

Performance Evaluation Of Women Co-Operative Societies In Rural South-East Nigeria

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Abstract: *The challenge of disenfranchisement of women by the formal financial system due largely to the undue disadvantages brought on them by socio-cultural and economic institutions in Nigeria is symptomatic of deep rooted structural inequalities. Given such limitations, rural women organize themselves to form co-operatives which are peculiar to their own needs. This study was aimed at evaluating the performance of women co-operative societies based on key indicators- amount of credit disbursed, amount of savings generated and number of clients reached. The study also examined the mode of operation and sustainability of these informal institutions. The data used in this study was collected by means of questionnaire and focus group discussions. A total of 36 randomly selected women co-operatives across the three major agricultural zones in the study area formed the sampled population. The results revealed that factors such as the experience of managers, volume of credit from donor agencies and amount of savings mobilized from members exert a positive influence on the amount of credit disbursed and the number of clients reached while the level of formal education was observed to have no effect on the operations of the co-operatives. The outcome of the focus group discussions revealed that the co-operatives are formed based on the philosophy of mutual interest, self-help through cooperation, and mutual benefit. Based on the findings, the study recommends that a broad-based partnership in which government agencies joins with NGOs and the cooperatives in providing micro-credit and other financial services especially for women be pursued.*

Keywords: *evaluation, micro-finance, co-operative, management*

I. Introduction

Majority of women in developing economies do not have access to education, and many of those who do accessed lower levels of education. In spite of this challenge, as described by [1] women account for over half of the food produced in developing countries, and consists of one fourth of the industrial labour force in addition to children up keep and other household chores. The low literacy levels have hampered women's ability to access information on support services that could improve their businesses, enable them earn reasonable income and accumulate enough capital especially from formal institutions. This is evident in the report by [2] that about 65 percent of Nigeria's active population, most of them women, has been excluded from the activities of formal financial institutions.

Given such limitations, majority of these women are forced into the informal economy - they form co-operative institutions (savings and credit institutions). In line with the [3] definition of co-operative as an autonomous association of persons unified voluntarily to meet their common economic, social and cultural needs through a jointly-owned and democratically controlled enterprise, such institutions serve to address the disadvantaged position this women have found themselves by mobilizing savings from members, donor agencies, NGOs and development agencies to develop members' businesses [4]. The cooperative therefore serve as alternative for women who have traditionally been disenfranchised by the formal financial system due largely to the undue disadvantages brought on them by socio-cultural and economic institutions in Nigeria [5,6].

Rural informal savings and credit associations have existed in Nigeria for over 400 years as rotating loan, daily savings, and monthly savings among co-operatives. They are united by common interest of disbursing credit and generating savings to increase members' businesses. Large proportions of borrowing and lending by rural women are from such institutions [7]. This has created the opportunity for millions of women involved in various farm or off-farm business enterprises to expand. A study by the Central Bank of Nigeria (CBN) reported about 160 registered Micro Finance Institutions (MFIs) in 2001, and by 2008, the number had increased to over 700 [8]. The implication of such huge increase in the numbers of MFIs is that, the more the MFIs, the more access to credit for the poor and disadvantaged especially women who should subsequently be empowered and insulated against poverty and social exclusion [9].

However, as promising as this arrangement seems, there have been various challenges in the operations of these women co-operatives. Such challenges which takes the form of socio-cultural and policy issues ranges from high interest rate on amount assessed from the co-operative to the size of the amounts available to be

borrowed to members and the policy framework for regulation of the co-operatives. The sizes of the loans are small and the lending period is usually short termed making it practically difficult for member to invest in large and long term businesses [10,11].

