

# Cooperative Society's Fund Creation and Economic Strength Promotion among Teachers in Ibadan, Oyo State, Nigeria

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**Abstract:** *This paper examines various means of funding cooperative societies owned by teachers to promote members economic strength. This is a self-financing body with no grant or support from the government or agencies. This paper sought to identify various means used in generating funds by cooperative societies and how this has helped in promoting members' economic strength. One hundred and forty-five (145) members of eight (8) societies participated in the study. The instruments used in collecting data were; Fund Creation Checklist (FCC) and Members Economic Strength Questionnaire (MESQ). Data were analysed using Descriptive Statistics and Pearson Product Moment Correlation (PPMC). Result revealed an insignificant negative relationship between fund creation and members economic strength promotion with ( $r = -0.085, > .05$ ). Thus, it shows that it is not certain that the fund generated by the cooperative society solely accounted for the promotion of members' economic strength. It was concluded that cooperative societies and members should engage in viable*

*businesses that will yield high profits, and proper fund management should be of priority for society and members.*

**Keywords:** Cooperative society, Fund creation, Teachers, Economic strength, Economic strength promotion.

## 1. Introduction

Cooperative societies are the body of people of like minds who voluntarily unite together to pool their resources together in meeting the members' social, economic and political needs. Different people with diverse professions come together to establish cooperative societies leading to different types of cooperative societies. Teachers' cooperative society is owned and controlled by teachers in promoting their own economic strength (Owojuyigbe, 2007). Teachers who belong to this cooperative society are expected to raise funds in financing the cooperative society. Availability of fund is an essential tool in cooperative society formation or starting up and running any individual business or organisation. Fund is required in financing plans for expansion after formation, diversification and productivity enhancement, and cooperative societies for effective coverage of member needs (Krishna, 2001). Therefore, cooperative society relies so much on fund availability to fulfil the purpose of establishment, which is to allow members to promote their economic strength in different areas such as starting up or expanding businesses, educating their wards, building a house, acquiring landed properties and some other assets, financing health care among other things.

Fund creation in cooperative societies comes through various means, either internally sourced from members or externally sourced from government, donors and with the support of commercial banks depending on the type of cooperative society. Fund creation from members of the cooperative societies, which is said to be internally sourced, can come using different strategies such as entrance fees, share capital, savings, loans, grants, subsidies, donations, fines, interest on loans and investment, deposits from members and non-members, development/special levy and retained profit among others (Adeniyi, 2018). However, the inadequate fund has been a major problem of cooperative society since savings accrued from cooperative society members form the main fund used in sustaining the cooperative society (Ochoki, 2007; Okoli, 2018). In Nigeria, the savings of members have been said to be usually small due to the low-income status of the population (Yusuf, Ijaiya & Ijaiya, 2009). With this, most cooperative societies suffer from having enough funds in running the cooperative society and being efficient in-service delivery.

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Agbo and Sand (2010) stated that one of the major challenges of cooperative in fund creation is limited access to investment credit. The researchers observed that even when funds are made available for cooperatives by the government, it is still very difficult to access. Inadequate funding has been identified as one of the challenging factors faced by cooperative societies and most poverty alleviation strategies in creating funds (Bamiduro 2011; Chahayo, Bureti, Maende, Douglas & Aketch, 2013). Some members have contributed to the poor funding of most cooperative societies due to members default as a result of unfaithfulness to savings and loan repayment as and when due (Kinulthia, 2007).

Fund creation has been reported to have resulted in a lot of negative effects on business and economy, such as business failure, loss of potential output, and increase in the rate of unemployment and deteriorating standard of living (Elumilade, Asaolu & Oladele, 2005; Otto & Ukpere, 2011). Other researchers identified problems traceable to cooperative financing in Nigeria to be poor cooperative education and illiteracy (Agbo & Sand, 2010). From our observation, the level of education acquired by those in control of cooperative societies and members tend to account for the utilisation of the society's hard earning fund in order to achieve the purpose of establishing the cooperative society and means of recovering loans from members who are not faithful to the cooperative society's growth.

