



DETERMINANTS OF PARTICIPATION IN COOPERATIVE ORGANISATIONS BY URBAN HOUSEHOLD MEMBERS IN ABEOKUTA METROPOLIS, OGUN STATE, NIGERIA



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Abstract: The factors influencing participation of urban household members in cooperative organization in the Abeokuta metropolis was examined in this study, using primary data collected from 120 household members registered among 10 Credit and Thrift Cooperative Societies (CTCS) randomly selected from a list of registered cooperative unions in a two-stage sampling techniques. At the first stage, Abeokuta was purposively selected due to the preponderance of CTCS within the metropolis; and subsequently, 120 respondent members were drawn from a cluster of 55 households involving at least 1–3 cooperative members. The highest range of respondents' age is 41–50 years, representing 35.8% of the sample size. Cooperative societies were dominated by female members (86.7%), while 79.2% of the respondents were married. It was evident from the study that 40% of the respondents had gainful interpersonal and enterprise experience of 20 years and above from within their respective cooperative societies. Among the major determinants of participation in CTCS in the study area were gender ($p < 0.05$; -0.0412); annual income ($p < 0.10$; -1141); household size ($p < 0.10$; 0.0113); and dependency ratio ($p < 0.05$; 0.0322) of members' households. It was recommended that members' primary income sources needed to improve to further encourage and sustain cooperative participation, while proper attention must be given to cooperative activities as a veritable tool for enhancing entrepreneurial funds mobilization through savings and supply of financial support to members.

Keywords: Abeokuta metropolis, cooperative participation, urban households

Introduction

A cooperative society is a voluntary association formed especially among people that are related mostly by common occupation to solve their common socio-economic problems and enhance their livelihood activities so as to ensure effective resource mobilisation and usage. Barr (2003) defined cooperative organization as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise. Cooperation among people thrives on such basic principles as spontaneity, universality, neutrality, mutuality, democracy, autonomy, homogeneity, equity and frugality (Coon and Leistriz, 2001; Merrett *et al.*, 2002). The relevant social aspect of the black race are those that deal with themselves and their attitudes, mode of behavior, relationship with one another, and their values and customs – issues that are typified by such social capital standards as honesty, fairness, equity, democracy and mutual feeling. The major characteristics of traditional cooperatives such as esusu, contribution clubs, age groups and work relation arrangements are founded on the earlier mentioned cooperative principles.

Fafchamps and Hill (2005) observed that cooperative organisations have been playing a major role in the socio-economic development of nations in such areas as funds mobilization, employment and income generation, local representation and information dissemination at the grassroot level. Glaeser *et al.* (2001) explained that cooperative societies are veritable vehicles for cooperation and collective actions, nations building and community reinforcement, which are crucial to sustainable societal development. Cooperatives also help to stabilize regional economies and provide a favorable climate for capital investment. Cooperatives reduce inequality and promote equitable sharing of the costs and benefits of sustainable development (Alesina and Ferrara, 2002); and also promote economic democracy and the empowerment of marginalized groups - a hallmark of sustainable development and a precondition for shared responsibilities. As a result, cooperative organizations are seen as important factors for development that are designed to

help members meet their aspirations and actualize their communal projects (La-Ferrara, 2002). As obtained in many countries and communities of the world, cooperative movements are also inherent in the tradition and cultures of the Nigerian people (Otunaiya *et al.*, 2012). It has always been an integral part of the way of life of the people. According to Osayamwen (1995), two significant traditional areas of cooperation among most people are savings mobilization and promotion of members' welfare.

