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Effect of Internal Financing of Agricultural Co-Operative Societies on Membership Increase in Imo State, Nigeria

Okonkwo, Paul Chuks[1] Onyeze, Clementina Ngozi[2] and Mbagwu, Godwin Ndubuisi Ikechukwu[3]
[1,2,3]Department of Co-Operative Economics and Management, Faculty of Management Sciences Enugu State University of Science and Technology ESUT.
Email:paul.okonkwo@esut.edu.ng[1], ngozi.onyeze@esut.edu.ng[2]

ABSTRACT

Effect of internal financing of agricultural co-operative societies on membership increase in Ohaji-Egbema Local Government Area, Imo State, Nigeria; has objectives including to determine the influence of internal sourcing of funds on co-operative membership; and examine constraints associated with internal sourcing of funds among members. Descriptive survey design was adopted. A population of nine (9) agricultural co-operatives with total membership of 490, but three (3) co-operatives with 207 membership were selected purposively on the basis of viability. Taro Yamane statistical formular was used to determine the sample size of 136 while Bowler's formula was used for the number of questionnaire administered to each of the selected agricultural co-operatives. E-views 10 and SPSS 20.0 IBM statistical tools were used in running the analyses. Findings included that internal sourcing of funds has no linear effect on co-operative membership; while a number of constraints hamper internal sourcing of funds amongst members. Recommendations included prioritizing internal financing to eliminate cost of capital on debt financing; management should seek for economically viable projects capable of alleviating members' poverty.
Keywords: Internal Financing, Agricultural, Co-Operative and Societies.

INTRODUCTION

The introduction of modern co-operative business into Nigeria dates back to the year 1935 following the acceptance, by the Colonial Administration, of Mr. C.F [1,2,3,4,5,6]. Strickland's Report on the prospects of co-operatives in Nigeria. Unfortunately, co-operative 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 by injecting credit into the co-operative sub-sector of the economy [7,8,9,10]. One such intervention was the change, in 1976, of the Nigerian Agricultural Bank Ltd to Nigerian Agricultural and Co-operative Bank Ltd so as to give special attention to co-operative activities [11,12,13,14]. Furthermore, in the year 2000, the government renamed the Nigerian Agricultural and Co-operative Bank (NACB) Ltd to the Nigerian Agricultural Co-operative and Rural Development Bank (NACRDB) Ltd, to reflect the rural nature of co-operative activities in Nigeria [15,16,17]. In the year 2005 the Federal Government domiciled the sum of ₦50 billion with the NACRDB Ltd to lend to co-operatives 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 co-operative societies [18,19, 20]. Internal financing is the process of a firm using its profits or assets as a source of capital to fund a new project or investment [21]. Co-operative financing has been a major source of finance to many people in Nigeria, especially salaried workers. Almost every co-operative society's membership in Nigeria caters for the financing need of their members. These members usually

arrange themselves into different co-operative societies in order to save money for future capital budget such as, starting businesses, paying their children school fees, buying of cars, building of houses, purchase of landed properties and so on.
These co-operative societies therefore must be well managed and well-structured in order to prevent embezzlement and mismanagement of contributed funds. Ebonyi and Jim [22] described co-operative societies as associations of persons who have voluntarily come together to achieve common objectives through the formation of democratically controlled organization; making equitable contributions to the capital required and accepting a fair share of the risk and benefits of the undertakings. Unavailability of funds to rural dwellers has been consistently reported in extant literatures and researches to be a hindrance to rural productive ventures [23]. Co-operative societies therefore have the enormous potentials to address these issues. [24] elucidated that group efforts are necessary to bring people together so that they can use pooled resources to produce. Co-operative societies are therefore veritable instruments to use in achieving this goal.
The ILO report in 2001 [25], characterized co-operative societies as having the potentials for economic, social and political development of their members. According to the ILO (2001), the economic role of co-operatives involves provision of opportunities for improved incomes to members as well as tool to help alleviate poverty. Co-operatives play important roles in facilitating access to credit, procurement and storage, distribution of input and marketing of products, and these create employment opportunities, particularly in the rural areas while allowing disadvantaged groups to be organized for social and economic benefits. [26] summarily described co-operative society as a business or group enterprise that is voluntarily owned and controlled by its members and operated for them on a non-profit or cost basis. Across Africa, four separate models are proposed which are derived from the different colonial powers and their spheres of influence. They are as follow: the first model is typical of the British-derived tradition and is based on a single system underpinned by a common legal form. This involves primary and secondary societies with a single apex body. The sector is controlled by a government department which is headed by a Registrar with considerable powers and functions.
In contrast, the French developed as one of several rural institutions for development alongside mutual, associations and trusts. Starting with Native Provident Societies, these semi-public institutions had compulsory membership and were controlled by civil servants. Over time they evolved into mutual societies for rural development but remained centrally orchestrated. A third tradition is linked to social movements and was embedded in central Africa by the Belgians. Here, co-operatives are linked to a lead social movement agency such as a trade union, women's association or farmer's organization, with the co-operative being viewed as an instrument of collective action. Finally, some co-operative traditions have been 'home-grown' within countries such as Ethiopia, with only a limited experience of colonization [24]. Traditional forms of cooperation involved community members voluntarily pooling financial resources through "Equb", which was an association of people having the common objectives of mobilizing resources, especially finance, and distributing it to members on rotation basis [25,26]. There were also initiatives for labour resource mobilization that were to overcome seasonal labour peaks, known as "Jigie", "Wonfel", among others. There was also the 'idir', which was an association for provision of social and economic insurance for the members in the events of death, accident, damages to property, among others. These informal associations continue to operate in Ethiopia. Some special features of traditional co-operatives in relation to modern co-operative are as follow;

