

Contribution of Co-operative Organizations to Poverty Alleviation in Yewa North Local Government Area of Ogun State, Nigeria

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ABSTRACT The study examined the contribution of co-operative organizations to poverty alleviation. A multi-stage random sampling technique was used to select 100 members of co-operative societies in Yewa North Local Government Area of Ogun State. A questionnaire was used to collect data from the respondents. Descriptive statistics were used to analyze the personal characteristics of the respondents. The Foster-Greer-Thorbecke (FGT) Poverty Measure Model was used to assess poverty level and its variation across socio-economic characteristics. The result of the study revealed that more than half of the respondents were males, married, had secondary education and engaged in small and medium scale business. Poverty incidence among female respondents was 0.58 while that of the male respondents was 0.67. Poverty incidence was also high among respondents with no formal education with poverty incidence of 0.8000 which tends to 1.00. The result also revealed that the respondents who engaged in trading had higher poverty incidence of 0.7059 when compared with farming household (0.4379). The poverty incidence of Co-operative members was 0.5500 while that of the non-Co-operative members was 0.5714. This revealed that cooperatives had significantly contributed to poverty reduction among the respondents. It was recommended that co-operative members should encourage others to join co-operative societies so that they could have access to adequate financial and technical assistance and provision of basic farm inputs to alleviate their level of poverty.

INTRODUCTION

Poverty has become a feature of the living conditions and life situation of the vast majority of Nigerians. The incidence of poverty in Nigeria was put at 28.8% in 1980, 46.3% in 1985, 42.7% in 1992 and 65.6% in 1996. In 2008, estimates from the National Bureau of Statistics put incidence of poverty at 54.4% (Fakoya et al. 2010). Poverty can be described as a multi-dimensional phenomenon, which lacks universally accepted definition (World Bank 2000). For instance, it's economic dimension centers on nature and level of material deprivations which afflict the poor, and distinguishes them from the non-poor. Okunmadewa (1999) described poverty as a social problem whereby the household income is insufficient to ensure suitable livelihoods, consequently leading to hunger, malnutrition, ill health and mortality from illness. Poverty is a state of involuntary deprivation to which a person, household, community or nation can be subjected (Oseni 2007). Poverty is a condition in which one cannot generate sufficient income

required to secure a minimum standard of living in a sustainable pattern. Poverty in Nigeria is caused by lack of employment, high rate of illiteracy among the citizenry, poor infrastructure, inadequate access to micro credit facilities, mismanagement of public funds, bad governance, instability of the governments and its policies. Poverty gives rise to many other serious social problems, some of which, not only impose enormous economic and social costs upon the non-poor and society in general, but also threaten the survival and stability of the society. In these regards, the Federal Government of Nigeria had designed several programmes aimed at alleviating poverty and improving the living conditions of its people which include Operation Feed the Nation (OFN), Green Revolution, Structural Adjustment Programme, Better Life Programme and Family Support Programme, National Directorate of Employment (NDE), Directorate of Food, Roads and Rural Infrastructure (DFRRI), National Poverty Eradication Programme (NAPEP) and National Economic Empowerment and Development Strategy (NEEDS). These programmes by

the various governments of Nigeria were designed by policy makers and targeted at poverty alleviation in Nigeria. Unfortunately, the quality of life of majority of Nigerians had remained unenviable and embarrassingly low, despite the huge budgetary allocations by these governments to these poverty alleviation programmes (Orji 2005). There is a need to identify other means of addressing the serious damage caused by poverty to the Nigerian society, attention should therefore be shifted to the use of self-help using Co-operative organizations formed and administered by the people.

Co-operatives have been dedicated to conducting business in a way now being recommended as the most effective route to transformational development: putting people in charge of their own destinies and helping them bring services to their communities; increasing decision making, trust and accountability through democratic participation; providing a profitable connection to the private sector; building and protecting assets at the community level; limiting the role of government; and working together to resolve problems.