In an attempt to meet the credit needs of agricultural projects at micro levels, successive Nigerian Governments have adopted varied methods, especially through institutions like the National Poverty Eradication Program (NAPEP), Agricultural Credit Guarantee Scheme Funds (ACGSFS), Rural Banking Scheme (RBS), Nigerian Agricultural Co-operative and Rural Development Banks (NACRDB), Community Banks (CBS), Peoples Bank (PBs), Family Economic Advancement Programs (FEAPs), Agricultural Credit Support Scheme (ACSS) etc. The operations of these institutions have been observed to be biased against rural women's cooperatives and small holder farmers for their inability to provide collateral [12,13]. Consequently, most informal women's micro-finance cooperatives are not integrated or linked up to other formal or mainstream Micro Finance Institutions (MFIs). According to [14] this situation is attributable to the supply-led government micro finance programs for cheap credit to the poor, which lack even handedness, transparency, efficiency and are not demand driven. Because the institutions were not designed to function as true financial intermediaries that mobilize deposits to create loans, they had no obligation to operate under financial viability constraints, neither were they driven by commercial financial performance criteria. Several factors, including the chronic dependency on government funds, the lack of competition, bureaucratic obstacles and limited accountability were identified as factors responsible for breeding bad loans, extremely inefficient operations, loan recovery problems, political patronage and eventual collapse or un-sustainability of their credit facilities [15].

Following years of disappointing experiences with this approach in Nigeria and other developing countries, policy makers and development practitioners have been searching for new and more sustainable models of rural credit. An impetus for the rethink is the increased recognition of the rural informal savings and credit associations especially informal women's co-operative institutions and their persistence and long term sustainability and how they could be linked to formal rural credit schemes. [16] is of the opinion that these formal micro finance institutions should be linked up to rural informal savings and credit, especially informal women's cooperative micro finance institutions to overcome the problems of information asymmetry, transaction costs and related risks to expand the frontiers of rural formal finance and to reduce poverty. International organizations are also coming to the realization that non-governmental organization are veritable and effective channels to ensure effectiveness of programme implementation, particularly those targeted at addressing poverty, in view of their on the ground presence and first-hand knowledge of the need and interest of the poor [17]. Informal women cooperative micro finance society at the grass root obtain loan from NGOs, while the NGOs obtained resources from donor agencies. For instance, [18] reported that external donor funds accounted for about 77% of the fund distributed to women cooperatives between the years 1992 and 1996.

There is no regulatory framework in Nigeria on how to integrate all the sources of informal, semi-formal finance with formal financial deposit and credit institutions. This has serious implications for sustainability of the system. Integration of these systems will serve as a vital source of income and solvency required in business activities for the flow of agricultural products from the point of initial production until it is in the hand of the final consumers. These include efficiency in processing, transportation, selling, buying and storing by rural women. In the quest therefore for an improved credit system especially at the rural level, a study of this nature is pertinent. Presently there is little or no information about the factors affecting rural women in financial intermediation. This underscores the need for an appraisal of the performance of informal women co-operative micro finance society in financial intermediation in South east Nigeria. The objectives of the study are therefore to:

1. evaluate the performance of informal women's cooperative societies in terms of the amount of credit disbursed, amount of savings generated and number of clients reached.
2. describe the operational procedures, sustainability and linkages of selected informal women's cooperative societies in the study area.

II. Methodology

2.1 Data for the study

The data used in this study were obtained from a field survey of rural women cooperatives and their members in Enugu state. Enugu state is one of the states in the eastern part of Nigeria. The state shares borders with other south eastern states like Abia, Imo, Ebonyi and Anambra States. The state owes its geopolitical significance to the discovery of coal in 1909 and formerly the capital of Eastern Region [19]. The data used in this study was collected by means of questionnaire and focus group discussions. A total of 36 randomly selected women co-operatives across the three major agricultural zones; Enugu central zone, Agwu zone and Nsukka zone formed the sampled population. Information were sought on age, sex, occupation, educational level, family size, income borrowing experience, credit repayment, number of clients reached, amount of credit disbursed,

total savings generated. The focus group discussions were held to interact with managers and members of the selected co-operatives with a view of validating the information collected via the questionnaire.

2.2 Analytical techniques

The Ordinary Least Square (OLS) multiple regression and descriptive statistics such as mean and percentages were employed for analysis of data collected. The use of an OLS is based on the assumption of independent and normally distributed error terms.

