



ASSESSMENT OF THE PERFORMANCE OF FARMERS' COOPERATIVE SOCIETIES: A CASE OF KADUNA STATE NIGERIA

Chuks C. Ezeh †, College of Agriculture, Ahmadu Bello University, Zaria Nigeria

M. Abubakar

† ✉ chukezeh14@gmail.com (Corresponding author)

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ABSTRACT

The study was carried out in Soba Local Government Area (LGA) of Kaduna state to appraise the performance of four (4) farmers' cooperative societies using a structured questionnaire administered to 116 randomly selected cooperators. The obtained data were analyzed using descriptive and nonparametric statistics. The results revealed that several factors had motivated members to join societies. The average loan approval rate of 93.3% was recorded for the 3-year period of 2015, 2016, and 2017. About 73 cooperators representing 62.9% assessed the services of the cooperative societies as very satisfactory or satisfactory; only 12.9% assessed them as not satisfactory. Major constraints that identified include inadequate capital (19.7%), limited income generating activities (16.5%), and poor attitude of cooperators (14.5%).

Contribution/ Originality

This study evaluates the performance of selected cooperative societies in bridging the gap and leveraging on identified constraints, and offers recommendations that will engender better livelihoods among cooperators and concurrently transform Nigerian agriculture.

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1. INTRODUCTION

In recent years policy makers, Non-Governmental Organizations (NGOs), and international donor agencies have recognized that improving livelihoods in many low income countries can only be achieved if development efforts are clearly focused on the sector employing most of the poor and the spaces where they live. Undoubtedly that sector is rural farming which in most low income countries constitutes the majority of the poor (Ugwuanyi and Chukwuemeka, 2013).

In Nigeria it is estimated that over 50 percent of the population are poor. The World Bank (2015) report estimated the incidence of poverty to be 53.5 percent with poverty levels more severe in the rural areas. According to Thomas and Canagarajah (2008) Nigeria's economy is characterized by a large agriculturally based sector that encompasses about two thirds of the population living in poverty.

Smallholder farming is typical in rural Nigeria and there is an emerging concern about the viability of small farm agriculture. This, according to Barret *et al.* (2006), is because these smallholders are faced with daunting livelihood risks resulting from the general state of deprivation they find themselves in; infrastructure is poor, environmental hazards prevail, and income is low resulting from low investment and an uneconomic scale of production. The result is that these smallholders are caught up in a vicious cycle trying to eke out a living and hardly meeting basic living requirements.

The importance of growing the agricultural sector and at the same time improving rural livelihoods cannot be overemphasized. This was amply demonstrated during the economic transformation of Asia. Forty years ago Asia was a continent of widespread poverty. Today most Asian countries are experiencing significant growth and poverty reduction (Otierio, 2007). Nigerian economy has a lot of potential for growth and development, especially the rural farming sector. These potentials must be harnessed to the fullest to generate the expected upscale in rural livelihoods. Perhaps one veritable channel to the realization of this goal is through the encouragement and growth of the cooperative movement (Anyanwu *et al.*, 1997; Otto and Ukpere, 2011).

Cooperatives have been defined severally and in many contexts. The International Cooperative Alliance (ICA, 2001) defined cooperatives as people-centred enterprises jointly owned and democratically controlled by members for members to realize their common socioeconomic needs and aspirations. Ezeh (2003) posited that cooperatives are established by likeminded people to pursue mutually beneficial economic interests generally aimed at enhancing livelihood standards.

The merits of cooperation essentially derive from the characteristic focus on collective action. The facets of collective action may differ from place to place, form one cooperative enterprise to another. These differences manifest in the different types of cooperatives operating in Nigeria; some operate along specific endeavours while others are multipurpose. In all, group or collective action has been recognized as a positive force for rural development. As the name implies, cooperatives perform a number of services to their members such as providing credit and other inputs for production along with storage and marketing facilities for their produce. The credit requirements of members could also be met through grants and loans from government and donor agencies for on-lending to members. Cooperatives encourage and facilitate mobilization of savings among members, thereby filling funding gaps that characterize marginal production.