There is a general acceptance of the important role of credit and a wide appreciation by many stakeholders of the need for credit mobilisation. Borrowed funds (or loans) are expected to be paid back on time to ensure the recycling of capital and financial resources for the benefits of other members. However, extending investment credit to household members for consumption purposes may not work smoothly owing to loan delinquency which is a serious problem to most conventional lending institutions (Haddad and Maluccio, 2003; Karlan, 2005). This can be hypothesized as one of the reasons for the high rate of default among small-scale enterprises, a major impetus for investment credit mobilization among urban household members, which mainly motives them to participate in credit and thrift cooperative societies (CTCS). More often than not, several problems arise from the inability of the credit institutions to distinguish between lending for urban development projects and for small-scale business enterprises. Consequently, efforts to deliver formal credit and financial services to resource-poor urban households in developing countries have failed over the years (Otunaiya *et al.*, 2012). Conventional (commercial) banks generally do not serve the needs of this category of resource-poor households because of the perceived high risk and the high transaction costs associated with loans and saving deposits. Despite the several efforts of government and the private-sector initiatives to fill the financial gaps of smallholder investors, such formal credit sources still seem largely inadequate. This insufficiency is partly due to several problems on the side of the financial institution, mainly as a result of supervisory incompetence and political interference (Abedullah *et al.*, 2009). To fill this vacuum, many household

members have resorted to the veritable option of sourcing for informal credit through collective efforts by getting involved in cooperative activities (Maluccio *et al.*, 2003). This study was conducted to estimate the determinants of cooperative participation by members of the urban households in Abeokuta metropolis in Ogun State, Nigeria.

Materials and Methods

The study area

The empirical setting for the study was Abeokuta South Local Government Area of Ogun State. The Local Government Area

(LGA) is usually referred to as the Premier Local Government in Nigeria, owing to its historic eminence, as the traditional seat of the native Egba authority dating back to 1898, as well as seat of the Government of Ogun State that came to existence in 1976. Abeokuta South forms today’s metropolitan area of the capital city of Ogun State, spanning over an estimated land area of 71 km² and a population of 250,278 as at the 2006 census. The headquarter of the LGA is at Ake Abeokuta 7°09’00”N 3°21’00”E / 7.15°N_3.35°E (Fig. 1).

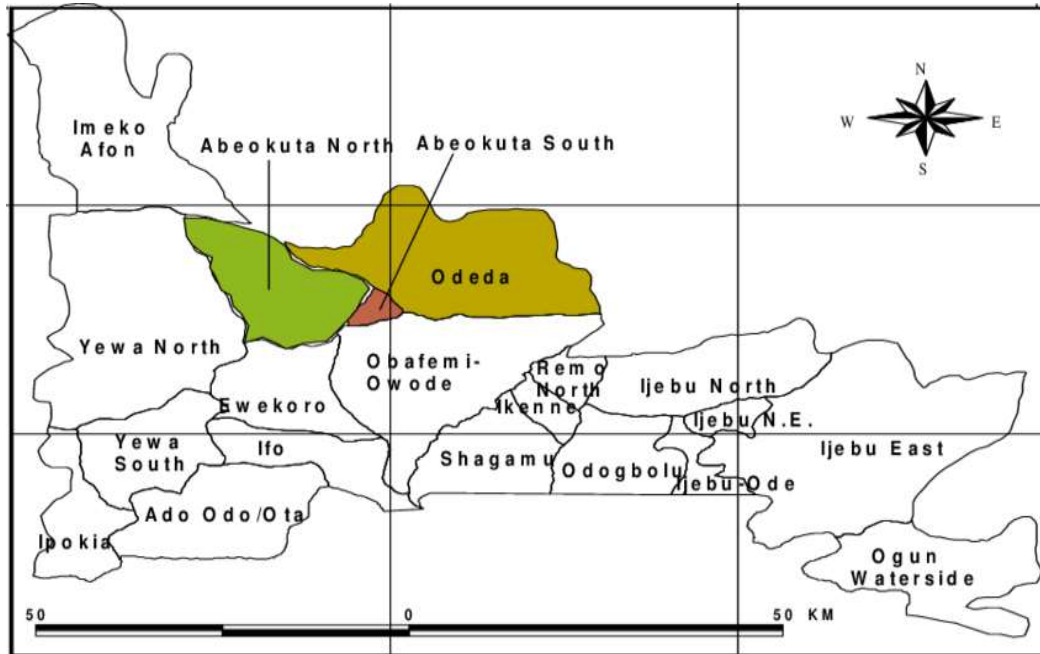


Fig. 1: Map of Ogun State: The annotated shaded portion showing Abeokuta metropolis

Data sources and methods of collection

Both primary and secondary data were used to collect data for this study. Primary data were collected from the respondents through the use of structured questionnaires. The study respondents were household members who had at one time or the other registered as a member of CTCS within Abeokuta metropolis. Secondary data were obtained from related scientific publications.