2.2.1 Specification of the OLS regression model

Multiple regression model analysis was used to analyze the determinants of performance of cooperative groups. The regression models are specified for each of the performance indicators (stated in objective 1) as follows:

i. Amount of savings generated
$$Y_1 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e \dots \dots \dots (1)$$

ii. Amount of credit disbursed
$$Y_2 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_8 X_8 + e \dots \dots \dots (2)$$

iii. Number of clients reached
$$Y_3 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_6 X_6 + \beta_7 X_7 + e \dots \dots \dots (3)$$

where: Y_1 = Amount of savings generated (Naira); Y_2 = Amount of credit disbursed (Naira); Y_3 = Number of clients reached; X_1 = Level of Education of Managers (years of formal education); X_2 = Years of Experience of Managers (years); X_3 = Amount of Interest Charged per 1000 Naira; X_4 = Total Loan Repaid (Naira); X_5 = Total Loan Disbursed (Naira); X_6 = Credit Received from donor agencies (Naira); X_7 = Total Savings Mobilized (Naira); X_8 = Volume of savings Generated (Naira); and e = error term.

III. Results And Discussion

3.1 Factors Affecting Performance of Women's Groups

The results of the factors influencing the performance of informal women's co-operatives in terms of the amount of savings generated, amount of credit disbursed and the number of clients reached are presented in Table 1. All the F-values are statistically significant; suggesting that all the explanatory variables exact significant joint influence of the performance of the cooperatives. The R-square values for the models of the three models are 0.79, 0.84 and 0.93 respectively. This implies that the explanatory (independent) variables included in the model accounted for 79 %, 84 % and 93 % of the total variations in the savings generated, amount of credit disbursed and the number of clients reached respectively.

It is evident from the results that the educational level of managers of the various co-operatives is observed not to exert any significant impact in all the models - amount of savings, credit disbursed and number of client reached. This outcome is connected to the informal nature of operations of these co-operatives where the management does not necessarily possess formal education but popularity and ability to coordinate groups. Other factors such as the years of experience of the managers, the total amount of loan repaid by members and the amount of loan disbursed to the members have positive and significant influence on the amount of savings generated by the co-operative groups. The positive influences of these variables are expected. The implication of these outcomes is that co-operatives been managed by more experienced managers, have higher repayment rate and disburse more loans tends to generate higher amount of savings. Most of the co-operatives employ measure like putting a penalty charges for not repaying loan as at when due and this encourages members to attend meetings promptly and to pay their loan.

In terms of the amount of credit disbursed, only the loan repaid and the savings generated were observed to statistically significant. This implies that the loan repayment by clients in the study area will increase the ability of NGOs to give more loans facility to informal women co-operatives for disbursement. This is consistent with the a priori expectation, since informal women's cooperative must repay their previous loan before they can qualify to obtain another loan from NGOs. The volume of savings accumulated from members in addition to funds accessed from other agencies will increase the ability of the co-operatives to generate more funds for disbursement to members.

Finally, the size of credit received from donors and amount of savings generated were observed to significantly influence the number of clients reached by the co-operation. This outcome imply that than an increase in funding by donor agencies make more fund available for targeting and mobilizing clients leading to more beneficiaries. Similarly, an increase in savings mobilized will place the co-operative in a position to reach more number of clients. Both the level of interest charged, and amount of loan repaid were observed to be statistically significant but with negative signs. This suggests that increase in interest rate and the amount of loan to be repaid (by clients) will ordinarily scare many clients away.

TABLE 1 SOCIO-ECONOMIC DETERMINANTS OF THE PERFORMANCE OF INFORMAL WOMEN’S CO-OPERATIVES.

