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The Influence of Cooperative Societies on Poverty Reduction in Ekiti State, Nigeria

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Abstract:

This study examined the influence of cooperative societies on poverty reduction in Ekiti state. The study specifically assessed the impact of cooperative roles on poverty reduction in Ekiti state and evaluated the influence of financial and economic sustainability of cooperative societies on poverty reduction in Ekiti state. The cross-sectional survey design was employed in the study. Primary data was gathered from one hundred and fifty cooperative members in Ekiti state using a well-structured questionnaire. Data gathered was estimated using descriptive, ordinary least regression analysis and other post estimation tests. Findings from the study indicated that cooperative roles exert negative significant effect on the poverty reduction and financial and economic sustainability of cooperative societies was ascertained to influence poverty reduction negatively and insignificantly. Based on these findings, the study suggested that i.Cooperative societies should invest in enterprises that will provide employment to members of the society and also increase the earnings of the cooperative society and management of cooperative societies should increase efforts towards ensuring that benefits accrued to members and non-members are duly accessed.

Keywords: Cooperative societies, cooperative roles poverty reduction, financial and economic sustainability

1. Introduction

1.1. Background to the Study

All over the world, poverty has remained a noticeable national issue caused by the challenge of short- or long-term deprivation and an extreme lack of basic human needs (Obadan, 2012 and Ihenacho, Chikaire, Ejiogu-Okereke, Oguegbuchulam, Osuagwu and Obi, 2012). In spite of the effort of numerous governments in curtailing poverty in Nigeria, the economic issue has instead proliferated as the outlook for poverty reduction remains bleak (Abbas, 2013). Hence, it is undoubted that victims of poverty in Nigeria are defenseless against all sort of cruel and unfair treatments from both government and private agents who possesses the capacity to render financial aid to these victims (Abbas, 2016). Sadly, because poor people do not possess the power, liberty and influence to leverage on for daily survival, they become a cheap resource for several political and economic exploitation. The seriousness of poverty and its consequences differ across the globe (Abbas, 2016). However, the total of poverty victims in Africa and Nigeria specifically has intensified over the years (MGD, 2015). In Nigeria, the number of people living below the poverty line has been on the increase due to the short of basic needs, housing, healthcare services, shelter, education opportunities and access to clean and safe water (UNDP, 2015; MDG, 2013).

World Bank (2000) affirmed that these situations signals poverty and described it as a complex issue that has attracted several universally recognized descriptions. Sweetman (2002) referred poverty to as the inadequacy of income and productive resources required to cause a lasting livelihood, free of hunger and starvation, bad health, unimpressive level of education and other fundamental facilities, heightened mortality, morbidity, lack of housing, insecure environment, homelessness, social exclusion and discrimination. He further posited that poverty is exemplified by constraints of participation of decision making particularly in civil, cultural and social life. Pearse (2014) maintained that

poverty in Nigeria has occasioned the proliferation of several other critical social issues that has posed huge social and economic implication on the prosperity of the society.

Following the gravity of the issue, several Nigerian governments at different level have devised numerous plans to subdue poverty. Despite this, not one of these plans has positively driven the poverty position of the country to a favorable level (Abbas, 2013). Some of the plans arranged by the government are skill acquisition, job creation, micro-credit loans, training and development, ennobling infrastructural facilities among others. But surprisingly, the actuality in Nigeria, particularly in the plans that have been created is that a good number of them do not accord significance to people in the developed model and its eventual implementation. That is, practically all of the plans are drawn by top executives; the populace only discovers them when they are implemented. Hence, the benefits derived from such development by the populace are almost not enough as any benefit gained is a function of the ideas of only top government personnel who barely comprehends the odds in the society before drawing most plans (Abbas, 2016).

In spite of the large budgetary allocation directed towards the implementation of various programmes targeted towards reducing poverty in Nigeria, the standard of living of a significant number of Nigerians have been unpleasant and appalling (Orji, 2015). Evidently, the rate of poverty in Nigeria has accrued over the years. For instance, in 2010, the poverty rate maintained a 54.4%, it increased to 55.01 in 2012; in 2014, poverty rate further accrued to 55.9% and 61.2% in 2017 (World Bank Group, 2018). This poverty gap experienced over time in Nigeria reflects the failure of the several strategies geared towards filling this gap. Hence, the causation of cooperative societies in 1945 was in the bid to transfer the role of poverty reduction to non-governmental organizations that will proffer required financial and material support to the populace (Pearse, 2014). Notwithstanding the existence of cooperative society, the level of poverty in Nigeria is still on the increase thereby cascading development in the society. Ademolu, Aduku, Elesho and Nweke (2018) observed that the cause of the shortcomings that reflects in the activities of cooperative societies includes the low management quality, capital issues, non-performing loans and improper planning. Hence, numerous challenges faced by cooperative societies is premised on the challenges they experience thereby impeding their pace of societal development across communities in Nigeria. It is based on this backdrop that this study intends to assess the influence of cooperative societies on poverty reduction in Ekiti state.