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, as well as cultural needs and aspirations through a jointly owned and democratically controlled enterprise (COPAC 1999). A Co-operative is a group-based and member-owned business that can be formed for economic and social development in any sector (Ohio Co-operative Development Center (OCDC) 2007). According to DFID (2005), co-operatives have four main characteristics: first, they are formed by groups of people, who have a specified need or problem. Secondly, the organization is formed freely by members after contributing to its assets. Thirdly, the organization formed, is governed democratically in order to achieve desired objectives on equitable norms, and fourthly, it is an independent enterprise promoted, owned and controlled by people to meet their needs. Cooperatives provide self-employment through millions of worker-owners of production and service cooperatives; financial cooperatives mobilize capital for productive investment and provide people with secure institutions for the deposit of savings; consumer cooperatives provide households with affordable goods and services reducing the proportion of income used

for basic living costs, and similarly user-owned cooperatives such as housing, utility, health and social care cooperatives provide affordable access to basic services.

Common to all are the co-operative values of self-help, self-responsibility, democracy, equality, equity and solidarity. Cooperatives also believe in social responsibility and include as one of their principles the concern for the community in which they operate (COPAC 1999). Cooperatives are user-owned, user-controlled, and user-benefited organisations which could be agricultural, non-agricultural and savings and credit cooperatives (Gamba and Komo 2009). The Ohio Co-operative Development Center (OCDC) cites three key principles governing cooperatives:

- **User-owned** – users finance the cooperative;
- **User-controlled** – an elected Board of Directors serves as the link between the membership and the manager; and
- **User-benefited** – members profit when patronage refunds are returned to members based on the amount of business conducted within the cooperative.

Co-operative enterprises provide the organizational means whereby a significant proportion of humanity is able to take into its own hands the tasks of creating productive employment, overcoming poverty and achieving social integration and continue to be an important means, often the only one available, whereby the poor, as well as those better off but at perpetual risk of becoming poor, have been able to achieve economic security and an acceptable standard of living and quality of life (ICA 1996). Co-operative organizations have great potential in agricultural development in particular and rural development in general (Zarafshani et al. 2010). It is a catalyst for local entrepreneurial growth; cooperatives retain within the communities in which they operate the capital that they mobilize there, as well as surplus derived from outside transactions, both accumulating for further entrepreneurial development. As direct beneficiaries, Co-operative members have a strong incentive for efficient operation and continuous innovation in response to changing business environments, achieving thereby high rates of both initial success and long-term viability. An important contribution of the Co-operative movement

continues to be its capacity for promoting and supporting entrepreneurial development (COPAC 1999). According to OCDC (2007), the way out of poverty via transformational development has three pathways and cooperatives are unique in addressing all the three simultaneously:

The Economic Pathway – Economically, the Co-operative business model has helped millions of low-income individuals in developing countries to improve their incomes.

The Democratic Pathway – Democratically, Co-operative members learn firsthand the principles of democratic governance, transparency and member participation.

The Social Pathway – Socially, cooperators increase trust and solidarity, leading to social well being and stability, in some cases in the face of adverse conditions and conflict. Therefore, this study assessed the contributions of Co-operative organisations to poverty alleviation in Yewa North Local Government area of Ogun State.

The specific objectives were to:

1. Examine the socio-economic characteristics of the respondents
2. Assess the incidence, depth and severity of poverty among the respondents in the study area.
3. Determine the contributions of Co-operative organisations to poverty alleviation among the respondents

METHODOLOGY

Study Area, Sampling and Data Collection

The study was conducted in Yewa North Local Government Area of Ogun State. Yewa North Local Government Area is one of the twenty Local Government Areas in Ogun State with land mass of 2,043.60 square hectares. Yewa North Local Government Area has human population of about 2,338,570 (NPC 2007). The Local Government Area is bounded in the West by Republic of Benin, in the South by Abeokuta North Local Government Area and in the North by Oyo State. The headquarters of the Local Government Area is located on Latitude 7°15'N and Longitude 3°3'E in the Derived Savannah Zone of Ogun State. Other important settlements in the local government include Joga-Orile, Sala-Orile, Owode-Ketu, Igbogila and Igan-Okoto.

A multi-stage random sampling technique was used in this study. The first stage involved purposive selection of five Co-operative unions among the Co-operative unions present in Yewa North Local Government area based on their growth and size. The selected unions were: Ejide Imasayi CMU, Itesiwaju CMU, Ajoda CTCU, Toluwalase CMU and Ifedapo CMU. The second stage involved random selection of four Co-operative societies, from each of the selected unions. The third stage involved choosing of five members from each of the 20 Co-operative societies selected. Thus, 100 respondents were sampled for the study. Primary data was used for this study. Personally administered questionnaire was used to collect data on personal characteristics of members of Co-operative and other independent variables such as average monthly per capital expenditure, monthly income and size of investment.

