

Socio-economic determinants of cooperative societies' access to the services of the Nigerian Agricultural Cooperative and Rural Development Bank

Déterminants socioéconomiques de l'accès des sociétés coopératives aux services de la Banque du Nigéria pour les coopératives agricoles et le développement rural

Determinantes socioeconómicos para el acceso de las cooperativas a los servicios del Banco de Cooperativas Agrícolas y Desarrollo Rural de Nigeria

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Socio-economic determinants of cooperative societies' access to the services of the Nigerian Agricultural Cooperative and Rural Development Bank

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Abstract. This paper assesses the extent to which cooperative societies had access to the special intervention fund administered by the Nigerian Agricultural Cooperative And Rural Development Bank (NACRDB) Ltd. The study was carried out between March and September, 2005, on six randomly selected states, one from each of the six geopolitical zones into which Nigeria has been divided. States sampled included Enugu (South-East), Rivers (South-South), Ondo (South West), Benue (North Central), Bauchi (North East) and Kano (North West). Sixty cooperative societies were also randomly selected for the study from each state covered; thirty of them with access and thirty without access to the intervention fund, on the whole 360 cooperative societies were studied. Statistical tools used for data analysis included percentage, means and range. Levene's test for equality of means was used to determine if the means of the two categories of cooperatives (those with access and those without) were statistically different. Likert scale rating was used to determine cooperative societies' perception of the effects of agency operational guidelines on access. The Levene's test for equality of means showed that the difference between the means of the two categories of cooperative societies were statistically significant at 5% probability level. Likert scale rating confirmed that the operational guidelines of NACRDB such as minimum credit requirement, type of crop grown, approved loan size, and insurance cover affected access to the intervention fund. It was recommended that promoters of cooperative societies should pay adequate attention to the socioeconomic characteristics of the cooperative societies so promoted and the credit guidelines of the NACRDB Ltd.

Keywords. Intervention fund, agricultural bank, bank, cooperatives, agriculture, rural development.

1 Introduction

The introduction of modern cooperative business into Nigeria dates back to the year 1935 following the acceptance, by the Colonial Administration, of Mr. C.F. Strickland's Report on the prospects of cooperatives in Nigeria. After seventy-four years of operation, the cooperative movement in Nigeria can boast of a membership of more than five million persons distributed in more than thirty-six thousand cooperative societies (FMA&RD, 2002). Unfortunately, cooperative businesses in Nigeria are still contending with problems that have hampered their development. One such problem is the lack of access to investment credit.

The government has intervened several times to inject credit into the cooperative sub-sector of the economy. One intervention was the change, in 1976, of the Nigerian Agricultural Bank Ltd to Nigerian Agricultural and Cooperative Bank Ltd

so as to give special attention to cooperative activities (CBN Annual Report, 1976; Ukpanya, 1997). Furthermore, in the year 2000, the government renamed the Nigerian Agricultural And Cooperative Bank (NACB) Ltd to become the Nigerian Agricultural Cooperative And Rural Development Bank (NACRDB) Ltd to reflect the rural nature of cooperative activities in Nigeria (FGN Budget, 2000). In the year 2005 the Federal Government domiciled the sum of ₦50 billion with the NACRDB Ltd to lend to cooperatives and other farmer organizations at concessionary interest rates. A recent study of the patterns of disbursement of the ₦50 billion intervention fund showed that more than 75% of the fund went to private farmers and other farmers' organizations that are not cooperative societies (Onyeagocha, 2008).

Some factors have been responsible for the poor access of cooperative societies to the intervention fund domiciled with the NACRDB Ltd. Socio-economic characteristics of cooperative societies have been singled out as the major constraints to cooperative societies' access to services of agencies established to help them in Nigeria (Ijere, 1977; Okafor, 1979). Such socio-economic characteristics include

membership size, the cooperative's asset base and membership participation. As part of the conclusions from his study of the use of women cooperative societies for transfer of cassava technologies Agbo (2000), emphasized that the socio-economic characteristics of cooperatives that hinder cooperatives access to development resources include the sex of cooperative members, the age of the cooperative society, and the distance the cooperative society has to cover to get to the location of the services provider. Botomley (1989) adds to the list of such socio-economic characteristics to include the type of cooperative, the sector of the economy where cooperative intervention is implemented, the levels of functional and cooperative education possessed by cooperative members, as well as the quality of cooperative management available. In his own study, Ambruster (2001) isolated, among others, the system of delivery of the services needed by cooperatives, the process used to determine the sector that needs intervention, and the mode of selection of beneficiaries as the most critical factors affecting cooperatives' access to development resources.