1.2. Research Objectives

The main thrust of this study is to evaluate the influence of cooperative societies on poverty reduction in Ekiti state. The specific objectives of the study are to:

- Assess the impact of cooperative roles on poverty reduction in Ekiti state.
- evaluate the influence of financial and economic sustainability of cooperative societies on poverty reduction in Ekiti state.

2. Literature Review

2.1. Conceptual Clarification

2.1.1. Overview of Cooperative Society

It has been established that there is no generally recognized description of cooperative society as the ideas of several scholars have differed over time (Ajayi, 2019). According to Sharma, Simkhada, and Shrestha (2005), cooperative society is a financial alliance of more than two persons established and controlled by the members with the main object of supplying savings and credit facilities to its members. The idea of cooperative model particularly savings and cooperative innovation was first revealed in the 1850s in Germany by a duo social entrepreneur named Hermann Schulze-Delitzsch and Friedrich Raiffeisen (Birchall, 2013). This idea was occasioned in the entrepreneurs bid to react to the inefficiency of the formal financial system globally. The urgent quest for reachable credit particularly in the rural area triggered the creation of cooperative institutions and organizations as formal banks became practically insignificant due to their constraints placed on the amount of credit provided to individuals (Birchall, 2013). The credit cooperative innovation and existence has covered almost all the countries of the world, with a noticeable contribution in the development of the economy. The significance of financial cooperatives is on the increase due to its global effectiveness which is connected to its not-for-profit character as its main focus is to meet the unending financial needs of its members and the community largely (Borzaga and Galera, 2012).

Borzaga and Galera (2012) further emphasized that the innovation and existence of cooperative societies have lasted for over two centuries in practically all sectors in every economy of the world. More importantly, financial cooperatives have over the years reflected a noticeable sustainability and development in macroeconomic issues particularly aggregate poverty rate and unemployment rate relative to the profit-oriented businesses particularly in Nigeria. Additionally, the cooperative idea has demonstrated a significant development in time past as it consistently changes as the conditions and issues of the society changes (Borzaga and Galera, 2012). This is evident in the various types of cooperatives that have been created in the course of time to curtail the economic and social distresses faced by individuals and households globally (Zikalala, 2016). Additionally, the United Nations (2013) emphasized that cooperatives have shown great potential in various sectors of the economy in almost all the countries of the world including the banking and financial service sector, health, agriculture, insurance, craft, transport, consumer and the retail sector.

2.1.2. Poverty Reduction in Nigeria

Ameliorating the effect of poverty has been a universal challenge due to its complexity, influence and multi-dimensional character. Hence, there has been a growing interest over the years as regards community-based remedies to curtail the existence of poverty in the society and also build individual and household confidence in the community. Pearse, (2014); United Nations (2004) and Ijaiya, (2002) emphasized that these targets are intended to subdue poverty through the several pro-poor growth approaches including the mercantilist approach on foreign trade, traditional economics approaches, basic need benefits approaches, and industrial revolution which eventually failed to cause the expected change. The World Bank (2004) identified poverty reduction as an approach to enhancing the system of transferability through the recognition of assets, developing access to available credits and strengthening the allocation to cause an increased standard of living.

