



CONTRIBUTIONS OF COOPERATIVE SOCIETIES TO THE DEVELOPMENT OF SMALL-SCALE INDUSTRIES: A CASE STUDY OF SELECTED PURE WATER MANUFACTURING FIRMS IN ANIOCHA SOUTH L.G.A DELTA-STATE

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ABSTRACT: *The quest for economic survival has made several Nigerians delve into small-scale businesses which has improved the per-capita income of the average Nigerians, and led to the initiation of the Cooperative Scheme. This research unveils the significance of the cooperative society and its multiple effects on the small-scale firms. The benefits inherent in the cooperative societies and the small-scale business are highlighted; and its constraints, funding and prospects are equally identified. Some relevant research instruments aided the methodological approach and consequently, the justification of the empirical study. The study shows that if cooperatives play their proper role in the development of small scale business, specifically pure water manufacturing firms, other entrepreneurs will be encouraged to establish and consolidate their enterprise in a record time. Finally, based on response comparison, the study also shows that the considered factors that affect the contributions of cooperative societies to small scale business development are very significant; and hence should not be overlooked.*

KEYWORDS: Small scale enterprise, Cooperative society, Economic development, Funding, Capital base.



INTRODUCTION

The quest to foster a thriving industrial sector remains a major concern of most countries of the world, especially in most developing African countries. The explanation to this is hinged on the prospects that a developed industrial sector will boost manufactured products, decrease unemployment and increase efficiency in the sector. As a consequence, productivity levels will be enhanced; a sustainable level of economic growth will be harnessed with the prospect of economic diversification and decreased imports. The economy will sustain competitive potentials in the global market (Egbon, 2004).

In the entrepreneurial horizon, a company might be run on either a small or large scale. A small firm is one that has a relatively small market share and can be owned, run and managed by one person; or it might be some forms of partnership (two or more) or cooperative (businesses owned and operated by its members) affair. Small-scale business or small medium enterprise (SME) is vital in the scheme of things, as it contributes enormously in the socio-economic development through entrepreneurial advancement (Inang & Ukpong, 1992). Hamid (2004) captures the definition given by the International Finance Corporation (IFC) as firms with less than 300 paid workers and total assets less than One million Naira.

Ayegbusi (2004) defines a small business as an enterprise which has an investment capital of up to one hundred and fifty thousand naira (N150, 000) and employs not more than fifty (50) persons or workers. SMEs can be divided into micro, small and medium enterprises. The Federal Ministry of Industries defines a medium-scale enterprise as any company with operating assets less than N200 million, and employing less than 300 persons. A small-scale enterprise is one that has total assets of less than N50 million, with less than 100 employees. Annual turnover is not considered in the definition of SMEs. The National Economic Reconstruction Fund (NERFUND) defines SMEs as one whose total assets are less than N10 million, but makes no reference either to its annual turnover or the number of employees. Section 37(2) of the Companies and Allied Matters decree of 1990, defined a 'small company' as one with annual turnover of not more than N2 million, and net assets value of not more than 1 million naira (Ekpenyong, 1997).

The Central Bank of Nigeria (CBN) monetary policy guideline defined small-scale business as that in which total investment did not exceed N500,000 including land and working capital (Ilori, 2015). This kind of entrepreneurial outfit or set up is managed in a personalized form and not subscribing through the medium of a formalized managerial structure. It is independent, in the sense that it does not form part of a larger enterprise or are its members subject to some external organization policies. About 70% of the population of Nigeria is involved in small-scale business operation; and this is majorly accountable to the high level of poverty, unemployment, poor education, low income and many others in the country. The fact notwithstanding, some ventured into it to genuinely explore their skills and technical know-how, to maximize and implement their own business ideas. Others venture into to intentionally be self-employed and or create jobs for the not so entrepreneurial folks. Howbeit, many thousands of start-up and existing small-scale businesses are facing difficulties in developing their businesses; and this is due to some uncertainties and unfriendly economic environment and policies in the country, the lack of entrepreneurial skills especially in strategic planning and marketing, the traits of unreliability that betides business partners among many others. Solola (2006) summarized these challenges as faced by SMEs in a more detailed manner.



