

## Cooperative Membership and Socio-Economic Welfare of Small-Scale Enterprises in Ogun State, Nigeria

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### Abstract

*This study examined cooperative membership and socio economic welfare of small scale enterprises in Ogun State, Nigeria. The study describes the socio-economic characteristics of the respondents, benefits enjoyed as a member of cooperative society, determinant of cooperative membership and effect of cooperative membership on the socio economics welfare of small scale entrepreneurs. A total of one hundred and twenty sampled respondents were randomly selected. Descriptive and inferential statistics were used to analyze the data collected. The results obtained show that there is even distribution of the respondents were female (50.0%) and male (50.0%) were accounted for in the study, the respondents were aged less than 40 years with an average age of 32.35 years. The analysis of Logit regression on the determinants of cooperative membership revealed that age of the respondents is a significant factor that determines cooperative membership. The result of the regression analyses revealed that household size, years of cooperative membership and educational level of the respondents had a positively significant impact on respondents' income and they are significant at 5 per cent and 10 percent levels. It is therefore recommended that Government should support cooperative societies in improving household income as they benefit from cooperative social aiding activities.*

**Keywords:** Welfare, Cooperative membership, Egba Division, Ogun State.

**JEL Classification:** D17, Q13

### Introduction

Nigerian economy has a lot of potentials for growth and development. The abundant and natural resources of the country remain largely unexplored. These have to be harnessed to the fullest for the general well-being of Nigeria in the world economy. Perhaps, one important way to the realization of this goal is through the encouragement of cooperative movement (Kareem *et al.*, 2012). A business whether small or big, simple or complex, private or public, etc is created to provide competitive prices. Business in Nigeria has been classified as small, medium and large. Small Medium Enterprises' (SMEs) is an independent business, having a small market share and managed by its owner or part-owners. Actually there is wide diversity of the businesses, so there is no single definition of a small firm because each country has their own definition for SME Firm (Ayozie *et al.*, 2013). According to Organization for Economic Cooperation and Development (2008), in the European Union, Small and Medium-Sized Enterprises

(SMEs) are non-subsidary, independent firms which have characteristics such as the employ less than a given number of employees. However, the limitation numbers of employee are various across countries. Some countries set the limit at 200 employees. In United States SMEs can be define as a firms with fewer than 500employees.

Cooperative societies are member-based organizations that help members to address economic problems and agents of economic development of every society. The ultimate goal is to encourage thrift among the members and to meet credit needs of people who might otherwise fall prey to loan sharks and other predatory lenders. Cooperative societies are widely spread organization in developing countries, they are known for strong commitment of, as well as participation in the decision making of their members (Akerele and Adekunmbi, 2018).

Cooperative society is one of the principal It is not only an avenue for job opportunities, but also as a training ground for the rural dwellers and other society and economic benefits. Ademu *et. al.* (2018) define cooperative society

as an association of persons who have voluntarily joined together to have a common end through the formation of a democratically controlled enterprise, making equitable contribution to the capital required and accepting a fair share of the risk and benefit of the undertaking in which the member activity participate. Cooperatives have been regarded as one of the main institutional machineries for empowering the economically weak members of the society. With this official recognition and the determination of government (at all levels) to raise the standard of living in the country, many cooperative societies have been formed all over the country (Ogunleye *et al.*, 2015).

Membership of cooperative societies provides better and reliable access to credit facilities. People come together in cooperative to pool their resources together so as to meet needs that could not be resolved by individual limited financial capacity (Okafor and Okafor, 2017). Credit is an important element in any progressive and dynamic economy; hence as economic activities increase and the economy becomes diversified, the need for credits becomes unavoidable (Campbell *et al.*, 2017). Cooperative societies are formed based on the powerful idea that together a group of people can achieve goals that cannot be achieved singly. They help members to address economic problems, and their ultimate goal is to encourage thrift among members and meet credit needs of people who might otherwise fall prey to loan sharks and other predatory lenders (Akomolede and Yebisi, 2015).

Recently cooperatives workers started gaining ground among working class citizens, most of who find it difficult to save part of their salaries/wages for the rainy day. Hitherto, cooperative societies were thought to be associations meant only for farmers, small traders and other very low-income earners. This explains why quite a number of cooperative farmers are found, particularly in southern Nigeria. Similarly, many studies and researches have been conducted in a bid to fill the lacuna in income disparity and inequalities of rural households Muchopa, (2011) and Chikaire, (2011). However, little research has been done on the extent to which participation in co-operative activities have been helpful towards combating poverty and improving the rural households' income in the study area, this study would attempt to fill this gap in research.