established on the felt needs of members and voluntary membership, fair and equal compensation, equal contribution, equal participation of each member, serve their members, cultural development and other development activities, political neutrality, equal opportunity to all members, they can be organized at work places, and living areas. Therefore, traditional form of co-operatives can be the bases for modern co-operatives. They can have management committee and serve on honorary base, have by-laws, different books of accounts, and have accounts in near-by banks, conduct annual meetings, election and even amend their by- laws.

Adequate Internal control system (ICS) is very fundamental component of the risk management systems in co-operative societies. For any co-operative society to meet the needs and yearnings of its members and safeguard its assets, it must be able to manage its business process which is a reason why ICS is very crucial [27]. It has been observed that internal control system is one of the mechanisms that can be used to address co-operative society's problems, [28]. Internal control system in any co-operative society should evolve over time and should have positive effect on the co-operative society performance. However, not all co-operative societies in Nigeria have efficient internal control measures in place and as such some are still struggling with liquidity problems, untimely financial reports, and inefficient accountability for the co-operative's financial resources, frauds and misuse of the co-operative's resources as well as a number of made decisions not yielding the expected results [29]. The significance of co-operative societies to the rural dwellers in Nigeria can never be overemphasized. Rural dwellers are largely neglected by formal financial institutions because they have no access to institutional credit due to collateral requirements, complex procedures, poor communication, and inadequate banking network in the rural areas [30]. In addition, financial institutions may find it difficult to understand the economic pattern of rural people and unable to fashion out products and services to meet their needs. The low educational attainment of rural dwellers may be another impediment in having formal financial providers in rural areas. The [31] affirms that the main reasons banks are located in urban centers in Nigeria are because of the high risk of operating in rural areas, lack of adequate infrastructure – roads, water, telephone service, and electricity and poor returns on banking investment in rural areas. Formal banks hardly lend to the rural people because they lack collateral that they could offer as security for loans [32]. [33], reported that the rural people are unable to patronize the formal banking system due to requirements for opening an account which most rural dwellers cannot meet.

Microfinance programs that lay emphasis only on lending will likely be unable to serve or benefit the teeming poor who may wish to save but do not necessarily wish to borrow [34]. Members must save regularly over a stated period of time before loan is given based on the amount of saving the member has with the co-operative. [35], stated that to minimize transaction costs, microfinance institutions tend to be urban based, leaving the poor in the rural areas under-served. This is an evidence of dereliction of duty and it can be noticed more in Nigeria where the majority of the microfinance banks that are meant to serve the poor are located in the highbrow areas of the cities and serve the rich and medium income earner instead of the poor [36]. In an economy with the above scenario, the poor are left with two options: they either patronize the informal finance providers with all their stringent conditions or decide to stay away from the financial system entirely.

Studies on the effect of co-operative internal financing on the members are very sparse in the literature and therefore require further investigations. This study specifically evaluated the influence of internal financing of co-operative societies on membership increase in Imo State.

Statement of the Problem

Every business organization whether for profit or non-profit, requires funds for the attainment of its planned objectives. Internal sourcing of fund appears a better option available to co-operatives since debt financing is costly (where only co-operatives with collaterals can gain access to the debt market), thus, limiting access to loans from financial institutions.Despite all effort made by management of co-operatives to maximize internal financing, it has historically constituted a large but steadily declining fraction while there is a secular increase in debt utilization. This may be due to dwindling internal fund in the co-operatives [37]. After many decades of operation as a business unit in Nigeria, many are operating below capacity, decrease in membership, some gone moribund, while others have collapsed. This may be as a result of inadequate sources of internal finance to co-operative societies in Nigeria, and even the lack of adequate knowledge and skills on internal sourcing of revenue. It is against this backdrop, that this study sought to examine the influence of internal financing on membership increase in Nigerian Co-operatives, particularly those in Imo State.