Cooperative society has been said to have suffered from fund creation as a result of engagement in bad projects leading to the waste of scarce funds (Agbo & Sand, 2010). Lack of good business strategies has affected the cooperative societies in raising enough funds that would be available for promoting members economic strength through engaging in unproductive businesses that have brought a loss to the society and tantamount to resources wastage and putting the society in a mess of inefficiency (Mwakajunmilo, 2011). A great loss has been recorded by most cooperative societies due to high investment in non-earning investment, accounting for low funds among the cooperative societies in promoting the economic strength of members (Makori, Munene & Muturi, 2013). In the same vein, cooperative society fund creation has been said to be significantly affected by insufficient capitalisation, dishonesty on the part of members, management and the board of directors and mismanagement of cooperative businesses, which has affected the efficiency and effectiveness of cooperative societies to promote the economic strength of members (Adeniyi, 2018). These identified problems affect cooperative societies' effectiveness and efficiency in making available sufficient funds to promote the economic strength of members. This study, therefore, investigated how various fund creation had contributed to promoting the economic strength of teachers who are members of cooperative societies under the umbrella of the Nigerian Union of Teachers in Oyo state.

## **1.1 Research Questions**

Based on the stated problem, this study provided answers to the following questions.

- What are the various sources of funds available for cooperative societies to promote members economic strength?
- What is the relationship between fund creation and members economic strength promotion among teachers?

## **1.2 Theoretical Background and Literature review**

This session discusses the adopted theoretical frameworks and the literature review. The Puritanical Ethnic Theory was used to unravel the problem, and the literature review relating to cooperative society's funding and members economic strength promotion was reviewed.

### **1.2.1 Puritanical Ethnic Theory**

The study adopted puritanical ethnic theory to unravel the study. Anyanwuocha (2000), citing Weber, who adjudged the protagonist of the theory, argues that puritanical ethnic theory was the main driving force behind the industrial revolution in Europe since it strengthened the incentive to work and save. Perhaps a critical analysis of the puritanical school of thought within the context of its elements will facilitate its relevance to this study. Anyanwoucha (2000) notes that the puritanical school of thought placed emphasis on thriftiness, frugality, self-disciplined, and abstinence; but encouraged saving.

These four elements emphasised by the puritanical school of thought stress the Keynesian (1936) theory of savings and investment. According to the Keynesian theory, saving is a function of investment and, subsequently, economic development and poverty assuagement. The tendency to save infers frugality, thriftiness, and self-discipline, ultimately leading to an individual's investment and economic development. Therefore, it shows that there exists a strong relationship between savings and investment since savings determine investment and, by extension, economic development. Apart from the Keynesian theory, Pankhurst (2002) advances three main theories to underscore micro-credit creation and poverty alleviation. These are:

- Cost-effect and efficiency theory- cooperative management in consolidating credit and savings operations together to maximise returns. Pankhurst (2002) believed that credit schemes are assumed to be a form of economic development that is cost-effective, efficient, and relatively easy to manage.
- Capacity-building theory- cooperative society can be seen as a training ground where members are given the technical know-how on how to save, invest and manage investment resources to bring returns. Pankhurst (2002) noted that credit and savings schemes are widely understood to be a basis for other individual and community capacity building forms. It further stressed the school of thought that credit and savings are a means to an end which is expected to increase levels of self-esteem and self-worth of an individual.
- Inter-dependency and Partnership Theory-; this theory shows that cooperative is about mutual trust and aid support foundation for stability to enhance economics base for an individual. This theory stresses that human beings are sociable, and coming together to support one another towards the provision of assistantship, premised on a business relationship is what they are known for.

The puritanical ethnic theory is relevant to this research work because it emphasises that capital or fund can be raised through saving. The cooperative society's practices a common saving by members, which yielded to substantial fund that members of the society can benefit from at different points in time

### **1.3 Review on Cooperative Society's Funding and Members Economic Strength**

Fund plays a major role in any business and economy. Cooperative society's activities and some poverty alleviation programmes have been badly affected by the issue associated to finance or to fund such programmes. Olao (2014) investigated the influence of financial stability on deposit-taking SACCOs. A descriptive survey was adopted. The population comprised all the 34 DTS which had complied with SASRA regulations by December 2013. The study used secondary data from all the cooperative societies sampled. The study concluded that financial stability positively and significantly influences the performance of deposit-taking SACCOS.

Akerele and Adekunmbi (2018) on impacts of cooperative thrift and credit facilities on members' business output and the study collected data from 108 cooperative members through random selection from nine different cooperative societies from two local government areas of Ogun State, Nigeria. It was reported that the cooperative societies have issues with the non-remittance of loan deductions made by the government into the cooperative society's account, which tends to affect the cooperative society's funding and meeting the economic strength promotion of members comes with difficulty and disappointment as members experience a delay in loan approval. Also, Kimani (2007) studied the causes of inefficiency and ineffectiveness in credit administration in Chuna SACCO society limited. The researcher found out that insufficient funds for lending stand to be one of the challenges that made promoting the economic strength of members of cooperative societies difficult, and as a result of this, it added to the inefficiency and ineffectiveness of the cooperative society.