To provide empirical evidence on what has actually been responsible for the poor access to ₦50 billion credit mediated by the NACRDB Ltd., this study became necessary. Moreover, since NACRDB Ltd still remained the most important government owned development finance institution through which official financial services were provided to farmers' cooperative societies, organizers of cooperative societies could also draw lessons from the result of the study to improve upon those socio-economic characteristics that have hindered access to the services of NACRDB Ltd.

2 Objectives of the study

The broad objective of this study was to identify the factors that determined cooperative societies' access to the ₦50 billion intervention fund administered by NACRDB Ltd.

The specific objectives included:

- i to identify the socio-economic characteristics of cooperative societies that applied for loans from the intervention fund;
- ii to determine if these socio-economic characteristics affected the cooperative societies' access to the intervention fund;
- iii to determine how the cooperative societies perceived the operational guidelines of NACRDB Ltd., under the intervention fund;
- iv to use the result of the study to make recommendations as to how to improve the access of cooperative societies to the services of NACRDB Ltd.

3 Materials and methods

This study covered the activities of NACRDB Ltd (under the intervention programme). Nigeria is composed of 36 States and the Federal Capital Territory, Abuja. For administrative convenience the component states are divided into six zones, namely, the Southeast zone (5 states), the South - South zone

(6 states), the Southwest zone (6 states), the Northeast zone (6 states), the Northwest zone (7 states), and the North Central zone (6 states). The Federal Capital Territory is within the North Central zone.

Sample selection was carried out in stages. In stage I, one state was randomly selected from each zone giving a total of 6 states. In stage II, the list of cooperative societies that applied for credit facilities under the intervention scheme from various branches of the NACRDB Ltd in each of the six selected states was obtained. From this list, thirty cooperative societies whose applications succeeded were randomly selected in each state. Furthermore, another set of thirty cooperative societies whose applications failed was also randomly selected. This gave a total of 180 cooperative societies (30x6) that obtained credit from the bank and another set of 180 cooperative societies that failed to obtain loan from the bank.

Structured questionnaires were used to obtain information on the 360 cooperative societies studied. The structured questionnaires sought to obtain information on socio-economic characteristics of the cooperative societies including age of cooperatives, membership size, gender of members, educational attainment of members, size of shareholding, size of asset holding, credit history and others. Trained research assistants were used to collect data.

Data were collected from the NACRDB Ltd headquarters in Kaduna, its branches in the states sampled as well as from the cooperative societies selected for the study.

4 Results and discussion

4.1 Socioeconomic characteristics of cooperative societies

The socioeconomic characteristics studied included age of cooperative society, membership size, gender of members, number of years of schooling of members, asset holding of the cooperative societies, shareholding of the cooperative societies, size of liability of the societies and distance of societies to the nearest branch of NACRDB Ltd.

Table 1 on page 3 presents the statistical description of the socioeconomic characteristics of the cooperative societies under study. The mean value for age of cooperative societies with access (10) was lower than that of those without access which was 12. The implication of this was that cooperative societies with access in the survey were younger. Cooperative societies with access had higher mean value of 31 for membership size than those without access with mean value of 23. Both cooperative societies with access and those without access had higher male members than female members as both had mean values for male membership of 24 and 23 respectively as against mean values for female membership of 19 and 21 respectively.

Members of cooperative societies with access spent more years in school with a mean score of 13 year as against a mean score of 11 years for cooperative societies without access. In the areas of shareholding, asset holding, size of liability the cooperative societies with access scored higher mean values. For distance to the nearest branch of NACRDB cooperative

Table 1: Statistical description of the socioeconomic characteristics of the cooperative societies under study

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
Age with access	180	5	20	10.00	.374	5.014
Age without access	180	5	20	12.00	.349	4.686
Membership with access	180	15	40	31.19	.523	7.019
Membership size without access	180	15	40	23.08	.538	7.213
Male gender with access	180	15	30	24.40	.453	5.554
Female gender with access	30	15	25	18.50	.725	3.972
Male gender without access	156	15	30	23.27	.452	5.641
Female gender without access	24	15	30	21.87	1.034	5.067
Edu with access	351	6	26	12.57	.261	4.894
Edu without access	345	6	25	11.17	.247	4.582
Share with access	180	45055	200000	1.44e5	3357.852	45050.312
Share without access	180	45050	120000	9.75E4	3304.670	4436.802
Assets with access	180	100000	250000	1.87E5	3262.754	43774.435
Assets without access	180	100000	150000	1.50E5	3400.105	45617.190
Size of liability with access	180	2000	215000	7583.33	301.236	4041.509
Size of liability without access	180	2000	15000	7994.44	341.383	4580.133
Distance with access	180	20	80	47.33	1.417	19.015
Distance without access	180	20	100	62.00	1.384	18.563

* Computed from field data, 2005

societies with access scored lower mean value of 47 km as against 62 km for cooperative societies without access.

