

## Cooperative Societies as A Catalyst for Agribusiness and Rural Development in Southern Nigeria

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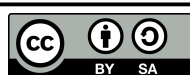
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### ABSTRACT

Nigeria is an agrarian society. Over 70 percent of the population is engaged in agriculture. Most people living in the country's Southern part are subsistence farmers. These farmers are the ones who produce both food crops and cash crops for the nation. In this study, the authors examined how cooperative societies have served as alternative funding sources for farmers. Thereby promoting agribusiness, poverty alleviation, and rural development. The specific objective was to examine the extent to which cooperative societies have granted credit facilities to farmers and small-scale enterprises. Both primary and secondary data were used. The findings show that more than 60 percent of the Nigerian population lives in rural areas and is engaged in agricultural and allied businesses. The farmers face two major constraints: access to credit facilities and a need for modern technology. The study recommends that government policies on funding the agricultural sector should be channeled through cooperative societies. Cooperative societies can revolutionize the agricultural sector with the right environment and encouragement. Thereby reducing unemployment and increasing the country's gross domestic product.

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### 1. Introduction

Agriculture is a major determinant in the economic growth of many nations, especially the emerging economies. The first step toward sustainable economic growth is the ability of a nation to feed its citizenry, otherwise known as economic independence” in political parlance. Agriculture has been the main driver of the Nigerian economy from the colonial era up till 1964 when petroleum took over.

In the days of agriculture, as the source of the nation’s wealth, each region specialised in producing one cash crop or the other. There was healthy competition among the regions. Crops produced by the various regions were the pride of the nation. The Western region specialises in the production of cocoa and kola nuts. The proceeds from Cocoa were used to build the prestigious Cocoa house Ibadan.

Similarly, the Eastern region specialised in producing Palm Oil and Palm Kernel, while the Mid-Western region was a major producer of Rubber and Timber. The Northern region was included; they were major producers of cotton and groundnuts. That was when terms such as the Kano Groundnut Pyramid were popularised and were a source of pride for the nation.

In like manner, farmers in Southern Nigeria specialised in the production of different crops. The farmers are the ones who produce the nation's food requirements. This under-score the important roles of farmers in

Nigerian society. However, the main constraint of farmers in carrying this national duty is finance. Conventional banks are unwilling to grant the farmers credit facilities due to their lack of collateral securities usually demanded by banks before loan approval. Consequently, the farmers are compelled to look for alternative sources of funding. The Cooperative Societies have responded positively to the farmers' demand for funding.

The general objective of this research is the examination of cooperative societies as a catalyst for agribusiness and rural development, while the specific objective is to analyse the extent to which cooperative societies have extended credit facilities to farmers and small-scale business enterprises from 2012 to 2022. There are similar studies on cooperative societies in Southern Nigeria. Most studies are on cooperative movement, types of cooperatives, and how cooperatives assist members in marketing their products. To the best of the researcher's knowledge, none of the studies has examined the extent to which cooperative societies have granted credit facilities to their members to enhance the production of goods and services. Thereby contributing to the growth of the Gross Domestic Product.

Similarly, Ogunmuyiwa and Oluwasanya Aladegoroye (2021) opine that small-scale businesses in Agriculture, Commerce, Manufacturing, and Services are the main drivers of the Nigerian economy, just like any other emerging economies. They are a source of economic growth and development. The authors stated that previous schemes failed, such as the Mandatory Minimum Credit Allocation by banks to small enterprises and the World Bank Small and Medium Enterprises, designed to fund the sector. This leaves cooperative societies as the only viable funding source for these businesses.

It has been argued that about 60 percent of the working population in Nigeria is engaged in agriculture and allied businesses. In this study, the authors bring to the fore the role of cooperative societies as a major source of finance for farmers and small and medium-scale entrepreneurs. Farmers are mainly based in the rural areas in Southern Nigeria, and they lack access to banking services. They also lack collateral securities, which are demanded by banks mainly based in the cities before granting loans.