There is no doubt that pooling their resources together through cooperatives will help unleash unexploited potentials and empower these smallholder farmers. However, success stories of the performance of cooperatives in Nigeria have been few and far between. Studies have shown that attempts to channel funds through cooperatives have not been very successful. A myriad of other

challenges have been cited in different locations (Ijere, 1998; Otto and Ukpere, 2011; Kanu and Ozurumba, 2014).

Therefore this study aims to assess the performance of selected cooperative societies in the area of study. The objectives of the study are:

- To describe the socioeconomic characteristics of the cooperators in the study area
- To elicit the factors motivating membership of cooperative societies
- To assess the performance of selected cooperative societies
- To identify the constraints mitigating the effectiveness of cooperative societies in the study area.

2. METHOD OF STUDY

2.1. The study area

The Soba Local Government Area (LGA), one of the 23 LGAs in the state of Kaduna, is located in the north-eastern part of the state along latitudes 10⁰ – 15⁰ N and longitudes 11⁰-16⁰ E. The LGA is bordered by the Zaria LGA in the west and the Kauru LGA in the east. The Soba LGA falls within the Guinea Savanna Zone with annual rainfall range of a variety of arable crops. The major occupation of the inhabitants is farming.

2.2. Sampling procedure and data collection

Multistage sampling procedure was adopted in the study, firstly to purposively select the Soba LGA because of the preponderance of active cooperative societies in the local government area. Secondly, two districts out of four were purposively selected because of the number of active societies operating in them. The third stage involved random selection of two (2) cooperative societies per district giving a total of four (4) societies. Finally, thirty (30) members were randomly selected from the membership list provided by the selected societies. The number of randomly selected co-operators per society was limited to 30 firstly because that figure amounted to an average of 50% of the membership of most of the societies and secondly because the scope of the study was limited by funding and time. A structured questionnaire was used to generate primary data through interviews of the co-operators. 116 (96.7%) were duly completed and formed the sample size for the study (n = 116).

Table 1: Distribution of co-operators

District / Cooperative	Questionnaire administered	Questionnaire retrieved	% retrieved
1. Maigana			
a. Awai	30	29	24.2
b. Tudun Saibu	30	30	25
2. Wanka			
a. Dutse	30	28	23.3
b. Tsauni	30	29	24.2
Total	120	116	96.7

2.3. Data analysis

Both descriptive and nonparametric statistics were used to analyze the primary data. Descriptive statistics including frequency and percentages were used to achieve objectives 1, 2, and 4. Nonparametric statistics including standard deviation and chi-square were used to achieve objective 3:

Standard deviation S =

$$S = \sqrt{\frac{\sum_{i=1}^N (x_i - \bar{x})^2}{N-1}}$$

where $(x_1, x_2 \dots x_n)$ are observed values of the sample, \bar{x} is the mean value of the observations, and N is the number of observations in the sample. Chi-square is explicitly expressed as:

$$\chi^2 = \frac{(x_o - x_e)^2}{x_e}$$

where x_o is the observed frequency and x_e is the expected frequency.

3. RESULTS AND DISCUSSION

3.1. Socioeconomic characteristics of co-operators

Table 2 shows the distribution of major socioeconomic characteristics of the respondents including gender, age, educational attainment, and occupation.

Table 2: Distribution of co-operators according to their socioeconomic characteristics

Characteristic	Frequency (n = 116)	Percentage
Gender		
Male	83	71.5
Female	33	28.5
Age (years)		
<20	9	7.8
21 – 30	28	24.1
31 – 40	32	27.6
41 – 50	31	26.7
>50	16	13.8
Mean	36.5	
Educational status		
Primary education	44	37.0
Secondary education	29	25.0
Tertiary education	11	9.5
Adult literacy	18	15.5
Non formal education	14	12.1
Occupation		
Farming	78	67.2
Fishing	9	7.8
Traer/business	21	18.1
Civil servant	8	6.9

Source: Field Study, 2018

The results in table 2 show that men constituted 71.5% of the respondents and women 28.5%. There is no doubt that men dominated in the activities of the cooperative societies covered in the area. This result is similar to the findings of [Izekor and Alufohi \(2010\)](#) in their study of credit cooperatives in the state of Edo, in the South, and [Ibitoye \(2013\)](#) in the state of Kogi, North Central Nigeria.