Sampling techniques and sample size

At the first stage, Abeokuta was purposively selected as it has large concentration of CTCS within the metropolis. At the second stage, household members drawn from a cluster of 55 households, and whose registration with ten (10) randomly selected Credit and Thrift Cooperative Societies (CTCS) have been previously confirmed, were selected proportionate to size. This resulted in a total of 120 respondents used for this study.

Methods of data analysis

Descriptive statistics and econometric models were used to analyze the study data. Descriptive statistics used included frequency and percentage tables, while probit model was specified to elucidate the determinants of cooperative participation among the respondent urban household members. Probit model was preferred to a Poisson model because of correlation between memberships in some organizations (e.g. informal credit and social organizations) that renders a Poisson model inappropriate (Ashraf *et al.*, 2004). The probit model for the number of membership in organizations (y) can be derived from the latent variable (U*) determined by a set of explanatory variables (Z) such that:

$$\begin{aligned}
 y &= 0 & \text{if} & & U^* \leq 0 \\
 y &= 1 & \text{if} & & 0 < U^* \leq \alpha_1 \\
 y &= j & \text{if} & & U^* > \alpha_j
 \end{aligned}$$

This is the kind of censoring where $\alpha_1 \dots \alpha_j$ are unknown and are to be estimated along with vector β . The number of trusted friends and relatives to whom a household is connected can be modeled as a series of discrete households that sum up across an aggregation of choices to a Poisson or negative binomial distribution (Habyarimana *et al.*, 2007).

The measurement of variables is as follows;

Y = μ = dependent variable which is the participation status (this is a dummy variable, where 1 = participation in the cooperative organisation activities, and 0 = non-participation in cooperative activities).

The explanatory variables hypothesized to influence the *ith* household member to participate in cooperative activities were denoted by $X_1 - X_{11}$, as;

- X₁ = Age household head (years)
- X₂ = Sex household head (1 = male, 0 = female)
- X₃ = Education of household head (years)
- X₄ = Household size (number)
- X₅ = Type of occupation (non-farm occupation = 1, 0 otherwise)
- X₆ = Social status (1= if household head is either a village head/parish chief/royal family/clan head/religious leader/member of community development committee, 0 = if otherwise)
- X₇ = Average annual income from primary occupation (₦)
- X₈ = Dependency ratio (ratio of non-working household members to total household size)

X₉ = Membership of other social societies (Yes = 1, No = 0)
 X₁₀ = Average number of attendance at cooperative meetings within 1 year period
 X₁₁ = Duration period of cooperative loan repayment

Results and Discussion

Description of respondents' socio-economic characteristics

From Table 1, majority (about 87 per cent) of the sampled respondents in the study area were mostly artisans (about 59%); among whom about 89 per cent had acquired secondary school education, an attainment that is largely presumed as a minimum educational requirement for taking advantage of the accrued service benefits from indigenous cooperative societies. The respondents' mean age was 34 years, which tends to confirm the often reported aging rural farm population in Nigeria (World Bank, 2008), and supporting the continuous clamour for off-farm livelihood options as a necessary policy to prevent the exodus of agile youths from the rural farm sector to the urban communities. About 87 per cent of the respondents were females while only 13.3% are males, implying a higher level of women participation in cooperative activities in the study area than their male counterparts. The respondents had a mean household size of 4 members and had been involved in cooperative activities for an average period of 7 years.