Coefficients	Amount of savings generated (Y ₁)	Amount of credit disbursed (Y ₂)	Number of clients reached (Y ₃)
β ₀	-177307 (-1.401)	-248754 (-0.433)	279.961** (2.194)
β ₁	-9630.216 (-0.838)	228599.1 (-0.96)	18.749 (1.651)
β ₂	62596.285*** (3.06)	-139011 (-0.48)	10.427 (0.456)
β ₃	-101.546 (-0.227)	-52840.5 (-0.176)	-1.083** (-2.479)
β ₄	0.0982*** (5.047)	0.395*** (4.295)	-0.00003* (-1.650)
β ₅	0.0397** (2.256)	-	-
β ₆	-	-	0.0002*** (6.306)
β ₇	-	-	0.0005*** (2.866)
β ₈	-	4.532*** (3.498)	-
R ²	0.79	0.84	0.93
F-value	22.30	31.18	66.98

Source: Source: Computed from survey data. *** Significant at 1 percent α - level; ** significant at 5 percent α - level; * Significant at 10 percent α - level; t-values are in parenthesis.

3.2. Operational Procedures, Sustainability and Linkages of Selected Women Cooperative Societies

The results of the focus group discussion revealed that managers and members of the informal women co-operatives were majorly from rural communities in the study area. They are mainly united by the objective of assessing loans from various sources and extend such to their members to expand or establish new business enterprises. Their close relation in terms of belonging to the same social groups made it easy for obtaining information about the potential members since joint liability and group cohesion, served as collateral for the group members to obtain micro-credit from NGOs. Organizations that lend financial supports to the women groups include the Development Education Commission (DEC), United Self Help Organization Peace (NALT-NUSHO), Catholic Institute of Development Justice (CIDJAP) and National Poverty Eradication Council.

The intending beneficiaries and members of the various cooperatives must be physically fit to carry out income generating activities such as processing and marketing of agricultural products. The amount of business investment amongst members ranged between five to sixty thousand Naira with a significant part of the money assessed from co-operatives. Member must be of good behavior and attend weekly meetings. It was observed that members share numerous social, ethnic and economic relations with each other. This accounts for why the co-operatives face little problems of information asymmetry, transaction cost and moral hazard. Information asymmetry is handled at a relatively low cost than in the formal credit scheme by exploiting locally available information about the reputation, indebtedness and wealth of the prospective borrower. This is achieved through repeated social and economic interactions. Loan repayment is ensured through sanctions, peer pressure and personalized relationships that may threaten the long term utility and reputation of the delinquent or defaulted borrower.

Member of the co-operatives were also involved in generating savings from their members. Two forms of savings were identified: mandatory savings and voluntary savings. The voluntary savings may be withdrawn at anytime by members but the mandatory savings can only be withdrawn during withdrawal of membership from the cooperatives. The interest rate of 3-5% is credited to the amount saved annually, to measure up with what obtains in the banking sector.

Though credit was administered individually to members, there was collective responsibility on the part of the entire members to ensure that all members paid their loans. Members are normally allowed to obtain loan from the NGOs through the co-operatives for a maximum of five years after which the person will have saved reasonable amount for use as capital for her business. The interest payable to the NGOs was observed to be 32 percent, 30 percent and 23 percent for NALT-NUSHO, DEC and CIDJAP, respectively. The total amount of the loan given to a member was added to this interest charge and spread into installments. Repayment rate was observed to be very high with few cases of default resulting mainly due to death of members.

IV. Conclusion

This study has demonstrated that women’s cooperative is a veritable tool for addressing issues of disenfranchisement of women by the formal financial system due largely to the undue disadvantages brought on them by socio-cultural and economic institutions. The study highlighted factors that determine the efficiency of

the performance of the co-operatives such as experience of managers, amount of credit from donors and volume of savings generated from members. In all the cases formal education was not a significant factor. The study further revealed from the results of the focus group discussions that there is considerable flexibility in the organization of these co-operatives. They are formed based on the objectives and philosophy of mutual interest, self-help through cooperation, mutual benefit and democratic control. Based on the results of the study it is recommended that a broad-based partnership in which government agencies joins with NGOs (local and international) and the cooperatives in providing micro-credit and other financial services for rural development should be pursued. Also, women cooperatives should be encouraged to register with the micro-finance banks and drafted into the control of the central bank through its monetary framework. This will provide the opportunity for the co-operatives to benefit from lending without being exploited as is presently the case.

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