## 2. Literature Review

This section reviewed extant literature according to the study's objective.

Ojelade, Ojeleke, Ajayi, Sikiru, et al. (2020) posit that cooperative societies are set up specifically to protect members' interests. Thus, these organisations aim to reduce poverty in the rural areas. Based on their study of Charity Cooperative Society in Saki, a suburb in Oyo State, Nigeria, they argue that poor people lack independence, power, and voice. Hence, the poor become vulnerable and can easily be used as a political tool to commit havoc, especially in rural areas where the level of poverty is very high. Most palliative measures put in place by the government have not been effective because they are hijacked at the top by privileged Nigerians; as such, they do not reach the target audience. Cooperative society, therefore, is a tool to mitigate poverty in rural areas and activate the economic potential of the poor. Members can benefit from government programs designed to alleviate poverty by joining cooperatives. Also, the small-scale farmers can have the advantage of marketing their crops as a group, thereby giving them better bargaining power. The authors then enjoin members of the Saki community, where the charity cooperative society is located, to join cooperatives.

Akanni, Olumide-Ojo, Oyetoki, A. et al. (2020) examined the impact of cooperative societies on rural farming in the Ido Local Government Area of Oyo State, Nigeria. The authors argued that more than 50 percent of the Nigerian population lives in rural areas. They further argued that about 80 percent of the local government land is available for farming. Two major challenges faced by the farmers were the need for more access to credit facilities and appropriate technology. The findings show that 10 percent of the farmers get their funding through personal savings, while 45 percent get it from cooperative societies. And 16.7 percent of the farmers got loans of less than N50,000= (Fifty Thousand Naira Only) from formal financial institutions such as Commercial banks, Agricultural banks, and Microfinance banks. The cooperative loans were significant to the farmers' success in the Ido Local Government Area of Oyo State, Nigeria.

Adekule, Ola, Ogunrinade, and Odeunmi (2021) studied the role of cooperative societies in advancing small and medium enterprises in Osun State, Nigeria. The researchers posit that economic insufficiency and social inadequacies led to the formation and increase of various corporate societies. They opined that it is easier for people to come together and finance their businesses through a cooperative society. They describe cooperative society as a form of business enterprise where a group of persons with common interests jointly decide to establish an enterprise to advance their economic interest in farming, buying and selling goods, credit, and thrift for the benefit of members. They assert that small and medium enterprises (SMEs) in many emerging economies need access to finance from conventional financial institutions. The findings show that an agribusiness cooperative society was founded in Osun State in 1979. All the members were farmers, five of them being experts in farming. The objectives were:

- i. To assist members financially and exchange ideas on agribusiness practices
- ii. To identify individual business challenges and proffer solutions
- iii. To protect their common interest

Similarly, Ogunmuyiwa, Oluwasanya, and Aladegoroye (2021) posit that many small business enterprises characterise the Nigerian economy. An adequate source of finance is required for the enterprises to function properly. However, conventional banks are unwilling to extend credit facilities to this set of enterprises; hence, the government has established alternative funding sources. The government's most ambitious move was the establishment of the Small and Medium Enterprise Development Agency (SMEDAN) to facilitate access to credit, technology, and markets for Small and Medium Enterprises (SMEs). The writer argued that many believe government efforts could have yielded the desired result.

Furthermore, considering the large domestic market and availability of raw materials in Nigeria, small- and medium-scale enterprises have yet to fare well regarding manufacturing, product value-added, or employment. Equally, the agricultural sector has yet to perform well since the country still spends millions of dollars on food importation yearly. The poor performance of small and medium-scale enterprises has made alternative funding sources imperative. One such financial institution is the Thrift and Credit Cooperative Society. It is an independent body whose membership is voluntary. It is an association of people with common interests, and each member has one vote, irrespective of the member's financial standing.