Only 9 (7.8%) of the co-operators were below 20 years of age. 24% fell within 21-30 years. More than half (54.39) of the co-operators fell between 30 and 50 years while 16 co-operators representing 13.8% were over 50. The mean age of the respondents in this study was 36.5 years. Evidently the majority (78%) of the co-operators fell within the productive age of 20 – 50 years.

These results agree with the findings of Babatunde *et al.* (2007) in their study of farmers in the state of Katsina in Nigeria.

The results in Table 2 also show the educational status of the co-operators. 37.9% had only primary education, 25% secondary education, and 9.5% tertiary education. About 16% of the cooperators had attended adult literacy programmes operating in the LGA, and 14 respondents, representing 12.1%, had no formal education. These results agree with the findings of Audu *et al.* (2010) in Dekina LGA of the state of Kogi in Nigeria.

While farming is the predominant occupation of the inhabitants of the Soba LGA, other occupations also featured, mostly with farming as a side occupation. The results show that the majority (67.2%) indicated farming as their main occupation. About 18% of the co-operators were into trading / business, 7.8% into fishing, and 6.9% were civil servants. It is noteworthy that most of the civil servants had attained tertiary education.

3.2. Cooperative membership and motivators

The study sought to ascertain the duration of membership of the co-operators and what factors motivated their membership in cooperative societies.

Table 3: Distribution of co-operators based on the duration of membership

Duration of membership	Frequency	Percentage (%)
< 5 years	19	16.4
6 – 10 years	34	29.3
11 – 15 years	50	43.1
> 15 years	13	11.2
Mean	10.4	
Std. Derivation	4.37	

Source: Field Survey 2018

The results in Table 3 show that 19 co-operators, representing 16.4% of the sample, have been in cooperative societies for less than 5 years, 29.3% have been co-operators for 6 – 10 years, and 43.1% have been members for 11 - 15 years. Only 11.2% of the co-operators have been members for over 15 years. The mean duration of membership for the sample is 10.4 years with a standard deviation of 4.37. Evidently over a half (54%) of the co-operators have been members of cooperative societies for over 10 years. This is remarkable since, according to Izeke and Alufohai (2018), the longer the duration of membership, the more experienced members are in the running and operations of cooperative societies. It is also evident that members find cooperation beneficial and hence sustain their membership.

Regarding the major factors that had motivated and endeared members to join cooperative societies, the responses of co-operators are shown in Table 4.

Table 4: Factors that motivated membership in cooperative societies

Motivating factor	Strength of motivation			Mean (x)
	Very strong (3)	Strong (2)	Mild(1)	
1. To contribute to community development	42	43	31	2.09
2. To encourage and enhance savings culture	68	33	15	2.46
3. For increased agricultural output/yield	54	41	21	2.28
4. To facilitate access to loans and farm inputs	83	24	9	2.63
5. To improve members welfare/livelihood	49	42	25	2.2

6. To enhance members' self esteem	36	41	39	1.97
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Source: Field study, 2018

Using a benchmark of 2, the Likert type results in Table 4 show that the prospects of access to loans, grants, and farming inputs recorded the highest mean score of 2.63 followed by encouraging and enhancing savings culture (2.46).

The third and fourth ranking motivators were for increased agricultural output/yield (2.28) and to improve members' welfare/livelihood (2.20). Contributing to community development (fifth ranking) barely made the benchmark at 2.09, while enhancing members' self-esteem (1.97) failed to make the benchmark of 2. These results corroborated the findings of [Nweze \(2003\)](#) and [Okoli \(2018\)](#) in their study of cooperatives in Nigerian rural communities.