Bhardwaj (2009) maintained that poverty reduction strategies should integrate the target of arresting psychological, social, cultural and economic barriers. In the bid to reduce poverty, several associated forces that cause the poor to remain deprived should be tackled. Also, increasing people's inclusion in household decision making (especially women), understanding, training and markets including other significant economic resources for income creation such as credit, adequate information, land and technology (Chikaire, Ejiogu-Okereke, Oguegbuchulam, Osuagwu and Obi, 2012). Ogwumike (2001) affirmed that over time, poverty reduction approaches adopted in Nigeria were centered on the growth of the economic, rural development and the provision of basic needs households. These measures obviously exerted insignificant impact on poverty reduction as any given measure aimed at reducing poverty must improve human capacities which guarantee impressive economic output and consequently enhance the standard of living of individuals and households and as a result reduces poverty (Pearse, 2014). The effectiveness of any poverty reduction technique are identified to be capable of catalyzing a recognized property rights for informal business owners and landed property owners, improved market that enhances savings mobilization, life security, encourage a great macroeconomic position, effectual civil service delivery, medium sized governmental system, unbiased regulatory system and good governance so as to cause a noticeable reception in poverty and economic inefficiency (Dollar and Kraay, 2001). Cooperative societies especially in developing countries have noticeably contributed to the provision of financial aid, employment creation, social welfare, creation of symposiums for education and training including other measures targeted towards reducing socioeconomic issues connected to poverty (Tanzania Federation of Cooperation, 2006).

2.2. Research Methods

2.2.1. Research Design

This study used the cross-sectional survey design. The target population of this study is the members of cooperative societies operating in Ekiti State. However, the study employed the random sampling technique in selecting three hundred respondents from Ekiti State University Progressive Multipurpose Cooperative Society and Igemokoko Ateco Fadama Farmers' Cooperative Multipurpose Society, Ado-Ekiti. A five-point Likert scale questionnaire was employed in gathering primary data in the study.

Model Specification

This study specified cooperative roles and financial and economic sustainability of cooperative societies as proxies' cooperative society as it affects poverty position in the society. Thus, the model of the study is specified in functional, linear and log form.

Functional Form

$$POR = f(COPR, FESC, U) \text{ ----- 3.1}$$

Linear Form

$$POR = \alpha_0 + \alpha_1 COPR + \alpha_2 FESC + U_t \text{ ----- 3.2}$$

Where:

POR = Poverty Reduction

COPR = Cooperative Roles

FESC = Financial and Economic Sustainability of Cooperative Societies

U_t = Stochastic Error Term

$\alpha_0, \alpha_1, \alpha_2, \alpha_3$ are parameter estimates corresponding to constants term.

3. Data Analysis and Discussion

Variable	Detail	Frequency	Percentage
Gender	Male	103	68.7
	Female	47	31.3
Total		150	100.0
Occupation	Civil Servant	27	18.0
	Academic	42	28.0
	Business Person	31	20.7
	Farmer	50	33.3
Total		150	100.0
Occupational Experience	1-5 Years	38	25.3
	6-10 Years	77	51.3
	11-15 Years	20	13.3
	15 Years & Above	15	10.0
	Total	150	100.0
Educational Qualification	Diploma/SSCE	53	35.3
	Bachelor's Degree	33	22.0
	Master's Degree	27	18.0
	Doctoral Degree	37	24.7
Total		150	100.0
Respondents Cooperative Society Membership	Ekiti State University Multipurpose Cooperative Society	109	72.7
	Igimokogo Ateco Fadama Farmers' Cooperative Multipurpose Society	41	27.3
Total		150	100.0

Table 1: Demographic Data of Respondents
Source: Field Survey, 2018

The above table 1 reflects the demographic details of respondents who participated in the study. The table indicates that 69.7% of the total respondents are male while 31.3% are female; this implies that gender bias had no place in the survey. Also indicated in the table is the occupation of respondents, it is noticed from table 1 that academics and farmers dominate the respondents of the study with 28% and 33.3% respective portion of the total respondents. Again, the study determined that 25.3% possesses 1-5 years' experience in their occupation, 51.3% possesses 6-10 years' experience, 13.3% are with 11-15 years' experience while 10% are with experience of 15 years and above. Furthermore, it is revealed from table 1 above that 35.3% of the total respondents have Diploma or Secondary School Certificate, 22% are first degree graduates, 18% are Masters graduate while 24.7% are Ph. D holders. Lastly, the study ascertained that respondents are members of at least a cooperative society in Ekiti State, particularly 72.7% are members of Ekiti State University Multipurpose Cooperative Society while 27.3% are members of Igimokogo Ateco Fadama Farmers' Cooperative Multipurpose Society.