According to Dogarawa (2005), cooperative society is an organization formed for the promotion of the economic interest of its members. It is a free and voluntary business organization jointly owned and operated by people with identical economic needs and having equal voice in its management and deriving proportionate services and benefits from it. Cooperative encourages small income earners to make meaningful savings and investments. For many years the pursuit of economic scale has led to a general acceptance that “bigger is better”, and many small business enterprises have found it increasingly difficult to render services in competition with the large organization. This has been particularly evident in retailing where the growth of supermarkets has led to many thousands of small grocers closing down. These organizations’ major aim is to provide the members with facilities for bulk buying, group advertising and promotion while preserving the independence of the retailer to decide how his business is to be conducted on a daily basis.

Aniocha South Local Government Area Delta-state has quite a number of pure-water manufacturing small-scale firms in different communities of the L.G.A. and a reasonable number of registered and active cooperative societies. Hence the study was delimited to the contributions of cooperative societies to the development of pure water manufacturing small-scale industry using some selected pure water manufacturing firms in Aniocha South LGA as a case study. More so, we study the effects of gender responses on the contribution of cooperatives in development firms.

Statement of the Problem

This research is carried out to identify the problems facing the development of small-scale industries and to ascertain the contributions of cooperative societies in minimizing these problems. Cooperative societies are basically formed to minimize the risk borne by the individual members (entrepreneurs). Generally, small-scale businesses are relatively small in their size and investment. The major problems affecting small-scale business is the small amount of capital used in its operation. SMEs find it difficult to gain loans from financial institutions because of the size of collateral required by banks. Also, small scale businesses have the problem of poor management due to lack of managerial skills of their proprietors. Most pure water manufacturing small scale firms in Aniocha South LGA Delta State do not have NAFDAC registration number; this is basically because they cannot meet the required standards. They lack a union of cooperative society through which their voices could be heard and their production expanded.

It is in the understanding of these problems that the researchers therefore investigate the activities of cooperative societies and their contributions towards the economic development in Delta State, Nigeria. The problem of this study, therefore, put in question form is: What are the contributions of co-operative societies towards economic advancement of Aniocha South Local Government Area of Delta State, Nigeria?



Research Questions

The following research questions have been posed to guide this study.

1. What are the contributions of cooperative societies to small-scale business development?
2. What are the challenges affecting the contributions of cooperative societies to economic development?

Objective of the Study

The general objective of this study is to examine the contributions of cooperative societies towards small scale economic development of Aniocha South Local Government Area of Delta State, Nigeria.

Specifically, the study will:

1. Examine the contributions of cooperative societies to small scale business development in Aniocha South Local Government Area.
2. Ascertain the challenges affecting the contributions of co-operative societies to small business development.

METHODOLOGY

Study Location

This study is limited to pure water manufacturing industries and some selected cooperative societies in Aniocha South Local Government Area of Delta State. The area covered in this research work is Aniocha South Local Government Area in Delta State. Aniocha South was created in the year 1910, Aniocha South consist of the following towns: Ogwashi-Uku, Ubulu-Uku, Ubulu Uno, Ubulu-Okiti, Aniagbala, Isah Ogwashi, Ejeme-Aniogo, etc made up of (6) six towns. Aniocha is the second largest local Government Area in Delta State. Aniocha South has both favorable climate and political conditions in the sense that there have never been political crises in the Area during election; the area is naturally blessed with Agriculture endowment such as fertile large land scale. The dominant economic activity in the area is agriculture.

Study Population

The population size of the study comprises all the small scale pure water manufacturing firms in Aniocha South Local Government Area. Aniocha Local Government has a total of nine (9) pure water manufacturing cooperative societies with a total member of 108 members (employees and proprietors) which can be said to be the population size.

Method for Sample Collection

83 members were randomly selected from the population as the sample size for the study. 7 members were selected from each of the nine (9) cooperatives. Data were sourced personally and collated by the researchers mostly with the use of questionnaires.



RESULTS AND ANALYSIS

Research Question 1: What are the contributions of co-operative societies to small scale business development?

Table 1: Contributions of Cooperative Societies to Small Scale Business Development

| Description | Frequency of response | Percentage | Decision |
|-----------------------|-----------------------|------------|----------|
| Loan assistance | 37 | 44.57 | Agree |
| Facility expansion | 5 | 6.02 | Strongly |
| Members education | 11 | 13.25 | Disagree |
| Health support system | 30 | 36.14 | Strong |
| | | | Disagree |
| Total | 83 | 100% | |

Table 1 shows that 37 respondents representing 44.57% agreed that cooperative societies contribute to the loan assistance to members. 5 respondents representing 6.02% strongly agreed that cooperative societies contribute to the facility expansion of their members' firms. While 11 respondents representing 13.25% disagreed that cooperative societies contribute to organization of training, and 30 respondents, representing 36.14% agreed that a cooperative society contributes to the health care support of their members while none were undecided.