Kimani (2007) further stated that if cooperative societies could aggressively generate and organise more funds from members and allocating these funds to invest with high returns, it will employ more competent staff; restructure the organisation; introducing more attractive loan products to satisfy members needs, and also harmonising interest rates; encouraging teamwork with well-defined boundaries; providing education and training programmes to relevant stakeholders; adopting effective technology, ensuring competition with other financial institutions; participating in corporate social responsibility. Mugambi and Ondabu (2015) also explored the influence of loan

recovery practices on cooperative society's performance in the Mount Kenya Region. The study established the presence of cooperative failure in promoting the economic strength of members due to a shortage of funds by the cooperative society, which emanated from the failure of some members to repay back loans, which tends to hinder others from enjoying the same facilities. The researcher believed that cooperative societies should lessen the burden on the guarantor and make the borrowers provide collateral. If they failed to pay back the loan, cooperative societies could lay hands on it to recover the money borrowed.

Karagu and Okibo (2014) studied how different factors influenced financial performance in SACCOs in Kenya. The study established that misappropriation of funds contributed to the failure of cooperative societies in promoting the economic strength of members. The study opines that the cooperative internal control system and the audit department needed to be strengthened. The researcher also pointed at the investment decisions of the cooperative societies also contributed to the shortage in funds that they were supposed to lend out to members in promoting their economic strength and in return bringing gains and growth to the cooperative society. The researcher further identified poor loan repayment as one of the reasons cooperative societies fail to promote the economic strength of members as this reduces the funds meant for lending.

Karagu and Okibo (2014) further identified the withdrawal of membership as one of the reasons contributing to the shortage of funds among cooperative societies. The higher the withdrawal of membership, the greater the inefficiency of the cooperative society in promoting the economic strength of members as funds decreases. Lastly, in a study conducted by Njogu, (2017) on the effect of loan administration on the financial performance of SACCOs in Kirinyaga County in Kenya. The researcher reported a positive relationship between cooperative societies funding and loan granted in promoting members economic strength. This simply means an increase in the fund leads to an increase in loan provision for economic strength promotion, and the lower the fund, the lower the loan provision for members' economic strength promotion.

## 2. Research Methodology

The study used a survey research design; this was chosen because the researcher does not have control over the variables as their manipulation has already occurred. The population comprises of all cooperative societies owned by teachers in Ibadan metropolis, Oyo State, Nigeria. Simple random sampling technique was adopted to select five (5) local governments area from the eleven local governments area in the Ibadan metropolis. Proportionate sampling technique was used in selecting eight cooperative societies, and 145 cooperative members were also selected using the proportionate sampling technique from the selected societies.

*Table 1: Sample Summary*

Local Government Sampled	Cooperative Societies Sampled	Number of Members Sampled
Ibadan North, Ibadan South-West, Ibadan North East, and Akinyele and Egbeda	Ibadan North (2), Ibadan South-West (1), Ibadan North East (2), Akinyele (2), Egbeda (1), Making a total of 8	145 cooperative members to be selected
<b>5</b>	<b>8</b>	<b>145</b>

### 2.1 Instrumentation

Two instruments were used for this study. These are Fund Creation Checklist (FCC) and Membership Economic Strength Questionnaire (MESQ). FCC was developed by the researcher with the help of literature, documents from the ministry of trade, commerce and cooperative and other experts in this field. The checklist comprises two sections. The first section contains the bio-data of the sampled society and years of existence. At the same time, the second section comprises 25 items eliciting information on various fund creation employed by society to generate funds. And the response set for this section will be scored using Available = 2, Not Available 1. Items developed were pilot tested, and the validity was established through Kuder Richardson (KR20), and it yielded an index of 0.89.

The researcher constructed MESQ after consulting literature and expert in this field. The questionnaire comprises two sections. The first section contains the bio-data of the respondent, while the second section comprises 19 items eliciting information on various means of promoting members’ economic strength by the society, such as loan facilities, consumables and non-consumable credit facilities, economic strength provision through savings and dividend. The researcher personally administered the instrument to the participants. The response set for this section were Strongly Agree = 4, Agree = 3, Disagree = 2, Strongly Disagree = 1. The reliability of the instrument was established using Chronbach Alpha, and it yielded an index of 0.88. Descriptive statistics, alongside Pearson Product Moment Correlation (PPMC), were used in analysing the data obtained.

### 3. Presentation of Data and Results

The data was presented in accordance with the research questions above. The data relating to question number 1 was first presented, while the data relating to question 2 was presented thereafter.