4. Regression Analysis

Variable	Coefficient	Std Error	t-statistics	Prob.
C	3.169219	9.243051	0.342876	0.7349
COPR	-0.827451	0.199457	4.148526	0.0004
FESC	-0.066908	0.164223	0.407423	0.6876

Table 2: Regression Estimation Results
Dependent Variable: Poverty Reduction
R-square=0.439146, Adjusted R-square=0.388160, F-statistics=8.612965
Prob (F-statistic) =0.001727

Estimates of the regression results revealed in Table 2 above affirmed that cooperative roles exerts negative significant effect on the poverty reduction with coefficient estimate of 0.827451 ($p=0.0004 < 0.05$) while financial and economic sustainability of cooperative societies was ascertained to influence the poverty reduction negatively and insignificantly

with coefficient estimate of 0.066908 ($p=0.6876>0.05$). Also, the R-squared statistics showed in table 2 above stood at 0.439146 which indicates that cooperative roles and financial and economic sustainability of cooperative societies contributes over 43% of the variation in poverty reduction in Ado-Ekiti society.

5. Post Estimation Test

Linearity Test		
Statistics	Values	Probability
T-statistic	0.068455	0.9461
F-statistic	0.004686	0.9461
Likelihood Ratio	0.005578	0.9405
Normality Test		
Statistics	Values	Probability
Jarque-Bera Stat	12.05084	0.001925
Serial Correlation LM Test		
Statistics	Values	Probability
F-statistic	2.467938	0.1102
Heteroskedasticity Test		
Statistics	Values	Probability
F-statistic	1.027905	0.3743

*Table 3: Post-Estimation Results
Source: Author's Computation, (2020)*

In the quest to determine the authenticity of hypotheses stated in the study and the fitness of the research model, a couple of post-estimation tests are conducted. Linearity test conducted indicates t-statistics of 0.068455 ($p=0.9461>0.05$), f-statistics of 0.004686 ($p=0.9461>0.05$) and likelihood ratio of 0.005578 ($p=0.9405>0.05$). Statistics the Ramsey (Linearity) tests alongside probability values reported reflects that alternative hypothesis is suitable and indicates variables that influence poverty reduction in the society; this is evident in the linear association affirmed between variables used in the study.

Furthermore, normality test conducted in the study demonstrated that the alternative hypothesis is well identified with Jarque-Bera statistics and probability values 12.05084 ($p=0.001925<0.05$), premise on the probability values attained, we ascertain that error term existing in the study's model is normally distributed. Again, the Breusch-Godfrey serial correlation LM test result revealed above indicates that the f-statistics and probability values 0.447796 ($0.6456>0.05$). The statistics suggests that there is no evidence to refuse the acceptance of the null hypothesis and this shows that there exists no serial correlation between the estimation results, this also justifies the autocorrelation of the error terms in the estimated models.

Finally, this study further assessed the heterogeneity of the variables with heteroskedasticity test, reported f-statistics and probability values of 0.738255 and 0.5410 also demonstrates that there is no justification to rejecting the null hypothesis of constant variance of the error term (homoscedasticity). Therefore, the test determined the lack of issue as regards heteroscedasticity in the error term of the models demonstrated in the study.

6. Implication of Findings

Investigation conducted in the study evaluated the influence of cooperative societies on poverty reduction in Ekiti state revealed that cooperative roles exerts negative significant impact on poverty reduction in Ekiti state, this suggests that an increase in cooperative roles will amount to noticeable decrease in poverty in the society. This clearly justifies the significance of roles played by cooperative societies amongst members, the provision of financial support, provision of empowerment programmes and several other benefits proffered to members and non-members of the society have over the years improved the economic status of people especially members of the cooperative. Furthermore, the study ascertained that financial and economic sustainability of cooperative society exerts negative insignificant impact on poverty reduction in Ekiti state. This implies that an increase in the financial and economic sustainability of cooperative societies will sum up to decrease in poverty in the society. This is unarguable as the ability of cooperative societies to continue with its policies without occasioning debt in its administration and without negatively affecting the social, cultural and environmental shape of the society further improve the economic position of the society and ultimately control the domination of poverty on households in the society.

7. Conclusion and Recommendation

Based on the findings ascertained in the study, it can be concluded that cooperative roles exert negative significant effect on the poverty reduction while financial and economic sustainability of cooperative societies was ascertained to influence poverty reduction negatively and insignificantly. Premise on these findings, this study concludes that there exists an association between cooperative societies and poverty reduction in Ekiti state. Hence, this study suggests that:

- Cooperative societies should invest in enterprises that will provide employment to members of the society and also increase the earnings of the cooperative society so as to improve the effectiveness of organization and reduce poverty in the society.

- Management of cooperative societies should increase efforts towards ensuring that benefits accrued to members and non-members are duly accessed; this will further enhance the economic and social standards of cooperative members and the community at large.

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