Generally speaking cooperative societies with access were relatively younger, had higher membership size with more educated membership. The study also showed that cooperatives that accessed intervention fund had higher share values, more assets and more liabilities, they were also found to be located closer to NACRDB Ltd.

The reason for a lower age value may be that cooperative societies were registered in response to particular NACRDB credit schemes. Baring other influences it was expected that older cooperative societies with track records of performance would have had more access. Membership size is a sign of strength and probably offers a greater chance of mobilizing more share capital. Cooperative societies with higher membership size stand better chances of enjoying economies of scale. This might have improved the chances of the cooperative societies under survey to access the credit services of the bank.

The size of liability of a cooperative society is an index of the society's credit history. Cooperative societies that have borrowed in the past with a good repayment record stand better chances of borrowing again. This could be the case of the cooperative societies with access in the study.

Distance to the NACRDB has some socioeconomic implications. For instance, distance affects the cost of transportation to the agency. It may also have implication for the awareness of the existence and services of the agency. It is very likely that groups located nearer to the agency may be more aware of the services of the agency. This might have counted in favour of the cooperative societies that had access.

Higher educational attainment may also favour higher awareness of government programmes and how to access such programmes. The implication is that cooperative societies with

more enlightened members stood better chances of accessing NACRDB programmes.

To ascertain if there were significant differences between the mean values for cooperative societies with access and those without, the Levene's test for equality of means was carried out. The result of the test is shown in table 2 on page 4.

Results from Levene's test for equality of means (table 2) indicated that the differences between the means of seven socioeconomic characteristics listed were statistically significant at 0.05 probability level. The mean differences, except for age and distance from the agency, were all positively signed indicating larger values for cooperative societies with access to the services of NACRDB Ltd. The implication could be that the higher these values are the more chances a cooperative had to access the services of the bank. The mean differences for age and distance from the agency were negatively signed probably indicating that the younger a cooperative was and the nearer it was to NACRDB the better its chances of accessing the services of the bank.

4.2 Guidelines For The Operations Of Nacrd B Ltd

The ₦50 billion domiciled with the NACRDB for on-lending to farmers cooperative societies was part of the Federal Government of Nigeria's special Presidential Initiative on cassava production and export. Part of the objectives of the initiative included the expansion of primary processing and utilization of cassava, identification and development of new market opportunities for import substitution and export, stimulation of increased private sector investment in the establishment of export oriented cassava industries. It was, therefore, expected that cooperatives that will borrow from the ₦50 billion intervention fund would be involved in one aspect or the other of the cassava production initiative.

Table 2: Levene's test for equality of means of socioeconomic characteristics of cooperative societies with access to services of NACRDB and those without

Socioeconomic characteristics	Mean difference	Std. Error difference	T-score
AGCOOP	-6.522	-0.739	*8.825
MEMSIZE	8.818	1.835	*4.805
MEMGENDER	2.000	0.655	*3.055
ASSHOLD	54848.485	11631.409	*4.716
SHAREHOLD	99610.112	44683.238	*2.229
EDULEVEL	6.209	0.569	*10.901
DISAGENCY	-28.276	-7.629	*3.707

Computed from Field Data, 2005

* = Significant at 0.05 probability level

AGCOOP = Age of cooperative, Memsize = Membership size

MEMGENDER = Gender of members, ASSHOLD = Cooperative societies level of asset holding, EDULEVEL = Educational level of members and DISAGENCY = Distance from NACRDB Ltd.

The credit guidelines issued by the NACRDB Ltd for cooperatives expecting to borrow from the intervention fund included (1) opening an account with NACRDB Ltd, (2) a minimum deposit in this account of at least one-third of the amount to be borrowed, (3) an interest rate of 15%, (4) group formation and (5) an insurance cover for the business of the cooperative group.

To ascertain how these operational guidelines of the NACRDB Ltd affected the access of cooperative societies to the credit services of the bank a Likert scale rating of members' perception was conducted using the presidents and the general secretaries of the affected cooperative societies as respondents. Likert scale of 5-point was adopted. The 5-point scale was graded as Very serious effect = 5, Serious effect = 4, Undecided = 3, Not serious effect = 2, Not very serious effect = 1.

The mean score of the respondents based on the 5-point scale was $5 + 4 + 3 + 2 + 1 = 15/5 = 3.0$. Using the interval scale of 0.05, the upper limit cut-off point was $3 + 0.05 = 3.05$, the lower limit was $3 - 0.05 = 2.95$. On the basis of the limit, any mean score below 2.95 (i.e. $MS < 2.95$) was taken as "Not serious effect", those between 2.95 and 3.05 were considered of "Serious effect" (i.e. $2.95 \leq MS \leq 3.05$), while any mean score that is greater than or equal to 3.05 (i.e. ≥ 3.05) was considered of "Very serious effect."