Mazzarol and Kresling (2017) posit that cooperative and mutual enterprises (CME) are a formidable form of business that has greatly contributed to Australia's economic development. In a survey of 2,134 active CMEs, 82.5 percent were cooperative societies, while 13.2 percent were mutual enterprises. Others were 2.2 percent friendly societies, and 2 percent were member-owned super annulation funds. These institutions have a total membership base of over 29 million and generate revenue of over 113 billion annually with an asset base of over \$722.2 billion. They employ a minimum of 52,322 people. The line of business cut across nearly all industrial and service sector members are offered many economic and social benefits.

Akerele, Ilori, Fadipe, Oluwasanya, et al (2019), studied the effects of cooperative loans on small-scale fish farming business in Oyo State, Nigeria. The authors argued that fish farming is a profitable business and should be encouraged. Besides, fish farming employs up to ten million people in Africa and serves as an important source of protein for two hundred million people. Among the studied population of fish farmers, 69.2% were cooperative members, while 55.8% had cooperative societies as their major source of funds.

It was observed that the cooperative societies were active in taking care of the economic and social needs of their members, following the principles of cooperative movement. The findings showed that farmers who belong to cooperatives had larger fishponds, produced more fish, and had a higher rate of profit than farmers who do not belong to cooperatives. Farmers who belonged to cooperative societies also had a higher standard of living. Conclusively, more farmers in Oyo State were encouraged to join cooperatives to benefit from the dividends there.

Similarly, Ribas, Pedroso, Vargas, Picinin, and Freitas Junior (2022), examined cooperative organizations and their characteristics in economic and social development. They opined that cooperatives strike a balance between the economic and social development of their members, with a common goal of well-being. The authors argued that the economic activities of capitalism compelled people to look for alternative sources of survival. Eventually, people organized themselves into cooperatives as a means of advancing their economic frontiers. Utilizing cooperation, they can take care of their basic needs, as well as have full freedom in the production of goods and services.

Furthermore, industrialization hurt workers, as they were treated without regard. The workforce was exploited and subjected to various forms of mistreatment by the employers. The workers' human rights were violated, they had neither economic nor social independence. Some of the working class resisted and revolted against the injustices being meted out to them. Conversely, the set of workers who revolted against the unjust system started looking for a more humane and equitable treatment, culminating in the cooperative model. The labour unions then found solace in cooperatives, as it gave them the freedom to own business enterprises and to work at their convenience.

### 3. Method

This study focuses on three regions of Southern Nigeria which existed before the creation of states in 1967. These regions are the Western region, Mid-Western region, and Eastern region. Twenty-four farmers who cultivate different crops were interviewed. Eight farmers were chosen from each of the three old regions in the South. Secondary data were also collected from various sources to complement the primary data. The data were sorted, classified, analysed, and interpreted. From the literature survey, the primary data collated,

the authors derived the contribution of cooperative societies to the agricultural sector and small-scale businesses in Southern Nigeria.

Table 1. DELSU MPC Society Operation 2011 to 2022

Year	Membership	Savings	Loan Disbursement	Dividend
2011	133	87,491,527	77,249,000	5,249,492
2012	134	101,401,157	68,250,000	6,084,068
2013	135	112,985,525	65,650,200	5,650,176
2014	137	115,555,416	75,363,908	4,620,416
2015	140	124,766,197	74,967,500	6,238,310
2016	145	135,459,854	57,855,000	5,447,026
2017	153	122,408,396	56,725,250	7,956,546
2018	145	115,949,288	37,381,840	5,333,667
2019	145	122,065,077	61,674,886	5,859,124
2020	145	127,125,910	57,487,000	4,055,959
2021	146	132,815,690	60,089,528	5,177,515
2022	171	136,611,899	62,788,000	6,874,956

Source: Various Annual Reports of DELSU Senior Staff Multipurpose Cooperative Society Ltd.