The specific objectives of this study are to describe the socio-economic characteristics of the small scale entrepreneurs in the study area; identify the types of cooperative and benefit enjoyed as a member of cooperative society; elicit the determinants of cooperative membership among small scale entrepreneurs; and examine the cooperative membership on the socio economics welfare of small scale entrepreneurs in study area.

## Data Sources and Methodology

The study area is Egba Division of Ogun State in Southwest Nigeria. Egba division is one of the four (4) divisions in Ogun State. Others are Ijebu, Remo, and Yewa Divisions. Yoruba is the predominant ethnic group in the region while the Egbas make up a major sub ethnic group in Ogun State. Other sub ethnic groups include: Ijebus, Egbatedos, Aworis, Eguns and the Remos. Egba Division of Ogun State consists of six Local Government Areas namely; Obafemi Owode, Odeda, Abeokuta North and Abeokuta South, Ewekoro and Ifo. Egba Division lies within longitude 3°02' -3°48'E and latitude 6°39' -7°30'N. The major occupation in the area is farming of arable crops like maize, cassava, plantain, melon and oil palm. Livestock such as poultry, cattle, sheep and goats are also reared by these farmers.

Primary data were the major type of data used for this study. This was collected using a structured questionnaire which was administered through personal contact with the respondents. Secondary data were also obtained from literature materials, bulletins, journals for this study. A Two-stage random sampling technique was adopted in selecting the respondents for the study. First stage involves the selection of two (2) Local Government Areas from the study area namely Abeokuta North and Abeokuta South LGAs. In the second stage sixty (60) small scale entrepreneurs were selected from each of the two (2) LGAs. In all, a total of one hundred twenty (120) small-scale entrepreneurs were selected. Descriptive statistics and inferential statistics were used to analyze the data.

### Determinants of cooperative membership among small scale entrepreneurs

Logit model were used to elicit the determinants of cooperative membership. The Logit model following Awotide (2012) assumes the underlying stimulus index ( $I_i$ ) is a random variable, which predicts the probability of being a member of cooperative societies. Therefore, for the  $i^{\text{th}}$  observation (an individual respondent):

$$I_i = \ln \frac{P_i}{1 - P_i} = \beta_0 + \sum_{j=1}^n \beta_j X_{ji}$$

The relative effect of each explanatory variable ( $X_{ji}$ ) on the probability of being a member of cooperative societies is measured by differentiating with respect to  $X_{ji}$ . Using the quotient rule,

$$\frac{\delta P_i}{\delta X_{ji}} = \left[ \frac{e^{I_i}}{(1 + e^{I_i})^2} \right] \left[ \frac{I_i}{X_{ji}} \right]$$

Where:

$P_i$  = the probability of  $i^{\text{th}}$  respondent being a member of cooperative societies or not.