Research Question 2: What are the challenges affecting the contributions of co-operative societies to economic development?

Table 2: Challenges Affecting the Contributions of Cooperative Societies to Small Scale Business Development

| Variables | Frequency of response | Percentage | Decision |
|-----------------------|-----------------------|------------|----------------|
| Inadequate funding | 21 | 25.30 | Agree |
| Poor managerial skill | 19 | 22.89 | Strongly Agree |
| Economic Instability | 30 | 36.14 | Agree |
| Government policies | 13 | 15.66 | Strongly agree |
| Total | 83 | 100 | |

Table 2 shows that 21 respondents, representing 25.30%, agreed that inadequate funding contributes to the challenges affecting cooperative societies. 19 respondents representing 22.89% strongly agreed that poor managerial skills contribute to the challenges affecting the contribution of cooperative societies, 30 respondents representing 36.14% agreed that economic instability contributes to the challenges affecting cooperatives societies, while 13 respondents representing 15.66 strongly agreed that government policies contributes to the challenges affecting cooperative societies, while none were undecided respectively.



Research Hypothesis Testing

The hypothesis is tested using the one proportion Z-test as analytical tool:

$$Z = \frac{p-p_0}{\frac{[p_0(1-p_0)]}{\sqrt{N}}}$$

where p is the sample proportion, p_0 is the population proportion and $N = 83$ is the sampled size. We note that the choice of $p_0 = 0.5$ is hypothetical. The tests are conducted at 95% confidence interval or 0.05 significant levels, observing the rejection rule for:

$$|Z_{calculated}| \geq Z_{critical} .$$

Among the challenges that betide the contributions of cooperatives to the development of small scale businesses,

H₀₁: Inadequate funding is not a significant factor.

$$Z = \frac{0.2530-0.5}{\frac{[0.5(1-0.5)]}{\sqrt{83}}} = -9.0$$

H₀₂: Poor managerial skill is not a significant factor.

$$Z = \frac{0.2289-0.5}{\frac{[0.5(1-0.5)]}{\sqrt{83}}} = -9.9$$

H₀₃: Economic Instability is not a significant factor.

$$Z = \frac{0.3614-0.5}{\frac{[0.5(1-0.5)]}{\sqrt{83}}} = -5.1$$

H₀₄: Government policies are not a significant factor.

$$Z = \frac{0.1566-0.5}{\frac{[0.5(1-0.5)]}{\sqrt{83}}} = -12.5$$

Based on the results obtained, the entire $|Z_{calculated}|$ are greater that the $Z_{critical} = 1.96$; by implication we reject the entire null hypothesis and conclude hence that the considered challenges affect the contributions of co-operative societies to small scale business development.



DISCUSSIONS OF THE FINDINGS

The findings of the study revealed that cooperative societies have contributed to the economic development of Delta State in loan assistance, firms' facility expansion, training her members for greater productivity and effectiveness and provision of health care leverage. The results of the study confirmed the findings made by Chikaire et al. (2011) who outlined numbers of ways that cooperative societies have contributed to economic, social and national development of Nigeria, such as building of market stores, recreation centers, healthcare centers and creation of job opportunities. The results are also in support of the findings by Levin (2002) who stated that with regard to economic and social development, cooperatives societies promote the fullest participation of all people and facilitate a more equitable distribution of the benefits of globalization.

Challenges affecting the contributions of co-operative societies to economic development to small scale business development

The findings of the study revealed that challenges of the contributions of cooperative societies, such as inadequate funding, poor managerial skill, economic instability, and government policies affect the development of small scale businesses. The discovery supported the findings revealed by Nwankwo, Ewuim and Asoya (2012) who identified major challenges in the establishment of cooperative societies, such as lack of proper and suitable management, poor cooperative integration and inadequate utilization of education and training facilities. The findings of the study also supported the findings of Cheney (1995) who identified five challenges facing cooperatives, such as cultural transformation, competition, expansion, wage solidarity, centralization, reorganization, and programs to increase productivity and participation.

RECOMMENDATION

Based on the findings that were gathered in the course of this study, it is majorly recommended that although cooperatives exist to support the affairs of the small scale businesses; they are also encouraged to source capital from other financial institutions, should the cooperatives be undergoing a financial crisis.

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