

## Sustainability of Agricultural Cooperative Societies in Nigeria: The Case of South-South Zone, Nigeria

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**Abstract:** *The study looked at the sustainability of agricultural cooperative societies in the south-south geopolitical zone of Nigeria. Out of six states of the zone, Cross River, Rivers and Edo were randomly selected for the study. The study identified the socio-economic characteristics of cooperative societies, analyzed loan advanced to cooperative members, focus on the scope for sustainability of cooperative societies, women empowerment and analyzed the loan utilization by the cooperative members. Secondary data was sourced from the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB), Calabar Branch. The information was analyzed using descriptive statistics. The result showed that out of the total loan advances made, more than 50% went for consumption purposes. Rough estimate shows that about 50% of the cooperative members fall below poverty line which shows that the cooperative groups of the zone comprised mostly of the economically poor.*

**Keywords:** *Agricultural Cooperatives, Sustainability, Capital*

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### 1. Introduction

In developing countries in which Nigeria is one, agriculture dominates the economy of the nation. It has been established that about 70 percent of Nigeria population is engaged in agriculture (Obasi and Agu, 2000) while 90 percent of Nigeria total food production comes from small farms and 60 percent of the country population earn their living from these small farms (Oluwalayo et al, 2008). The recent importation of food items into the country to make up for the shortfalls in food supply is a dangerous indication of dwindling farm productivity and warning sign that if the nation continue with the business as usual, the prospect of food security will be bleak for millions of people (Nweze, 2003). The fall in agricultural production could be attributed to inadequate infrastructure, under mechanization and inadequate finance (Oshiokaya, 2005). According to Ojo (1998), one problem confronting small scale enterprise including that in agriculture is inadequate capital.

Inadequate finance has remained the most limiting problem of agricultural production. This is because capital is the most important input in agricultural production and its availability has remain a major problem to small scale farmers who account for the bulk of agricultural produce of the nation. In Nigeria, credit has long been identified as a major factor in the development of agricultural sector (Balogun, 2007). Credit is considered the catalyst that activates other factors of production and make under used capacities functional for increased production (Ijere, 1998). It is a major factor necessary for technological transfer in traditional agriculture (Oyaloye, 1981). Farm credit can be obtained from either the formal source which include the banks and other government owned institutions or the informal sources which are self help group, money lender, cooperatives and non-government agencies (NGO).

According to Afolabi and Fagbero (1998), the informal source of credit is more popular among small scale farmers which may be 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 objectives 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 bureaucratic procedures and high service cost, which are very difficult for the farmers to meet. The situation has attracted the attention of Nigeria government to the creation of specialized institution such as the Nigeria Agricultural Cooperative and Rural Development Bank (NACRDB) to cater for the credit need in the agricultural sector.

However, Alufohai and Ahmadu (2005), studied its queue management and reported its ineffectiveness in credit delivery. In spite of the importance of loan in agricultural production, its acquisition is fraught with a number of problems. The small scale farmers are forced to source for capital from relations, money-lenders and contribution clubs. All of these are known to be ineffective in providing capital for substantial increase in agricultural production. The last hope for the small scale farmers then lies with the cooperative societies (Ijere, 1981), the cooperative has been identified to be better channel of credit delivery to farmers the NGO's in term of its ability to sustain the loan delivery function (Alufahai, 2006). Thus, there is need for their sustainability.

Cooperatives are defined as "an autonomous association of persons who unite voluntarily to meet their common economy and social needs and aspiration through a jointly owned and democratically controlled enterprise (ICA, 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. Patrick (1995), described cooperatives as a medium through which services like provision of farm inputs, farm implements, farm mechanization, agricultural loans, agricultural extension, members education, marketing of members farm produce and other economic activities and services rendered to members. Regular and optimal performance of these roles will accelerate the transformation and sustainability of not only the cooperatives but the revampment of agricultural 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. Previous studies have shown that cooperative carry out the function of credit delivery to farmers but there's ample evidence that farmers face difficulties in obtaining credit and the problem of sourcing for capital still lingers on. However, much of the credit supplied through cooperatives gets used up for consumption purposes and therefore not productive. If members of the cooperatives ever happen to feel that the credit coming forth from the cooperatives is not yielding adequate or no returns and repayment of loans borrowed from them is inescapable, they may stop patronizing them (Katar Singh and Gain, 1995, Dadhich, 2001).