Table 1: Socio-economic characteristics of the respondent cooperative members

Variable	Frequency	%	Mean Value
Age of member			
< 30 years	21	17.5	$\bar{X} = 34$ years
31-40 years	33	27.5	
41-50 years	43	35.8	
> 50 years	23	19.2	
Total	120	100	
Sex of members			
Male	16	13.3	
Female	104	86.7	
Total	120	100	
Marital status of members			
Single	17	14.2	
Married	95	79.2	
Widow	8	6.7	
Total	120	100	
Household size			
< 3	21	17.5	$\bar{X} = 4$ members
4-6	76	63.3	
> 7	23	19.1	
Total	120	100	
Highest educational of members			
Primary education	41	34.2	
Secondary education	66	55.0	
Tertiary	13	10.8	
Total	120	100	
Years of cooperative experience			
< 5 years	21	17.5	$\bar{X} = 7$ years
5-10 years	26	21.7	
> 10 years	73	60.8	
Total	120	100	
Main occupation of member			
Trading	27	22.5	
Artisan	67	55.8	
Civil servant	26	21.7	
Total	120	100	

Source: Result of study data (2016)

Table 2: Benefits of household members' participation in cooperative activities

Benefit of cooperative participation	Frequency	%
Access to investment loan	73	60.8
Savings purpose	38	31.7
Non-financial benefits	9	7.5
Total	120	100

Source: Results of study data (2016)

Household members' self-reported benefits of cooperative participation

Table 2 revealed that majority (about 61 per cent) of the respondents in the study area were motivated to join the cooperative society for the purpose of acquiring business/investment loan; about 32 per cent of them joined cooperative movement for the purpose of funds mobilization through personal savings; while only a few (about 8 per cent) were engaged in cooperative organizations for non-financial purposes. This pattern seems to be in consonance with the findings of Zeuli *et al.* (2002).

Factors influencing urban household members to participate in cooperative activities

As shown on Table 3, four (4) out of the 11 variables in the model have significant coefficients, namely respondent's sex, household size, annual income level, and dependency ratio. Female members of the household (-0.0412; p<0.05) in the study area are more likely to participate in cooperative organizations than their female counterparts, validating the findings of Weinberger and Jutting (2001) from a group-based projects in Kashmir and Chad. The coefficient of household's annual income is positive and significant at p<0.1, suggesting a linear correlation between members' ability to make tangible financial contributions at meetings and their commitment to getting more fully engaged in the activities of the cooperative societies (Poulton *et al.*, 2005).

Table 3: Determinants of urban households' members' participation in cooperative activities

Variable	Coefficient	Marginal effect	t-value
Constant	0.1083	0.9751	0.466
Age	0.0095	0.0096	1.013
Sex	-0.0412**	0.0225	1.729
Educational status	0.0007	0.0008	0.231
Household size	0.0113*	0.0118	1.894
Primary occupation	-0.0001	-0.0001	-1.335
Social status	-0.0089	-0.0055	-0.176
Annual Income	-0.1141*	-0.1367	-1.812
Dependency ratio	0.0322**	0.0328	1.981
Membership of other social groups	0.0562	0.0026	1.256
Attendance at meetings	-0.0251	-0.0412	-0.236
Period of loan repayment	0.2101	0.0012	1.125
Sigma	0.1552		
Log likelihood function	59.85		

** and * denotes that the associated coefficient is significant at 5 and 10% level, respectively

Source: Results of study data (2016)

Table 3 also revealed that that the likelihood of urban households' engagements in cooperative activities increased with larger household sizes (0.0113; p<0.1) and dependency ratio (0.0322; p<0.05). This follows a-priori expectations, as large household size are more likely to harbor members with heterogeneous occupational interests, and expanded socio-economic needs (Bernard *et al.*, 2007).

Summary, Conclusion and Recommendations

Empirical results from the study showed a fair educational attainment of the cooperators, implying a minimum literacy level for an expected quality cooperative performance. From the results of the analysis, sex of household head, household size, annual income, and household's dependency ratio have significant influence on the respondent's decision to participate in cooperative societies. To ensure an appreciable level of members' participation in cooperative activities, it was recommended that members' income sources must improve and also, government and the private sector participants through their micro-credit agencies should pay more attention to the relevance of co-operative societies in enhancing members' saving capacity and provision of financial support in the form of loan facilities. The regulatory agencies of cooperative organizations at the various levels should consider the need to restructure existing cooperative bye laws in line with prevailing households' socio-economic and demographic factors. Finally, well organized monitoring agencies should be put in place to monitor and guide cooperative societies with a view to improving on their working strategies.

Conflict of Interest

Authors declare that there is no conflict of interest reported in this work.

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