**Research question 1:** What are the various sources of funds in promoting the economic strength of members among teachers in Oyo State, Nigeria?

*Table 2: Descriptive statistics showing various available sources of funds...*

S/N	ITEMS	Used		Not Used		Percentage	
		No	(%)	No	(%)		
1	Entrance/Registration fee	8	100	0	00		
2	Share Capital	8	100	0	00		
3	Annual Subscription	2	25	6	75		
4	Ordinary Savings	8	100	0	00		
5	Loans From Bank and Affiliated Bodies	4	50	4	50		
6	Reserves	8	100	0	00		
7	Fines	8	100	0	00		
8	Interest on Loans	8	100	0	00		
9	Interest on Investment	8	100	0	00		
10	Deposit from Members (Special Deposit)	8	100	0	00		
11	Development Levy	8	100	0	00		
12	Maintenance Levy	8	100	0	00		
13	Building Fund	8	100	0	00		
14	Stabilization Fund	8	100	0	00		
15	Annual General Meeting Levy	6	75	2	25		
16	Seminar	8	100	0	00		
17	Education Savings	6	75	2	25		
18	Project Savings	2	25	6	75		
19	Loan Forms	8	100	0	00		
20	Administrative Charges	8	100	0	00		
21	Transaction Charges	4	50	4	50		
22	Retained Profit	8	100	0	00		
23	Provisions for Bad Debt	8	100	0	00		
24	Trading Activities	8	100	0	00		
25	Dividends and Interest Received	8	100	0	00		
26	Festive	2	25	6	75		

**Research question 2:** What is the relationship between fund creation and members economic strength promotion among teachers in Oyo State, Nigeria?

**Table 3: Relationship between fund creation and members economic strength promotion**

<b>Variables</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>	<b>r</b>	<b>Sig</b>
MESP	145	63.92	6.619		
FC	145	25.62	.928	-.085	.310

The value of r (-.085) from table 2 is not significant at 0.05 ( $r = -0.085, p > .05$ ).

#### **4. Result Discussions**

Table 2 reveals the percentage distribution of various sources of fund creation for cooperative societies. It has been revealed that the sampled cooperative societies all have the following sources of fund creation in common Entrance/Registration fee, Share Capital, Ordinary Savings, Reserves, Fines, Interest on Loans, Interest on Investment, Deposit from Members (Special Deposit), Development Levy, Maintenance Levy, building fund, Stabilisation fund, Seminar, Loan Forms, Administrative Charges, Retained Profit, Provisions for Bad Debt, Trading Activities and Dividends and Interest Received. In contrast, other sources of fund creation varies 75 percent of the sampled cooperative societies does not use annual subscriptions, project savings and festive period as sources of fund. In comparison, 25 per cent made use of these sources, 75 per cent of the sampled cooperatives made use of the Annual General Meeting and Education as sources of fund creation.

Table 3 shows that there is no significant positive relationship between members' economic strength promotion and fund creation. The negative relationship between members' economic strength promotion and fund creation implies that as fund decreases members' economic strength increases and vice versa. The insignificant negative relationship shows that members do not depend on the cooperative solely for their economic strength promotion which may be as a result of the failure of cooperative societies to gather enough funds in meeting members needs according to Kimani (2007), poor capitalisation, dishonesty on the part of members, management and the board of directors and mismanagement of cooperative businesses which has made it difficult for cooperative societies to promote the economic strength of members (Adeniyi, 2018). Engaging in unproductive businesses is tantamount to resources wastage, and putting the society in a mess of inefficiency (Mwakajunmilo, 2011; Makori et al., 2013) contribute to cooperative society's failure in promoting the economic strength of members, which provides an opportunity for members of the society to source support from other related agencies in promoting their economic strength.

#### **5. Conclusion and Recommendations**

From the above discussion, it was concluded that funds availability in financing cooperative societies and other forms of business are of great importance in meeting the set goal of establishing the society or businesses. We also concluded that funds availability is of great significance for the cooperative societies to meet the purpose of establishment, which is to alleviate members of this society from poverty. Based on these findings, the following are suggested:

- Cooperative societies should encourage members to contribute faithfully to the society in order for the society to be efficient in-service delivery.
- Cooperative societies should endeavour to look into some of the sources of funds that have not been really utilised in generating more incomes into the different societies in order for the cooperative society to meet the needs of their members.
- Cooperative societies should encourage members to invest in viable projects or businesses that will promote their economic strength and provide opportunities for them to repay back the loans.
- Proper fund management should be of priority among cooperative societies.
- The cooperative societies should work more on financing viable members businesses, which will improve the economy of Oyo state and Nigeria as a whole.

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