



Research Paper

## The Problems of Financing Co-Operative Society Projects In a Competitive Economy: A Case Study of Cooperative Societies in MBANO Local Government Area of Imo State, Nigeria

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**ABSTRACT:-** The problem's of financing cooperative society's project in a competitive economy at Mbano Local Government Area in Imo State, Nigeria was analyzed. In carrying out the research, sampling technique was used in determining the sample size and data was collected from both primary and secondary sources. In the method of data collection, the researcher made use of table and percentages. This method was used to analyze collected data thereby comparing opinions of different respondents to the sets of questions. From the analysis, the following were the findings: lack of financial commitment by the members to generate internally or externally the necessary funds for project execution; government loan granted to cooperative institutions were channeled to other sector that attracts fat interest; embezzlement of funds; lack of cooperative business education; poor returns from business operation. Finally, series of recommendation were suggested: there should be financial commitment on the part of members to generate fund both internally or externally for project execution; loans to cooperative institutions should be used for cooperative societies projects, there should be cooperative business education; there should be formation of strong and coherent enterprise and also merging should be encouraged in order to increase returns.

**Keywords:-** Cooperative Societies, Mbano, Competitive economy, Business Education and Nigeria.

### I. INTRODUCTION

According to [1, 2, 3, 4, 5, 6, 7 and 8] co-operative organization is an association of persons who operate their private business enterprises or households and share at least one common need; a group of persons in the sociological sense. They have joint action by the group towards attainment of the group goals through economic betterment her members and mutual help. Co-operative organization is more of rural base and grassroots oriented business unit [2, 3, 4 and 5].

In 1933's a cooperative expert Strickland F.C. was commissioned by the colonial government to carryout feasibility study on the possible introduction of the cooperative movement in Nigeria as a vehicle for the mobilization of the rural people for the full participation in the socio-economic development of the nation. The outcome of the strict land report gave the impetus for the establishment of the cooperative society in Nigeria precisely in 1935, today, many of such organization are scattered all over the country in great number [9, 10, 11 and 12].

After many decades of co-operative operation as a business unit in Mbano Local Government Area in Nigeria, many are operating below capacity, some are moribund, while others have been wind up as a result of inadequate sources of finance for their project. Other factors included inefficient and ineffective allocation of funds to competing alternative venture and embezzlement of funds for the project. Many business units including small scale business enterprises are competing effectively in Nigeria and the aim of this research was to gather data and relevant information analyze and compare them with findings and conclusion drawn.

### AIM AND OBJECTIVES OF THE STUDY

The aim of this research was to determine the problems that are involved in financing of co-operative society project in Mbano Local Government Area of Imo State, Nigeria.

The specific objectives were:

- To assess the extent that funding of co-operative societies would have in Mbano L.G.A. of Imo State, Nigeria.

- To know the level of impact that various sources of finances have made on co-operative societies in Mbano L.G.A. of Imo State, Nigeria.
- To identify the latest avenue for funding cooperative societies project.
- To proffer solutions to the above.

## **II. MATERIALS AND METHODS**

### **Area of study**

This study was done in the two zones of Mbano Local Government Area in respect to the cooperative society. The zones used were Isiala- Mbano and Ehime Mbano all in Mbano Local Government Area of Imo State, Nigeria.

### **POPULATION STUDY**

The area covered in this study consists of all co-operative societies found in the study area, with only fifteen co-operative societies being viable. The 15 cooperative societies have a total number of 2,880 members.

### **SAMPLE SIZE**

The sample size consists of those who were selected from the population for the purpose of interview administration of questionnaire. The sample was defined by application of the Taro- Yamani (1964:250) Formula as this;

$$n = \frac{N}{1+N(e)^2}$$

When n= sample size

N = Total population

I = constant

e = error limit = 5% = 0.05

$$n = \frac{2880}{1+2880(0.05)^2}$$

$$n = \frac{2880}{1+2880(0.0025)}$$

$$n = \frac{2880}{1+7.2}$$

$$n = \frac{2880}{8.2}$$

$$n = 351.21$$

Approximately 351

: n = 351

### **SAMPLING TECHNIQUES**

The sampling technique in this study is the random sampling through this technique 2880 people from the two zones in Mbano Local Government Area were randomly selected. This technique gave every element in the population equal chance of being selected into the sample.