The presumption that cooperative groups can bring down cost of lending, reduce over dues and can come to the aid of those who need credit most the rural poor made NACRB to extend an all out support their expansion, Enyenibe (2001). Also, the fact that most cooperative groups are formed by women, who by nature thrifty and honest made everyone see cooperative groups as having a great future. The progress achieved by the groups in South-South states of Nigeria is heartening. Cooperatives have grown from strength to strength in the states and the policies of the government with their emphasis on women empowerment have much to do with this.

Previous studies have shown that cooperatives carry out the function of credit delivery to farmers but there's ample evidence that farmers face difficulties in obtaining credit and the problem of sourcing for capital still lingers on. However, much of the credit supplied through cooperatives gets used up for consumption purposes and therefore not productive. If members of the cooperative ever happen to feel that the credit coming forth from the cooperatives is not yielding adequate or no returns and repayment of loans borrowed from them is inescapable, they may stop patronizing them (Katar Singh and Gain, 1995, Dadhich, 2000). The continuing existence of cooperatives and their sustainability therefore depends upon how well the low skill intensive products turned out by the members of the cooperative societies are received in the rural areas.

In the light of the above discussion, the main objective of the study is to focus on the scope for sustainability to cooperative societies in South –south zone and the women empowerment through cooperative groups.

The specific objectives are:

- i) To analyze the socio-economic characteristics of the respondent.
- ii) To analyze loan advanced to cooperative members (active and passive groups)
- iii) To analysis loan utilization by cooperative members.

## 2. Methodology

The study was conducted in south-south zone of Nigeria. This zone comprises of six states namely; Cross River, Rivers, Akwa Ibom, Bayelsa, Delta and Edo. For the purpose of convenience, three states, Cross River, Rivers and Edo were randomly selected for the study. The list of all registered cooperatives societies was obtained from the Nigerian Agricultural Cooperatives and Rural Development Bank (NACRDB); Calabar branch. Secondary data for the study were collected, from the said institution, a total of 558 cooperative groups were constituted, out of which 480 were active while 78 passive. Data obtained from the study were collated and analyzed using simple descriptive statistics.

## 3. Result and Discussion

### 3.1 Sustainability

There are 558 groups of agricultural cooperative societies which were constituted in the selected three states. The earliest group existed before now. It was during the period of restructuring of NACB in 2001. the government policies at the state levels aided the formation of a large number of groups during the period.

The cooperative grew in number to a total of 558, out of which 480 became active while 78 passive. Agricultural prosperity contributes to the sustainability of the cooperative.

There are some data on the activities for which loans are disbursed to members of the group. Loans are taken by members for family maintenance, petty trading including garri and palm fruits procession, vegetable sales, marketing of agricultural produce and investment in other smaller businesses.

It is noticed that of the total advances made more than 50% have gone for consumption purpose (table 1).

**Table 1:** percentage of loan advance by purpose (N000 )

Purpose	Active group	Passive group	Total
Consumption %	6120 60.53	4920 74.54	11040 66.06
Production %	3990 39.46	1680 25.45	5670 33.93
Total %	10110 100	6600 100	16710 100

Field survey 2011

The occupational pattern of the members of the active cooperative groups is of interest. Thus a large majority of members of the groups are dependent upon agriculture for a living and their incomes if anything would fluctuate much more widely than the incomes of those in non-farm activities. This may have a telling effect on the sustainability of cooperative groups.

**Table 2:** Occupation distribution of members of cooperative groups

Purpose	Active group	Passive group	Total
Agricultural %	252 52.50	24 30.76	276 52.27
Marginal farmer %	87 18.13	30 38.48	117 22.15
Non-farm active and rural artisan %	141 29.38	24 30.76	165 29.56
Total %	480 100	78 100	528 100

Field survey, 2011

### 3.2 Women Empowerment

The yardstick used to the performance of a cooperative society should no always be its financial standing. Even if a cooperative does not seem capable to sustaining itself financially, every effort should be made to put it on the rails particularly when it empowers the economically and socially disadvantaged by giving them a sense of belonging. The saving habit that is inculcated by cooperative groups among women should be also taken into cognizance, for the money saved can make them feel independent. The interaction among the members facilitates by the group meetings can make women think progressively about their children's education.