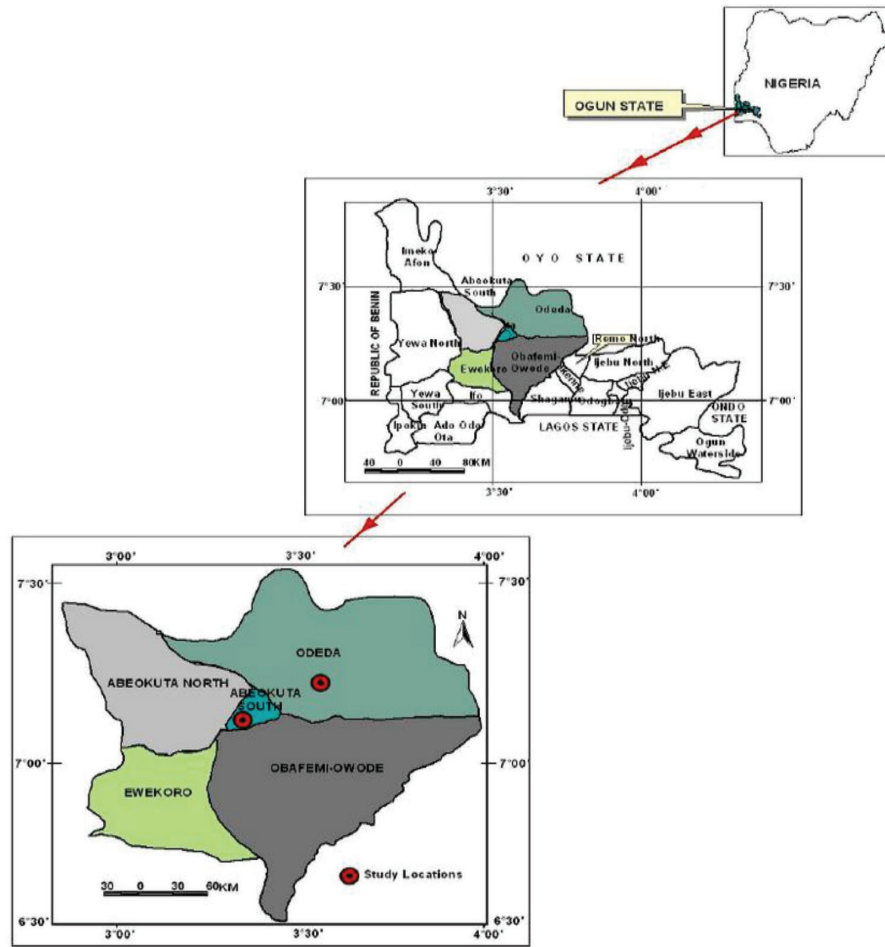


Figure 1: Map of Ogun State Showing the Study Area

$X_1$  = Vector of explanatory variables which are  $X_1$  = Age (years)

$X_2$  = Marital Status (Married = 1; otherwise = 0),  $X_3$  = Level of Education (years),  $X_4$  = Household Size (number),  $X_5$  = Type of Cooperative (Multipurpose = 1, otherwise = 0),  $X_6$  = Total Monthly Income (Naira)

$X_7$  = Sex (male=1; 0 otherwise)

**Effect of cooperative membership on the socio economics welfare of small scale entrepreneurs**

To examine the cooperative membership on the socio economics welfare of small scale entrepreneurs, Linear regression model was used to achieve this objective. The model is specified as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + U$$

Where: Y = Income (₦),  $X_1$  = Household Size (Number of person),  $X_2$  = Amount of Loan Obtain (₦)

$X_3$  = Loan Repayment Period (months),  $X_4$  = Interest on Loan (%).  $X_5$  = Years of Cooperative Membership

$X_6$  = Number of Sources of Loan (No),  $X_7$  = Sex of Household Head (1= female; 0= male)

$X_8$  = Years of Formal Education (years)

U = error term

**Results and Discussion**

Cooperative requires the involvement of agile, productive and able-bodied people in most business activities.

The results of analysis revealed on the socio-economic characteristics of the respondents in Table 1. The table revealed that the mean age of the respondents was 32.35 years and about (66.7%) of the respondents falling below 30 years old. About 20.0% of the respondents are aged between 31-40 years while 13.4% are aged above 41 years, indicating that most of the respondents are still in their very productive and active capacity.

The gender was the range of characteristics pertaining to, and differentiating between, femininity and masculinity. There is even distribution of women and men in the study area as both have 50.0% each. This shows that women were

**Table 1. Socio-Economic Characteristics of the Respondents**

| Variable                           | Frequency | Percentage | Mean      |
|------------------------------------|-----------|------------|-----------|
| <b>Age (years)</b>                 |           |            |           |
| ≤30                                | 80        | 66.7       | 32 years  |
| 31-40                              | 24        | 20.0       |           |
| 41-50                              | 5         | 4.2        |           |
| >50                                | 11        | 9.2        |           |
| <b>Sex</b>                         |           |            |           |
| Male                               | 60        | 50.0       |           |
| Female                             | 60        | 50.0       |           |
| <b>Marital Status</b>              |           |            |           |
| Single                             | 45        | 37.5       |           |
| Married                            | 67        | 55.8       |           |
| Divorcee                           | 5         | 4.2        |           |
| Widow                              | 1         | 0.8        |           |
| Separated                          | 2         | 1.7        |           |
| <b>Educational Level</b>           |           |            |           |
| None                               | 8         | 6.7        |           |
| Primary                            | 28        | 23.3       |           |
| Secondary                          | 33        | 27.5       |           |
| OND/HND/B.Sc                       | 47        | 39.2       |           |
| Adult education                    | 4         | 3.3        |           |
| <b>Religion</b>                    |           |            |           |
| Christian                          | 65        | 54.2       |           |
| Muslim                             | 51        | 42.5       |           |
| Other Religions                    | 4         | 3.3        |           |
| <b>Household Size (No)</b>         |           |            |           |
| 1-3                                | 41        | 34.2       | 5 members |
| 4-6                                | 72        | 60.0       |           |
| 7-9                                | 6         | 5.0        |           |
| >10                                | 1         | 0.8        |           |
| <b>Business Experience (years)</b> |           |            |           |
| 1-5                                | 83        | 69.2       | 6 years   |
| 6-10                               | 29        | 24.2       |           |
| 16-20                              | 4         | 3.3        |           |
| >20                                | 4         | 3.3        |           |
| <b>Benefit Derived</b>             | 54        | 45.0       |           |
| <b>Loan</b>                        | 69        | 57.5       |           |
| Dividends                          | 72        | 60.0       |           |
| Souvenir                           | 24        | 20.0       |           |
| Investment                         |           |            |           |
| Total                              | 120       | 100        |           |