### **INSTRUMENT FOR DATA COLLECTION**

The major instrument used in the collection of data is the questionnaire, observation in oral interview. The questionnaire contained set of questions that was formulated to generate the needed information. The questions were presented such that it gave the respondents options to choose from. These types have the advantages to easy coding and data analysis.

### **VALIDATION OF INSTRUMENT**

The validity of the instrument was gathered through a polite survey. The questions for the questionnaires were examined through pilot test. The purpose pilot surely was to ensure that relevant information would be generated.

### **RELIABILITY OF THE INSTRUMENT**

In the course of this study, the questionnaire items were generated from the research questions. Through this way, the reliability of this instrument was established.

### **METHOD OF DATA COLLECTION AND DATA ANALYSIS**

In this method of collection and analysis the researcher made use of table and percentages. This method was used to analyze collected data thereby comparing opinion of different respondents to the sets of questions.

### **PRESENTATION ANALYSIS AND INTERPRETATION OF DATA**

The researcher presents here the raw data generated in this study through the use of questionnaire administered by the members of cooperative societies in Mbano Local Government areas and Imo State ministry of commerce and industry. For want of time and space, emphasis on the analysis will be placed on these questions, which have direct bearing with the objectives of the study.

### **OBJECTIVE OF SET QUESTIONNAIRE**

The objective of the set of questionnaire tends to make analysis on the various problems encountered by cooperative organization in generating their inevitable fund.

### **THE PURPOSE OF RATE**

For the purpose of this field study, a total of 351 questionnaires were administered randomly to members of co-operative societies in Mbano Local Government Area, of Imo State, Nigeria. Out of 351 questionnaires none was returned as invalid therefore the response rate was 100 percent.

**Table 1: THE TYPE OF COOPERATIVE SOCIETY**

<b>Options</b>	<b>Respondents</b>	<b>%</b>
<b>Agricultural cooperatives</b>	251	72%
<b>Non Agricultural cooperatives</b>	100	28%
<b>Total</b>	<b>351</b>	<b>100</b>

**Source: Field Survey 2013**

From table 1 above, Agricultural cooperatives dominated Non-Agricultural cooperative enterprises as 251 out of 351 that represents 72% of respondents were into Agricultural cooperatives while 100 respondents representing 28% of respondents practiced non-agricultural cooperatives.

**Table 2: What is your reason in choosing Agricultural and Non-agricultural cooperative Society**

<b>OPTION</b>	<b>RESPONDENTS</b>	<b>%</b>
<b>Majority of farmers love pooling their resources together</b>	100	30
<b>Rural dwellers are mainly farmers</b>	80	24
<b>More people engage in non-agricultural occupation</b>	65	17
<b>Agriculture attracts government patronage</b>	55	18
<b>There are more benefit in non agricultural occupation</b>	51	11
<b>Total</b>	<b>351</b>	<b>100</b>

**Source: Field Survey, 2013**

As depicted in the table 2 above, 100 out of 351 respondents representing 30% of the total respondents said that majority of farmers love pooling their resources together, 80 out of 351 representing 24% of respondents said that rural dwellers are mainly farmers, 65 respondents agreed that more people engage in non-agricultural occupation, 55 respondents said that Agriculture attracts government patronage while 51 respondents agreed that there are more benefits in non agricultural occupation.

**Table 3: Funding of Cooperative society**

OPTION	RESPONDENTS	%
<b>Officers</b>	130	37
<b>Ordinary members</b>	121	35
<b>Others</b>	100	25
<b>Total</b>	<b>351</b>	<b>100</b>

**Sources: Field Survey 2013**

The breakdown of the responses indicates that the majority of the questionnaires administered funds their way in the hands of officers of cooperative societies as 37% or 130 out of 351 of the respondents are those at help of affair. The singular attribute gives more reliability to the information supplied because such questionnaires actually get to the target audience who are expected to supply accurate data. However, 35% or 121 out of 351 respondents are credited to ordinary or non-official members.

