisting cooperatives with the provision of credit facilities.
- To identify the problems encountered by co-operative societies in obtaining credit facilities from Ohha Micro finance bank.
- To identify how co-operative societies can boost their finance.

II. MATERIAL AND METHODS

Sources of Data

This involved the method used in gathering data for this research. We made use of both primary and secondary data, we also made use of personal interview, observations and well of structured questionnaire all those were to provide a well research design on the roles played by Ohha micro finance bank in financial cooperative society in society.

PRIMARY DATA

These was collected with the use of a well structured questionnaires which were administered to the operations department as well as to the marketing and credit department of Ohha micro finance bank loan.

SECONDARY DATA

The secondary data sources were professional journals, newspapers, textbooks and magazines presented by experts on accounting and financial matters and work done by previous researchers etc.

AREA OF STUDY

The area of study for this research, work is Ohha micro finance bank Enugu area office and ten co operative societies who have benefit from Ohha micro finance bank.

POPULATION OF THE STUDY

The population of this study comprises / consists of ten (10) cooperative societies who have benefited from the credit services of Ohha micro finance bank and the forty five (45) management staff in charge of credit department of Ohha micro finance bank. The study population consists of the following groups:

Number of credit officers in MFB = 45

Number of C.B.E represented by 2 executives from 10 cooperative societies

$2 \times 10 = 20$.

Total population is 65

The names of the cooperative societies who are benefiting from Ohha micro bank loan include:

1. ESBS WORKERS COOPERATIVE SOCIETY
2. OSISATECH WORKERS SOCIETY
3. JENICS MULTI – PURPOSE COOPERATIVE SOCIETY

4. UGA UNITED COOPERATIVES CREDIT AND THRIFT AND LOAN SOCIETY
5. MACOBA FARMERS COOPERATIVE SOCIETY
6. INTERGRATED TRACTOR HIRING FMCS
7. SEDI ENUGU THRIFT AND LOAN SOCIETY
8. OGBETE ELECTRONICS DEALERS COOPERATIVES SOCIETY
9. UZONDU FARMERS COOPERATIVES SOCIETY
10. CARITAS UNIVERSITY WORKERS COOPERATIVE SOCIETY ENUGU

The researchers therefore decided to make use of the entire population because of the manageable number of the population (65)

INSTRUMENT AND THRIFT ADMINISTRATION

Sixty five (65) copies of questionnaires were distributed to the respondents on two occasions; the bank officials were given and after filling, it gave a data for the collection on second occasion, the credit department gave the researchers a data which they used to have their quarterly meeting with the executives of the benefiting co-operatives society and the researchers took that advantage and gave the executives representing the benefiting co-operative societies their own copies which they filled and gave data for collection.

TECHNIQUES OF ANALYSIS

Frequency tables and percentages are used in analyzing the research questions, which chi-square (X^2) implied here to measure the discrepancy existing between the observed and expected frequencies and is given below.

$$(X^2) = E \frac{(O-E)^2}{E}$$

Where X^2 = chi square

O= observed frequency

E = expected frequency

III. METHOD OF DATA COLLECTION

The data used for this study was collected by means of questionnaires interview and observation method.

a. QUESTIONNAIRES: This consisted of many structured questions of which are attached. The questions were aimed at finding out how Ohha micro finance bank helps in financing co-operative societies in Nigeria. In order to accommodate all the necessary attributes of a good questionnaires, the combinations and permutation of three main types of quests were used in these questionnaires they include:

1. Open ended questions (personal opinion needs)
2. Multiple choice questions (alternative answers provided)
3. Dichotomous questions (yes or no)

b. INTERVIEW: Personal interview was also used as a supplement to data collected with the questionnaire, in order to relieve this projects unnecessary bulkiness and to remove certain questions that may sound awkward, if included into questionnaire, face to face, interview was conducted to extract some vital information. Explain these to the respondents (illiterates) in the language which they will be able to respond to and entered appropriate columns whichever answers that are provided.

c. OBSERVATION METHOD: Observation is the act of recognizing and noticing facts and occurrences rather asking questions in this respect the researchers were privileged to observe certain phenomena of interest taking place during our visit to Ohha micro finance bank, we observed how they prepare annual accounts and budgets of cooperative societies and our observation during our visit made us carryout a search of this nature.

IV. RESULTS

Table 1: Distribution of Respondents By Experience

S/NO	Distribution of experience	No of respondents
2	Highly experienced	19
2	Experienced	21
3	Low experienced	13
4	Partly experienced	7
5	Minor experience	5
	Total experienced	65

Source: from field study, 2013

Table 1: above shows that 19 respondents are highly experienced, 21 of them are experienced, 13 of them are low experienced, 7 of them are partly experienced and 5 of the respondents possessed minor experience. This shows that majority of the respondents had experience of micro-finance co-operative funding. This helped the research.

Table 2: Distribution of Respondents Based On the Provision of Credit Facilities to Co-Operatives Societies by Ohha Micro Finance Bank

S/NO	No of respondents	Comment	Total
1	25	So well	25
2	25	Normal	25
3	15	No comment	15
Total	65		65

Source: field survey, 2013

The result in table 2: above showed that Ohha Micro-finance Bank provided credit facilities to co-operative societies.

So well $\frac{25}{65} \times 100 = 38.46\%$

Normal $\frac{25}{65} \times 100 = 38.46\%$

No comment $\frac{15}{65} \times 100 = 23.07\%$

Table 3: Distribution of the respondents on the problems encountered by co-operative in obtaining loan from Ohha Micro Finance Bank

S/NO	No of respondents	Comments	Total
1	27	Much problem	27
2	25	Little problem	25
3	13	No comment	13
Total	65		65

Source: field survey, 2013.