3.3. Assessment of cooperative performance

The study sought to assess the performance of the four cooperatives covered through the co-operators who are beneficiaries and had applied for loans, grants, or other services. The 3-year period of 2015, 2016, and 2017 was covered in this assessment as shown in Table 5.

Table 5: Loan applications and approvals by cooperative societies: 2015 – 2017

Year	Number of loan applications	Number of loans approved	Percentage approved	Percentage rejected
2015	109	102	93.6	6.4
2016	112	105	93.8	6.2
2017	106	98	92.5	7.5
Mean	109	101.6	92.3	6.7
Std. Deviation	3	3.52	0.49	0.49

Source: Field Study, 2018

The results in Table 5 show the number of loan applications and approved loans. The rates were 93.6%, 93.8%, and 92.5% for the years 2015, 2016, and 2017, giving a mean of 93.3% approval rate for the three years covered in the study. This was considered reasonably high since, conversely, the percentages of rejected applications were 6.4%, 6.2, and 7.5% for 2015, 2016, and 2017 with a mean of 6.7% for the three years. Evidently the co-operators in the four cooperative societies had good access to cooperative loans and benefitted accordingly. These results agree with the findings of [Izekor and Alufohai \(2010\)](#) in the state of Edo where the approval rates were 98.90% and 99.42% for 2002 and 2003.

The value of the loans granted to cooperative members, whether in cash or kind, was ascertained. Loans were in the form of cash advances as well as materials/farm inputs (fertilizers, better seeds, agrochemicals etc.). A breakdown of the values of disbursement made for the three years under review was recorded in Table 6.

Table 6: Distribution according to the value of credit received: 2015 – 2017

Loan value (₦'000)	2015	2016	2017	Total	
	(n = 102)	(n = 112)	(n = 106)	F	%
50 -100	0	2	1	3	0.9
101 – 150	3	5	4	12	3.8
151 – 200	8	5	7	20	6.3
201 – 250	11	9	13	33	10.3
251 – 300	11	18	17	56	17.5
301 – 350	21	18	17	56	17.5

351 – 400	25	28	22	75	23.4
401 – 450	13	18	16	47	14.7
451 – 500	7	12	11	30	9.4
>500	3	5	4	12	3.8

Source: Field Study, 2017 *USD 1 = ₦362 (Naira) at 2018 exchange rate

The result in Table 6 shows that out of the 320 approvals for the years (2015 – 2017) only 12, representing 3.8%, were for loan values of more than N500,000. Thirty-five approvals, representing 11%, received between N50,000 and N700,000. The majority (61%) of the approvals fell between N200,000 and 400,000. 89 approvals representing 27% of the total were recorded in the bracket of N400,000 and above.

Generally the amount of loans received by the cooperative may be considered low in view of the prevailing inflationary rate resulting in high cost of farm inputs and labour. However, it should be noted that the co-operators are mostly smallholder farmers whose operations and scope are generally on a small scale. Moreover, loans advanced to cooperative members are based on the contributions made by members; they are usually not entitled to more than what they have contributed. At best, in some cases and when funds are available, members may be allowed twice the amounts they have contributed. The results in this study as it relates to the range of advances disbursed are similar to those of [Nweze \(2003\)](#), [Otto and Ukpere \(2011\)](#), and [Godwin \(2011\)](#) in their studies.

From their standpoint the co-operators were asked to assess the performance of their cooperative societies for the 3-year period. They were asked to indicate whether they considered the services rendered by their cooperative societies as very satisfactory, satisfactory, fair, or not satisfactory. Their responses are shown in Table 7.