Data Analysis

Descriptive statistics were used to analyze the personal characteristics of the respondents. The Foster-Greer-Thorbecke (FGT) Poverty Measure Model was used to assess poverty level and its variation across socio-economic characteristics. Poverty status of each sampled members was assessed by comparing the average monthly per capital expenditure (including food and non-food component) with an absolute poverty line of N4,500 per person per month indicating N150 per person per day (World Bank 1996). Considering the high cost of living, it is only such minimal level of per capital expenditure that can guarantee that an average member of such Co-operative will be able to afford three-square meal worth at least N50 per meal per person. Having classified the households into the poor and non-poor groups, the Foster Greer and Thorbecke (FGT) (1984) class of poverty measures were then computed for an average member and non-members in the study area.

The FGT class of poverty measure is defined by:

$$p\alpha = \frac{i}{n} \sum_{i=1}^q \left(\frac{z - y_i}{z} \right)^\alpha$$

Where:

α = Non – Negative parameter (0, 1, and 2) reflecting social valuation of different degrees of poverty.

y_i = Per capital expenditure of the i th poor groups of respondents (N/person/month)
 z = Poverty line (N4,500/person/month).

n = Total Number of respondents (population). The quantity in parenthesis is the proportionate shortfall of the i th group per capital expenditure below the poverty line. As the exponent, Increases the “aversion” to poverty as measured by FGT index increases. Where $=0$, the index gives the head count ratio or the incidence of poverty which is the percentage of Co-operative member and non-members that are classified poor in the area. Where $=1$, the index measures the poverty depth, it means percentage shortfall of income below poverty line while severity of poverty is measured when $=2$.

RESULTS AND DISCUSSION

Personal Characteristics of Respondents

Sex

The sex distribution of respondents indicated that more than half (57%) of the respondents were male while 43% were female (Table 1). This implies that most of the respondents were male. In Nigeria, male has the higher probability of being the household head than their female counterparts implying that the poverty status of the household is likely to be captured better.

Marital Status

The study showed that more than half (59.0%) of the respondents were married and have high probability of being responsible for the upkeep of their household. In other words 41% of the respondents were single, indicating that those who are not married have one challenges or the other that made them to join a Co-operative society (Table 1).

Educational Level

The result further shows that majority (65%) of the respondents had secondary education. It is also worthy of note that substantial number of the respondents (35.0%) had tertiary education indicating high literacy level among the respondents (Table 1). The high literacy level improves the probability of the respondents

being trainable and ability to live above the poverty line.

Age

It was discovered that 35% of the respondents fall below age of forty years indication that these categories of respondents are within their economical active age (Table 1). This finding upholds the conclusion made regarding high literacy level. Youthfulness coupled with high literacy level will probably improve productivity of the respondents and enhances their chances of living above the poverty line.

Religion

The study revealed that 52% of the respondents were Christian while 48% practiced Islamic religion (Table 1).

Occupation

The study also revealed that 17%, 33%, 35%, 9%, and 5% of the respondents engage in farming, civil service, trading, artisan and others occupations respectively (Table 1). This implies that many of the respondents were engaged in trading. More than half of the respondents (52%) of the respondents engaged in small and medium scale businesses. The involvement of the respondents in small and medium scale enterprises might not be unconnected to the nature of their business which may not require huge capital to start.

Level of Poverty among Cooperators and Non-Cooperators

As shown in Table 2, 62% of the households in the study area could be classified as poor. Poverty incidence among female respondents is 0.67 while that of the male respondents is 0.58 which indicates that female is more affected by poverty than their male counterparts. This may not be unconnected to their lower earning power (income). The poverty incidence is extremely high among widowed respondents. The poverty incidence of the widow, as shown in Table 2 is 1.00 indicating that respondents were very poor. This result may be as a result of over-dependence of the respondents on their spouse. The