Source: Field Survey, 2020

also attracted to join cooperative as compared to male. This is likely to be the case because women in many African societies are the ones who take care of families particularly the old and youth.

The marital status is the legally defined marital state.

There are several types of marital status: single, married, widow, divorcee, separated and, in certain cases, registered partnership. Never married persons are persons who never got married in concordance with valid regulations. The marital status of the respondents which was revealed in

Table 1 shows that majority (55.8%) of the respondents were married hence had family responsibility with 37.5% of the single and the remaining of the respondents are either widowed or separated.

The education extends from giving people information to helping people to develop their own deepest possibilities for building a better world. The result revealed the literacy level of respondents is appreciably high (93.3%) considering the sum of primary, secondary and tertiary education, however, only (39.2%) of respondents had tertiary education while 50.8% had either secondary or primary education. Educational level plays a good role in adoption of new and innovative production methods and undertaking risks.

The religion is a social-cultural system of designated behaviors and practices, morals, worldviews, texts, sanctified places, prophecies, ethics, or organizations that relates humanity to supernatural, transcendental, and spiritual elements. However, there is no scholarly consensus over what precisely constitutes a religion. Evidence revealed that majority (54.2%) of the respondents are Christians and practice Christianity as their religion while 42.5% of the respondents practiced Islam as their religion.

The household size of the respondents may determine the family labour at household disposal (especially the respondents who are involved in farming). Also revealed from Table 6 is that the respondents have an average of about 4 persons per household. The households can be said to have considerably moderate household sizes and since majority (60.0%) of the respondents had between 4 and 6 members in their households.

Various persons have different ideas about what it takes to build a successful business. Some believe having good ideas is essential, while others emphasize the importance

of skill or catering to a contemporary demand. While hard work, talent, and the drive are all critical characteristics of a good entrepreneur, there's another important aspect of doing business that often gets overlooked is business experience. The findings revealed that 69.2% of the respondents have experience in their business for about 1 to 5 years while only few (6.6%) of the respondents have spent more than 16 years in business operations. Indeed, experience goes along with skill acquisition, which is fundamental to efficiency and effectiveness in any job operation (Baker and Sinkula, 2009).

The data in Table 1 shows the result of the benefits derived from cooperative societies by the respondents. The finding revealed that majority 60.0% of the respondents benefit gift items from cooperative society's like the souvenir distributed to members and 57.5% of the respondents in the study area benefit from dividends shared among members of cooperative in the study area. About 45.0% of the respondents benefitted from cooperatives loan provision schemes which allow members to access cheap and affordable loans to improve their business and meet household demands.

#### Determinants of Cooperative Membership among Small-Scale Entrepreneurs

The factors influencing the cooperative membership were examined using binary logistic regression models. The likelihood ratio estimates of the Logit models indicated that the Chi-square statistics was highly significant ( $p < 0.001$ ) suggesting that the models were adequate for explaining the determinants of cooperative membership. The marginal effect of the Logit regression results is presented in Table 2. It was revealed that only age of the respondents is a significant factor that determines cooperative membership in the study area. This implies that as a person grows older there is a high