Table 3 above showed that co-operative societies encountered some problems in obtaining loans from Micro-finance Bank.

Much problem $\frac{27}{65} \times 100 = 41.53\%$

Little $\frac{25}{65} \times 100 = 38.46\%$

No comment $\frac{13}{65} \times 100 = 20.00\%$

Table 4: Distribution of the respondents on measures introduced by the co-operative to boost the production and service

S/NO	No of respondents	Comments	Total
1	30	Acquire more funds	30
2	25	Government support programme	25
3	10	Feasibility studies	10
Total	65		65

Source: field survey, 2013.

Table 4 above showed that acquiring funds, government support programmes and feasibility studies could be able to boost co-operative production and services in Nigeria.

Acquire more funds $\frac{30}{65} \times 100 = 46.15\%$

Government support programme $\frac{25}{65} \times 100 = 38.46\%$

Feasibility studies $\frac{10}{65} \times 100 = 15.38\%$

Table 5: Distribution of the respondents on the measures introduced by co-operatives to boost finance in order to realize their organizational goals.

S/NO	No respondents	Comments	Total
1	28	Farming co-operative	30
2	27	Co-operatives to help themselves and Government intervention	25
3	10	Grants from international agencies	10
Total	65		65

Source: field survey, 2013

Table 5: shows that farming co-operative, government intervention and grants from international agencies are measures that could boost co-operative finance in order to help her realize organizational goals.

Farming cooperatives $\frac{28}{65} \times \frac{100}{1} = 43.07\%$

Cooperatives to help themselves $\frac{27}{65} \times \frac{100}{1} = 41.53\%$

Grants from international agencies $\frac{10}{65} \times \frac{100}{1} = 15.38\%$

Table 6: Distribution of the respondents on other avenue that co-operative societies could use to finance their business other than Ohha MFB loan.

S/NO	No respondents	Comments	Total
1	30	Increasing their reserves	30
2	20	Increasing membership	20
3	15	Government take over	15
Total	65		65

Source: field survey, 2013

Table 6: showed that increasing co-operative reserves, membership and government takeover could be an alternative to co-operative societies other than Ohha Microfinance Bank.

Increasing their reserve $\frac{30}{65} \times \frac{100}{1} = 46.15\%$

Increasing membership $\frac{20}{65} \times \frac{100}{1} = 30.76\%$

Thereby increasing share

Government takeover $\frac{15}{65} \times \frac{100}{1} = 23.07\%$

V. DISCUSSION

The role played by micro finance banks in financing co-operative societies in Nigeria have not been encouraging due to social economic and financial problems. Indeed, cooperative societies should in future lay emphasis on the development of other means of financing themselves to avoid risk of bank lending securities. Our universities, polytechnics and college of Education research institution should devote most of their time and resources to find out means of solving the problems of co-operative societies in Nigeria so that the ultimate objective of the societies towards economic growth and development of the nation will be achieved. Micro finance bank should therefore adopt developed approaches to financing co-operative societies, supervising and maintaining the usage of these loans given to them to ensure proper usage of the loans. They should also encourage them to use the facilities at the stock security exchange particularly under the second tier security market as base for acquiring need capital and advances to finance their projects. They should also emphasize collateral security as the averring condition for granting credit facilities to co-operative societies.

The micro finance banking institution was introduced by the government, packaged to address the issue of appropriate modern banking system in rural areas and set aside certain percentage of their credit facilities for co-operative society's assistance for rural development. Table 1: above shows that 19 respondents are highly experienced, 21 of them are experienced, 13 of them are low experienced, 7 of them are partly experienced and 5 of the respondents possessed minor experience. This shows that majority of the respondents had experience of micro-finance co-operative funding. This helped the research. The result in table 2: above showed that Ohha Micro-finance Bank provided credit facilities to co-operative societies. Table 3 above showed that co-operative societies encountered some problems in obtaining loans from Micro-finance Bank. Table 4 above showed that acquiring funds, government support programmes and feasibility studies could be able to boost co-operative

production and services in Nigeria. Table 5: shows that farming co-operative, government intervention and grants from international agencies are measures that could boost co-operative finance in order to help her realize organizational goals. Table 6: showed that increasing co-operative reserves, membership and government takeover could be an alternative to co-operative societies other than Ohha Microfinance Bank.

When all the above mentioned observations and findings are achieved, the beneficiaries [co-operative societies] will excel therefore, there will be food security for the nation, creation of employment and poverty reduction and if possible corruption will be prevented in Nigeria.

VI. CONCLUSION

- In conclusion, to reduce the stock risk of doubtful credit facilities, government should increase the percentage grants of micro finance banks for co-operative societies. Education and enlightenment can help the co-operative societies find other means of financing themselves other than loans obtaining from micro finance banks.

RECOMMENDATIONS

Having highlighted the problems and shortcomings of Ohha micro-finance bank in financing co-operative societies in Nigeria, the following recommendations were made at eliminating and limiting the constraints that affects the smooth operation and granting of credit facilities to co-operative societies.

- Government should put more emphasis on credit guarantee schemes by introducing more such scheme for the benefit of co-operative societies.
- The micro finance bank should apply measures of supervising and ministering these loans given to co-operative societies to ensure that there is accurate usage of these loans.
- Also there should be proper accountability and openness on the side of the management of the co-operative society. This is to ensure that the loans given to them by the micro finance banks are not used for personal purposes.
- Finally, to the co-operative and the micro finance bank they should work hand in hand to ensure proper auditing of the activities of the co-operative societies in the area of usage of fund.

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