Table 1: Distribution of the respondents by their personal characteristics

<i>Group</i>	<i>Frequency</i>	<i>%</i>
<i>Sex</i>		
Male	57	57.0
Female	43	43.0
Total	100	100.0
<i>Marital Status</i>		
Single	21	21.0
Married	59	59.0
Divorced	10	10.0
Widow	7	7.0
Widower	3	3.0
Total	100	100.0
<i>Education</i>		
Primary	13	13.0
Secondary	40	40.0
Tertiary	35	35.0
Non formal education	12	12.0
Total	100	100.0
<i>Age Group</i>		
Below 20yrs	1	1.0
21-30	23	23.0
31-40	35	35.0
41-50	25	25.0
51-60	12	12.0
Above 60	4	4.0
Total	100	100.0
<i>Religion</i>		
Christianity	52	52.0
Islam	46	46.0
Traditionalist	2	2.0
Total	100	100.0
<i>Occupation</i>		
Farming	17	17.0
Civil servant	33	33.0
Trading	35	35.0
Artisan	9	9.0
Others	5	5.0
Total	100	100.0
<i>Size of Investment</i>		
Small businesses	52	52.0
Medium scale businesses	34	34.0
Large business	7	7.0
No investment	7	7.0
Total	100	100.0
<i>Household Member</i>		
Wives	12	12.0
Children	27	27.0
Dependant	36	36.0
Non-dependant	25	25.0
Total	100	100.0

Source: Field Survey 2009

household size of respondents between 13 and 15 had poverty incidence of 0.8571. This household size is relatively large and that could transform into higher marginal propensity to consume (most especially with large number of dependants (36.0%) as revealed in Table 1) and poverty. Poverty incidence is also high among

respondents with no formal education with poverty incidence of 0.8000 which tends to 1.00. The high poverty incidence associated with respondents with no formal education is in line with a-priori expectation since high level of education is (empirically) associated with higher productivity. High productivity on the other hand reduces probability of being poor. Another salient revelation of this study is that respondents with tertiary education are more poverty prone than those having primary and secondary education. This might not be unconnected to the fact that the more educated the respondents are, the more they depend on their monthly salary.

On the basis of the religious affiliation, respondents who practiced traditional religion had higher probability of being poor. This might be due to the fact that educated people are likely to be more favorably disposed to modern religion compared with the traditional religion. The result also revealed that the respondents that engaged in trading have higher poverty incidence of 0.7059 while the poverty incidence of farming household (0.4379) is relatively low. The respondents that engaged in either small or large scale businesses have higher poverty incidence compared to those that operated medium scale business. This might be due to under-trading in the case of small businesses or over-trading in case of large scale business.

Contribution of Co-operative Society to the Economic Growth of the Members

The poverty incidence of Co-operative members (Table 3) is 0.5500 while that of the non-Co-operative members is 0.5714. This implies that the non-Co-operative members are poorer than their Co-operative counterparts. Being less prone to poverty by Co-operative member, represents fair standard of living and a sign of economic growth of the Co-operative members as against their non-Co-operative counterparts. This result might not be unconnected to the numerous benefits offered by cooperatives to their members ranging from finance to education. The result of the study is also supported by Brichall (2003) who reported that Co-operative organisations have the potential to reduce poverty and – provided their values and principles are respected - will do this more effectively