**Table 3:** Distribution of members of cooperative group by land holding

Particulars	Active group	Passive group	Total
Marginal farmer %	124 38.75	15 19.23	201 36.02
Small farmers %	57 11.88	9 11.53	66 11.82
Medium farmers %	24 5.00	6 7.69	30 5.37
Big farmers %	0.0 0.00	9 11.53	9 1.61
No level %	213 44.38	39 50.0	252 45.16
Total %	480 100.0	78 100.0	558 100.0

Field survey 2011

There is no denying the fact that the cooperative groups of the zone comprise mostly the economically poor. Rough estimation shows that about 50% of them fall below poverty.

**Table 4:** Distribution of cooperative groups by literacy levels

Particulars	Active group	Passive group	Total
Illiterates %	168 35.00	30 38.46	198 35.48
Primary %	219 45.63	18 23.07	237 42.47
Secondary	57 11.89	15 19.23	72 12.90
Higher %	30 6.25	15 19.23	45 8.06
Above %	6 1.25	0.0 0.00	6 1.07
Total %	480 100	78 100	558

Field survey, 2011

**Table 5:** Distribution of members of cooperative groups by age

Particulars	Active group	Passive group	Total
No of group members	36 7.50	3 3.84	39 6.98
Age group below 25 years %	72 15.0	21 26.92	93 16.66
25-35 years %	243 50.62	24 30.76	267 47.54
Above 35 year %	129 26.87	30 38.46	156 28.49
Total	480	78	558

Field survey, 2011

**Table 6:** Responses of members classified by their level of participation in meetings of cooperative groups

Participation in group actives	Active group members	Passive group	Total
Good %	300 62.60	45 19.23	315 56.45
Average %	132 27.50	27 34.61	159 28.49
Poor %	48 10.00	36 46.15	84 15.05
Total	480	78	558

Field survey, 2011

These details go to show that cooperative groups (active and passive) of the zone are largely in service of the economically and socially weaker sections of the zone. Illiteracy has not deterred them from joining

cooperative group (Table 5). It should be possible to tap the hitherto untapped entrepreneurial skills of these women. The interaction among members which is so essential for spread of knowledge about health, education and more particularly for governing the activities of the cooperative groups seems good with 2.3<sup>rd</sup> of members which is so essential for spread of knowledge about health, education and more particularly for governing the activities of cooperative groups seems good with over 2.3<sup>rd</sup> of the members.

#### 4. Conclusion

The importance of cooperative societies arises from the fact the rural poor (farmers) are not properly served by formal institution agencies (viz, commercial banks and other government owned financial institution). These institutions refrain advancing loan to the rural poor because of the bureaucratic procedures and high cost service involved in lending to them. Cooperative societies also assume importance in view of the fact that money lenders subject the rural poor to sever exploitation by charging high interest. By forming into cooperative the rural poor can get over these two problems. In as much as the poor borrow and repay money to banks as a group the cost of lending decreases. Since the members of the cooperative groups are of homogenous economic class and since peer monitoring is the rule in the groups, loans advanced will promptly. This makes cooperative group sustainable and the ever increasing number of cooperative societies has much to do with this fact. The new NACRDB's role in the expanding number of cooperative groups is not to be betittled either.

Cooperative societies have grown from strength to strength particularly in South-south zone of Nigeria. In this study 558 randomly selected cooperative groups of south-south zone cooperative groups are giving them a new identity in the society. Saving on a monthly basis, which was unknown to women, is now a reality. The hitherto untapped entrepreneurial skills of women are to the fore. To make the cooperative groups financial sustainable, it is necessary to advance loans for activities which are not marginalized and which lead to production of goods that have few substitutes in urban manufacturers.

#### 5. Recommendation

1. The new role of NACRDB the expansion of number of cooperative groups should be seriously upheld for cooperative sustainability.
2. To make the cooperative groups financially sustainable, it is necessary for the financial institutions to advance loans for activities, in which it is meant for.
3. More commercial banks should be involved in granting loans from agricultural cooperatives.
4. Government should subsidized the interest rate and make it possible for the vast majority of the farmers to acquire agricultural credit.

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