**Table 2. Logit Regression Estimate for Determinants of Access to Cooperative Loan**

| Variables | Name                      | Coefficient | Standard error | t-value |
|-----------|---------------------------|-------------|----------------|---------|
| $\beta_0$ | Constant                  | -3.8775***  | 1.1834         | -3.276  |
| $X_1$     | Age                       | 0.0567**    | 0.0269         | 2.110   |
| $X_2$     | Marital status            | 0.4942      | 0.6945         | 0.712   |
| $X_3$     | Level of education        | -0.0909     | 0.0579         | -1.569  |
| $X_4$     | Household size            | 0.6077      | 1.2780         | 0.476   |
| $X_5$     | Type of cooperative       | -0.0566     | 0.0654         | -0.864  |
| $X_6$     | Total monthly income      | -0.1520     | 0.4742E-05     | -0.321  |
| $X_7$     | Sex                       | 0.9101      | 0.6902         | 1.319   |
|           | Log likelihood            | -35.57      |                |         |
|           | Restricted log likelihood | -41.16      |                |         |

\*\*\* = Significant at 1% level, \*\* = Significant at 5% level

Source: Field Survey, 2020



**Table 3: Regression model for effect of cooperative membership on their welfare**

| Variables               | Name                            | Coefficient | Standard error | t-value |
|-------------------------|---------------------------------|-------------|----------------|---------|
| $\beta_0$               | Constant                        | 69.568***   | 21.180         | 3.285   |
| $X_1$                   | Household size                  | 9.714*      | 10.540         | 1.922   |
| $X_2$                   | Amount of loan obtain           | -0.010      | 0.039          | -0.251  |
| $X_3$                   | Loan repayment period           | 1.306       | 2.527          | 0.517   |
| $X_4$                   | Interest on loan                | -0.389      | 0.896          | -0.435  |
| $X_5$                   | Years of cooperative membership | 7.900*      | 19.419         | 1.641   |
| $X_6$                   | Number of sources of loan       | -4.109      | 8.000          | -0.514  |
| $X_7$                   | Sex                             | -2.103      | 12.384         | -0.170  |
| $X_8$                   | Years of formal education       | 1.169**     | 1.156          | 2.012   |
| F-Value                 |                                 | 7.430***    |                |         |
| R <sup>2</sup>          |                                 | 0.440       |                |         |
| Adjusted R <sup>2</sup> |                                 | 0.430       |                |         |

\*\* = Significant at 5% level, and \* = Significant at 10% level

Source: Field Survey, 2020

tendency the person will join a cooperative society.

### Effect of Cooperative Membership on the Socio-Economic Welfare

The result revealed that household size, years of cooperative membership and educational level of the respondents had a positively significant impact on respondents' income and they are significant at 5 percent and 10 percent levels. The adjusted coefficient of determination (R<sup>2</sup>) value is 0.440. The F-statistics showed that the model passed the test of overall significance at the 1% level. This implies that all the explanatory variables taken together had a significant impact on income. The coefficient of respondents' household size is positively related to determinant of income in the study area. This may be so due to the fact that the higher the households size the more labour will be available which will increase the household in terms of income earned. Further, the coefficient of cooperative membership has a positive impact on household income level. This may be so as the respondents who belong to cooperatives have to access to cheap loan which will increase household income when used for productive purpose and the level of education as it increases so does household income level. This may be so as the higher educational attainment allows the respondents to access high paying jobs which will increase household welfare and income generally.

### Conclusions and Policy Implications

A cooperative society is a voluntary association that started with the aim of the service of its members. It is a form of business where individuals belonging to the same class join their hands for the promotion of their common goals. The study concluded that both male and female

were evenly distributed in the study, and they are within their active working age of 40 years and below, they are married with a form of formal education. They practice Christianity as religion and have an average of 4 individual per household with business experience of less than 10 years. The respondents benefitted from souvenir distributed by their cooperative society and cooperative dividends shared among members. Age of the respondents is a significant factor that determine cooperative membership while household size, years of cooperative membership and educational level of the respondents had a positive impact on respondents' income; thus hence enhanced the growth and expansion of their business. Based on the findings from the study, the following recommendations are therefore suggested that the government should support cooperative societies in improving household income as the members benefit from cooperative social aiding activities. The cooperative members should be given adequate and useful seminars that will help improve their business experience and ability to accept and use innovation technology. Government, non-governmental organizations and international development agencies, should increase the tempo of their supervisory and support-service to the activities of Cooperative Societies in view of their importance in Nigeria's quest for increasing household income.

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