**Table 4: The income group of members**

OPTION	RESPONDENTS	%
<b>Low income</b>	130	37
<b>Average income</b>	120	34
<b>Above average income</b>	61	17
<b>Total</b>	<b>351</b>	<b>100</b>

**Source: Field Survey 2013**

Table 4: shows that 37% or 130 out of 351 respondents indicated that the bulk of cooperators or cooperatives societies belong to low income group while above average and average income groups constitute 61 minority of cooperatives membership and 120 of the groups engage mainly in cooperative enterprises.

**Table 5: The membership strength**

OPTION	RESPONDENTS	%
<b>10 and below</b>	0	-
<b>Between 10 and 39</b>	30	8
<b>Between 40 and 59</b>	160	46
<b>Between 60 and 79</b>	140	40
<b>Between 80 and 99</b>	21	6
<b>100 and above</b>	-	-
<b>Total</b>	<b>351</b>	<b>100</b>

**Source: Field Survey, 2013**

The objective of the above question is to compare the average membership of a society and the maximum share contribution per member in a society as to get an insight of such capital formation on average cooperative society can raise by multiplying the total members with the maximum share contribution per member of a society.

**Table 6: Sources of fund that contributed substantially to project execution**

<b>OPTION</b>	<b>RESPONDENTS</b>	<b>%</b>
<b>Share contribution</b>	160	46
<b>Members saving</b>	100	30
<b>Deposit</b>	-	-
<b>Loan/over draft</b>	-	-
<b>Reserve fund returned</b>	51	14
<b>Government grants /aid</b>	40	10
<b>Total</b>	<b>351</b>	<b>100</b>

**Source: Field Survey 2013**

In the data presented above, deposit and loan/overdraft didn't contribute in the funding of cooperative societies

**Table 7: Are these sources of funding adequate for your society's financial needs?**

<b>OPTION</b>	<b>RESPONDENTS</b>	<b>%</b>
Yes	50	14
No	251	72
Indifference	50	14
<b>Total</b>	<b>351</b>	<b>100</b>

**Sources: Field Survey, 2013**

In order to enhance the understanding table 7 reveals that such sources of funding are not adequate for project execution. This is confirmed by 251 out of 351 representing 72% of the respondents

**Table 8: Sources of Loans**

<b>OPINION</b>	<b>RESPONDENTS</b>	<b>%</b>
<b>Members</b>	-	-
<b>Bank</b>	30	9
<b>Government</b>	50	14
<b>Co-operative tenancy agent</b>	211	60
<b>No loan grant</b>	60	17
<b>Total</b>	<b>351</b>	<b>100</b>

**Source: Field Survey, 2013**

Table 8 is to sort out if societies capital components includes borrowed fund (loan) and the possible sources as X-rayed to co-operative, only 30 out of 351 respondent agreed to have received loan from banks and granted by Nigerian Agricultural and cooperative bank (NACB) limited currently known as (BOA) Bank of

Agriculture: they maintain that they were reluctant to process loan application from cooperative may be likely reluctant in extending credit to cooperative organization. In the government circle, only 14% of the respondents received loan from the government and cross exam. Nation of the respondents proved that such gesture was extended to women cooperative societies via better life for rural women programme of Imo State government.

**Table 9: Other financial assistance from government other than Loan**

<b>OPTION</b>	<b>REPONDENTS</b>	<b>%</b>
<b>Machinery and equipment</b>	-	-
<b>Input and raw materials</b>	41	12
<b>Consumer goods</b>	250	71
	30	8.5
<b>Others</b>		
<b>No other financial</b>	30	8.5
<b>Total</b>	<b>351</b>	<b>100</b>

**Source: Field survey 2013**

The survey data above showed that government did not provide machinery and equipment to cooperative societies

### **III. DISCUSSION**

From the results of this research, it was observed that the problems faced by many cooperative societies in Mbandia in Imo State were: lack of financial commitment by the members to generate internally or externally the necessary funds for project execution, loans granted to cooperative institutions were channeled to other sectors that attracts fat interest, embezzlement of funds, lack of cooperative business education and poor returns from business operation. Another important factor may be about the calibers of people who engage in co-operatives are majority of low-income earners who have the actual spirit of co-operation but find it extremely hard to meet their financial obligation to the co-operation which they belong. Co-operative project in Mbandia Local government were feasible but lack financial commitment to internally or externally source the necessary funds for execution.