Table 7: Chi-square analysis of the performance of cooperative prevailing societies: 2015 – 2017

Assessment indices	Observed frequency (fo)	Expected frequency (fe)	(fo – fe) ² /fe (X ²)
Very satisfactory	31(26.7)*	29	0.14
Satisfactory	42(36.2)	29	5.83
Fair	28(24.1)	29	0.03
Not satisfactory	15(12.9)	29	6.75
Total	116(100)	-	12.75

Source: Field study, 2018 * Figures in parenthesis are percentages

The results in Table 7 show that 73 co-operators, representing 62.9%, assessed the services rendered by their cooperative societies as very satisfactory or satisfactory; 24.1% as fair, and only 15 co-operators, representing 12.9%, as not satisfactory. The chi square analysis of the assessment by co-operators gave a positive value of $x^2 = 7.4$ in their assessment of the performance of their cooperative.

To further confirm the assessment of the co-operators regarding cooperative performance, chi square was used to test the null hypothesis (H_0) that cooperation is not beneficial to the wellbeing of the co-operators. They were asked to answer ‘yes’ if cooperation has been beneficial to their wellbeing or ‘no’ if it has not been beneficial to their wellbeing and livelihood.

Table 8: Affirmation of the benefits of cooperative membership

Affirmation	Frequency	df	χ^2	p-value
Yes	91(78.4)	2	18.78	0.00
No	25(21.6)	2	18.78	0.00
Total	116(100)	-	37.56	-

Source: Field Study, 2018 * Figures in parenthesis represent percentages

With the chi-square value of 37.56 (Calc.) the co-operators affirmed that cooperation was beneficial to their wellbeing and livelihood. Therefore the null hypothesis that cooperation is not beneficial to the co-operators' wellbeing is hereby rejected. The alternative hypothesis (H_1) that cooperation is beneficial to members' wellbeing is accepted.

3.4. Constraints limiting effectiveness of cooperatives

The fourth objective of this study sought to identify the major constraints limiting the effectiveness of cooperative societies in the study area. Therefore the co-operators were asked to indicate from a list of problems and challenge those which critically affected the operations of their cooperative societies. Their responses are shown in Table 8.

Table 9: Distribution of co-operators according to constraints that limit the effectiveness of cooperative societies

Constraints	Frequency	Percentage
i. Poor management / leadership	38	10.8
ii. Poor attitude of members	51	14.5
iii. Inadequate capital	69	19.7
iv. Misappropriation of society funds	35	10.0
v. Limited income generating activities	58	16.5
vi. Delays in processing of loan applications	36	10.3
vii. Favoritism and nepotism on the part of officials of society	16	4.5
viii. Low membership strength	4.8	13.7
Total	351*	100

Source: Field Study, 2018 * Multiple response

The result in Table 9 shows that the first three constraints are inadequate capital (19.7%), limited income generating activities (16.5%), and poor attitude of co-operators (14.5%) in that order. Low membership strength (13.7%) was the fourth constraint identified by the co-operators followed by poor management / leadership (19.8%). The last 3 constraints, in this order, include delays in processing of loan applications (10.3%), misappropriation of society funds (10.0%), and favouritism (nepotism by officials of the society (4.5%). Constraints identified in this study are similar to those identified by [Ajah \(2012\)](#), [Audu et al. \(2010\)](#) and [Izekor and Alufohai \(2010\)](#) in their studies of cooperative societies in the states of Edo, Abuja, and Kogi.

4. CONCLUSION

It is generally agreed that cooperatives serve as a veritable channel for rural empowerment and development, and that regular and optimal performance of these roles will accelerate the transformation of agriculture and rural economy. The cooperative societies covered in this study in Soba LGA of the state of Kaduna affect the lives of the members positively. This is deduced from the high patronage of services by co-operators and their assessment of the performance of the societies. However, the potential for optimal benefits to members is yet to be truly harnessed. To achieve this goal the following recommendations are proffered:

1. Cooperative societies should be encouraged to diversify their economic activities and seek more avenues (e.g. grants) to increase funding capacity.
2. Societies should embark on enlightenment and literacy programmes to address poor attitude of cooperators.
3. Since government, donor agencies, and NGOs operate better through cooperatives, societies should link up to such opportunities to expand their scale of operations.

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