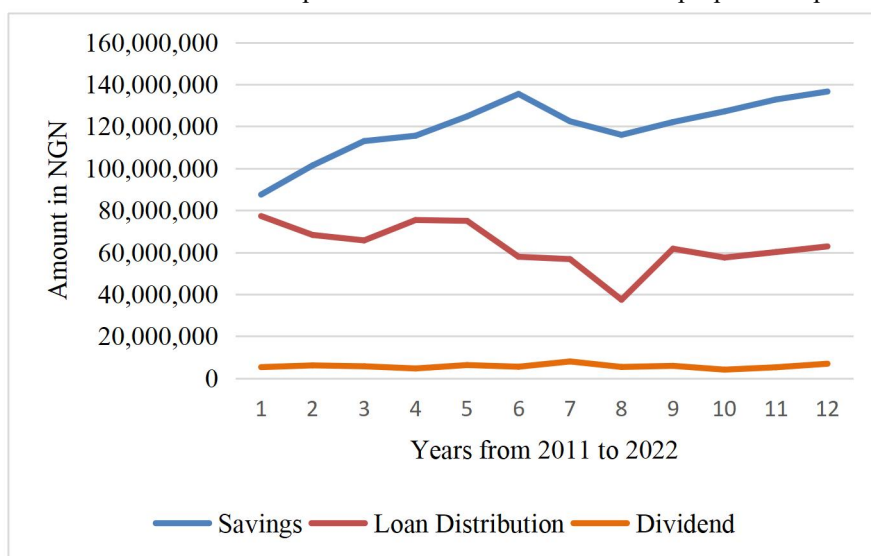


Figure 1. DELSU MPC Society Operation 2011 to 2022

#### 4. Results and Discussion

##### 4.1 Cooperatives in the Nigerian Economy

The cooperative movement in Nigeria started with the colonial masters, with the formulation and enactment of cooperative legislation in 1935. During this period, the cocoa farmers in the Western Region formed marketing societies to check the excesses of intermediaries and ensure the marketing of pure and unadulterated cocoa. The initiative paid off as farmers got value for their crops.

Most farmers in Nigeria are peasant farmers who live in rural communities with little or no access to banking services. The banks are situated in the big cities without branch offices in the local communities. The locals must travel long distances to the cities to procure banking services. However, the banks are unwilling to deal with peasant farmers and small and medium entrepreneurs for the following reasons:

- The small-scale farmers and small business enterprises have no collateral securities to pledge as a hedge against credit facilities.

- The bankers consider financing agricultural businesses as a high-risk venture.
- The bankers consider costs of service for small loans as non-cost-effective
- The long-distance between the project site in rural communities and the bank in the cities is a barrier.
- Low educational levels of the farmers and small-scale enterprises are a hindrance.

Conversely, the cooperative societies, found in all parts of southern Nigeria, became the main funding source. Out of fifty farmers interviewed, forty-five (90 percent) said they got their capital from cooperative societies while only five (10 percent) said they got their funding from other sources. This finding is in tandem with the findings of Ogunmuyiwa, Oluwasanya, and Aladegoroye (2021).

#### 4.2 Cooperatives Societies' Loans to Farmers and Small-Scale Enterprises

From the movement of data in Table 01, it could be deduced that the farmers found the cooperative societies a useful partner in the growth and development of their businesses. All the variables, such as membership, members' savings, loan disbursement, and dividends, showed a significant increase yearly, as illustrated on the line graph. This finding is in line with the finding of Akerele et al (2019).

### 5. Conclusion

Agribusiness encompasses all forms of farm production, including livestock, farm tools, inputs, transport, finance, storage, etc. Cooperative societies are major in mobilising and encouraging farmers to embark on mass production. Consequently, agribusiness took the nation to an enviable height before the sudden abandonment due to lack of funds. Cooperative societies have risen to the challenge of funding. This is a welcome development. With due emphasis and encouragement, agribusiness can restore the lost glory of agriculture as the nation's pride. Also, it will place the nation on the path of sustainable economic growth and development.

### 6. Recommendation

- i. Farmers, artisans, and small-scale entrepreneurs in rural communities should be encouraged to join cooperative societies through cooperative education.
- ii. Government programs designed for the masses should be channelled through cooperative societies. It is the easiest way of getting to the people at the grassroots.

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