In sourcing of the funds by the cooperatives, the society depends largely on the internal generated funds as non of the respondents agreed to have made use of loan and overdraft facilities. The amount of share capital appearing in the balance sheet of some cooperative societies is not in existence as it was just manipulated in order to receive government recognition. Members are not even compelled to take prompt payment as at when such money is needed. All the source of fund available were evaluated and found inadequate. The problem of fund raising was critically analyzed.

On the inability of the members to pay promptly to their societies, It was discovered that lack of incentive motivation in form of savings is divided among the contributing factors. However, the real cause of this is poor return from business operations.

On external sourcing of funds, it was discovered that commercial banks are discriminating in granting loan to cooperative society because of the risks in cooperative enterprises. Based on the interview, cooperative banks do channel the funds allocated to cooperatives. Investigations on loans granted further showed that societies that receive loans from the government are reluctant in extending credit facilities to cooperatives.

From the empirical data received, government gives incentives in term of input and these include free tax. In spite of these incentives, government is not giving adequate financial support to cooperatives as evidenced from the results of this research.

Most of cooperative societies project plans are not attainable and are based on unrealistic assumptions therefore project plans should be viable.

### **IV. CONCLUSION**

In conclusion, the problems of financing cooperative society's projects in competitive economy are multi-dimensional in nature. They arise from many controllable and few uncontrollable factors within and outside the co-operative movement which has hindered its ability to play role as an engine of economic growth and developments. Government has vital roles to play towards the sustenance and survival of cooperative enterprises in Nigeria by throwing its weight towards the restructuring of the entire cooperative philosophy to a capitalist oriented economy, which forms the bedrock of socio-economic background.

## **V. RECOMMENDATIONS**

The following recommendations were made from the findings of this research, they are:

- General review of co-operative legal frame works in the state should be done so as to march from it with the realities of this time. A close look at the cooperative law and rules in this state and country in general call for reviews because it is full of imported legislation which do not conform with other cultural, social, economic and political background. The existing cooperative legislation is more of socialist oriented and there might not be limitation in the amount of share an individual is suppose to subsidize because it scares away those who are willing to invest in cooperative enterprises thereby making cooperatives look as if it is an organization for people.
- Cooperatives in this state/local government should maintain interest of the members by inducing and compelling them to channel their surpluses to cooperative investment.
- Government should partner with cooperatives in order to use economic fortune and status of a strong cooperative council in each of the three levels of local, state and federal governments. Government on their own part should channel the distribution of inputs and raw materials, essential and scarce commodities through cooperatives to get these goods and service to the greater member of the citizens as against the present condition where the distribution is based on one party patronage. All these cooperative council will be licensed to be distributors of all the government owned companies.
- Direct investment and giving of subsidy to cooperatives. Government should make direct investment in the cooperative project at the pioneer stage and withdraw same were fully able to stand competition.
- To encourage external sourcing of funds. Government should use fiscal and monetary policies to channel funds for cooperative development to encourage commercial banks to give loan to cooperatives, all the interest realizable therefore should be tax-free, moreover, in sectional allocation to cooperative enterprises.
- Cooperative and business education. The level of cooperatives and business education of the cooperators and trainees is not commensurate with the intricacies involved in today's business area.
- Most cooperative projects should always be viable. A feasibility study should be conducted and the project should also be planned in advance. It is said that a person who fails to plan is planning to fail. Therefore the viability of the project makes it reliable and also the planning helps the cooperatives to be ready for competition.

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