Table 3 presents a summary of the mean distribution of the perception of how the operational guidelines of NACRDB Ltd affected cooperative societies' access to the ₦50 billion intervention fund.

The minimum deposit requirement was meant to serve as collateral offered by the cooperative groups for the amount of loan requested. The loan beneficiaries perceived this requirement as of no serious effect on their access. However, the non-beneficiaries perceived this requirement as a very serious impediment to their access. This requirement may have been informed by the reported high rate of default in loan refund by cooperative societies in previous programmes.

Both beneficiaries and non-beneficiaries perceived interest rate as of not serious effect on their access to this fund. This may be because the interest rate charged was much lower than the going commercial rates of between 25% and 30%. Government subsidized the credit from this intervention fund to ensure access by cooperative societies.

Time of loan release was not part of the guidelines but both beneficiaries and non-beneficiaries agreed that it affected their access. It was observed that bureaucracy that ensued in the process of loan application led to late release of loans beyond the planting season for the main crop of the intervention programme.

Both beneficiaries and non-beneficiaries perceived loan size which was dependent on the deposit the cooperative was able to make as a constraint. For the beneficiaries it was a constraint to the extent that they would have wanted to borrow a higher sum if they could afford a higher deposit. For the non-beneficiaries this requirement was one single reason that barred them from access. In addition an official ceiling was placed beyond which no cooperative would borrow from the fund irrespective of ability to raise higher initial deposit.

Group formation was not perceived as a constraint by either of the groups. This may be because they were already in groups before application.

To the beneficiaries the type of crop grown was not a constraint probably because they were already involved in cassava production but may have needed more money to expand operations. Cassava growing belts of Nigeria do not extend to the northernmost parts of the country. For this group of farmers the initiative did not take their interests into consideration and to that extent limited their access to cassava production.

The particular enterprise in cassava production the beneficiaries were involved was important. Those groups that had facilities to produce cassava and its derivatives for export were more favoured. The non-beneficiaries perceived this as a constraint because most of them could not produce cassava in the first instance.

Cooperative societies that wanted to benefit from the scheme were required to take an insurance cover for their operations. Because of the difficulty of obtaining insurance services for agricultural activities in Nigeria, both groups perceived this requirement as a constraint on their access.

5 Conclusions and recommendations

This study showed that socioeconomic characteristics of cooperative societies affected their access to the services of

Table 3: Mean distribution of effects of NACRDB Ltd operational guidelines on cooperative societies' access to credit services of the bank.

Operational guidelines	Beneficiaries Mean	Non-beneficiaries Mean
Minimum deposit requirement	2.68*	4.52***
Interest rate	2.76*	2.88*
Time of loan release	3.12**	3.62**
Loan size/amount requested	3.02**	3.98*
Group formation	2.76*	2.81*
Type of crop grown	2.96*	4.80***
Use to which credit will be put	3.22**	4.96***
Insurance cover	3.18**	4.26**

* Stands for not serious effect (NSE)

** Stands for serious effect (SE)

*** Stands for very serious effect (VSE)

Source: Computed from field data, 2005.

the Nigerian Agricultural Cooperative And Rural Development Bank Ltd. The study raised a fundamental issue in cooperative formation requiring promoters of cooperative societies to pay particular attention to socioeconomic characteristics such as membership size, size of share capital holding, assets holding, level of education of members and others, because these have fundamental effects on the performance of cooperative societies. NACRDB Ltd used operational guidelines that were perceived to have contributed to lack of access by cooperative societies.

Based on the findings of the research the following recommendations have been made:

- There is need for a nationwide cooperative awareness campaign emphasizing the importance of forming cooperatives with appropriate socioeconomic characteristics to ensure that such cooperatives benefit from services of development agencies created to serve them.
- Cooperative development agencies should be sited close enough to cooperative societies they serve since distance was found to have affected the access of cooperative societies in this study. In this study younger cooperatives were found to have more access to services of the bank than older ones.
- Cooperative development agencies therefore need to pay enough attention to older and successful cooperative societies in their dissemination of assistance to cooperative societies. This will tackle the problem of forming emergency cooperative societies designed to cash in on new government schemes. Such emergency cooperative societies have been found to fizzle out as soon as they fail to get the assistance desired.
- The Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) Ltd needs to tinker with her credit guidelines to ensure a wider access by a wider range of cooperative societies no matter what part of the country they are located.

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