Table 2: The extent and nature of poverty among the respondents

<i>Poverty status</i>	<i>Per capita expenditure</i>	<i>Frequency</i>	<i>%</i>	
Non-poor households		38	38.0	
Poor households		62	62.0	
Total		100	100.0	
<i>Sex</i>	<i>(N)</i>	<i>Incidence</i>	<i>Depth</i>	<i>Severity</i>
		P_0	P_1	P_2
Male	5328.8888	0.5818	0.3010	0.1867
Female	5194.4765	0.6667	0.4159	0.3043
Total	5270.6868	0.6186	0.3508	0.2376
<i>Marital Status</i>		P_0	P_1	P_2
Single	10409.0008	0.4500	0.1963	0.1198
Married	4536.8292	0.6102	0.3463	0.2341
Divorced	2145.7875	0.8000	0.5077	0.3721
Widow	1459.5897	1.0000	0.6351	0.4240
Widower	2215.9524	0.6667	0.4710	0.3336
Total	5270.6868	0.6186	0.3508	0.2376
<i>Household Size Grouping</i>		P_0	P_1	P_2
1-3	12847.0833	0.2778	0.0779	0.0300
4-6	3763.3824	0.5882	0.3203	0.2160
7-9	4809.9150	0.6667	0.3396	0.2066
10-12	3069.1538	0.6923	0.3725	0.2433
13-15	2337.7866	0.8571	0.6216	0.4886
Above 15	3028.2426	0.7143	0.4642	0.3211
Total	5270.6868	0.6186	0.3508	0.2376
<i>Educational Level</i>		P_0	P_1	P_2
Primary education	5788.0395	0.5714	0.3312	0.2243
Secondary	4986.5697	0.5500	0.3561	0.2639
Tertiary	6087.3476	0.6667	0.2878	0.1525
No formal education	2987.8813	0.8000	0.5645	0.4317
Total	5270.6868	0.6186	0.3508	0.2376
<i>Age Group (Years)</i>		P_0	P_1	P_2
Below 20	2570.0000	1.0000	0.3575	0.1278
21-30	6605.3871	0.5455	0.3367	0.2335
31-40	4101.3326	0.6875	0.3274	0.2041
41-50	4514.2821	0.5909	0.4239	0.3331
51-60	4083.7172	0.6667	0.3608	0.2252
Above 60	4131.3750	0.5000	0.2609	0.1364
Total	5270.6868	0.6186	0.3508	0.2376
<i>Religion</i>		P_0	P_1	P_2
Christianity	4174.3896	0.6735	0.3540	0.2280
Islam	607.47126	0.5435	0.3341	0.2393
Traditional	1383.9286	1.0000	0.6540	0.4354
Total	5270.6868	0.6186	0.3508	0.2376
<i>Occupation</i>		P_0	P_1	P_2
Farming	9919.9262	0.4375	0.2667	0.3347
Civil servant	5722.5373	0.6667	0.1802	0.3163
Trading	3465.3224	0.7059	0.3391	0.4626
Artisan	6300.6647	0.4444	0.0600	0.1276
Others	4791.8427	0.6250	0.1632	0.2876
Total	5270.6868	0.6186	0.2376	0.3508
<i>Size of Investment</i>		P_0	P_1	P_2
Small scale	5161.5960	0.6232	0.3626	0.2441
Medium scale	6619.9728	0.5714	0.3244	0.2265
Large scale	2889.5816	0.7143	0.3131	0.2074
Total	5270.6868	0.6183	0.3508	0.2376

Source: Field survey 2009

Table 3: Poverty incidence among Co-operative members and non-Co-operative members

<i>Co-operative membership</i>	<i>Per capita expenditure</i>	<i>Incidence</i>	<i>Depth</i>	<i>Severity</i>
		P_0	P_1	P_2
Co-operative members	5788.03954	0.5500	0.3561	0.2639
Non-Co-operative members	986.5697	0.5714	0.3312	0.2243
Total	5270.6868	0.6186	0.3508	0.2376

Source: Field survey 2009

than other forms of economic organization. Zarafshani et al. (2010) also reported that cooperatives have effectively contributed to economic and technical needs of its members, land consolidation, distribution of agricultural inputs and promoting agricultural related industries which contributed immensely to their poverty alleviation. Wanyama et al. (2008) also reported that cooperatives increase income-generation through creation of marketing opportunities for members, and also increase their income margins by negotiating for better prices, create employment opportunities and increase income of the household. This is made possible due to the growing ability of these cooperatives to mobilize substantial savings from which members can borrow. Cooperatives make loans available to their members for a variety of uses, the most common of which has been the creation of employment and income-generation opportunities.

CONCLUSION

This finding further explored the contribution of cooperatives to poverty reduction. It is evident that cooperatives have significantly contributed to poverty reduction among the respondents. This is evident in the lower incidence of poverty among the members as against non-members. The study has brought to light that Co-operative members have access to co-operative loans and so they could create employment, improve their business enterprises and their standard of living. By creating employment opportunities and generating income, cooperatives make available to the individual and household financial resources that are utilized to participate in activities through which a living is earned. It is in this regard that cooperatives are significantly contributing to poverty reduction.

RECOMMENDATIONS

This study recommended that Co-operative members should encourage others to join Co-

operative societies so that they could have access to adequate financial and technical assistance and provision of basic farm inputs to alleviate their level of poverty.

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