Objectives of the Study

The broad objective of this study is to examine the influence of internal financing of co-operative societies on membership increase in Agricultural Co-operatives in Ohaji-Egbema LGA, Imo State, Nigeria. Specific objectives are, to:

i. determine the influence of internal sourcing of fund on co-operative membership in the study area;
ii. examine the constraints associated with internal sourcing of funds among members in the study area.

Research Questions

i. What is the influence of internal sourcing of fund on co-operative membership in the study area?
ii. What are the constraints associated with internal sourcing of funds among members in the study area?

Statement of Hypotheses

Ho_1: Amount of funds sourced is not related to co-operatives' membership increase in the study area.

Ho_2: There are no constraints associated with sourcing of funds among members of co-operative societies in the study area.

Significance of the Study

This study seeks to examine the influence of internal financing of societies on membership increase in Ohaji/Egbema LGA, Imo State, Nigeria. The output of this study will help in educating the government and interested organizations to consider internal financing of organizations, as a guide towards the nation's sustainable finance. The study will also be useful to the government, policy makers, international organizations and non-governmental organizations (NGOs) to formulate and implement policies that will bring about positive changes in their attitude towards financing. The findings of this seminar will cause the general public gain a lot of knowledge on the benefit of internal financing, especially in societies to their membership increase. If the output of the study is made public through research gate, it will enhance Google scholar among others. The study will also be significant to future researchers as it will be a reference material on the essence of finance in co-operatives and membership increase. This study will equally help to discover problems inherent in co-operatives' finance with regards to membership increase in the enterprise.

Scope of the Study

The study seeks to determine the influence of internal sourcing of fund on membership in the study area, and examine the constraints associated with internal sourcing of funds among members in the study area for the year 2022. The units of analysis are the members of co-operatives under study.

Limitations of the Study

This research however is subject to several limitations. There is the problem of identifying functional Agricultural Co-operative Societies, having majority of such Co-operative Societies as moribund. Another is the problem encountered from data collection process, arising from secretive nature of respondents who are prejudiced against the researcher; and then, paucity of literature materials. The researcher was able to overcome the limitations by spending money on research tools, visiting State Department of Co-operatives to get information of the functional agricultural co-operatives domiciled in Ohaji/Egbema, leveraging on the power of network and being consistent in reaching out to the respondents through a regular visit and telephone conversation; while dealing with the data collected succinctly.

REVIEW OF RELATED LITERATURE

Conceptual Review

Internal Financing in Co-operatives

Every business organization (Profit and non-profit) requires funds for the achievement of its planned objectives. According to [38] internal sources of fund have historically constituted a large but steadily declining fraction while there is a secular increase in debt utilization. This may be due to dwindling fund internally. In the era of the Rochdale Society of Equitable Pioneers, it was cardinal that capital funds and resources needed to establish and run co-operatives' projects were generated internally. The guiding philosophy then was self-help through mutual help. Members were motivated by a genuine force in finding ways of solving their personal problems. Co-operative societies have been developed in Nigeria with the active promotion and financial support of government. Therefore, with the financial resources of Government becoming leaner, these days, co-operative movements, as a mark of growth, should become more self-reliant. [39] posits that all businesses including co-operatives need capital to finance assets and operations and that this capital is derived from two primary sources: accumulating net worth (ownership capital), and borrowing (debt capital) but the difference for a co-operative arises in the characteristics of the ownership capital. [14], posits that virtually all co-operatives require some level of member financing, usually in the form of stock purchases or membership fees. He further adjudges that member financing not only provides equity for the co-operative, it also provides a financial base that helps other investors, particularly banks, feel more secure in investing in the co-operative. Internally generated finances is less costly than externally sourced funds [18]. [23], affirm that internal financing relates to undistributed earnings that are employed as a firm's alternative source of financing. They further posit that when finances are raised internally, a firm will avoid floatation cost and hence can reduce the overall cost of capital that is used to discount future earnings of such a firm and consequently generate higher market value. Internal sources of funds arise directly from members' contributions (shares, savings, deposits, entrance fees and voluntary/special deposits) or indirectly from members' patronage of the co-operatives' services. The later culminate in the annual net surpluses. More often than not funds coming from most of these sources are either too meager, or they precipitate too slowly to make any significant impact on the co-operatives' need for financial capital. Many co-operators in Nigeria have quite often lamented the impediments in their attempt to raise funds for the operations of their co-operative societies. Of course, co-operatives are subject to the same set of every day frustrations of all small and medium enterprises in Nigeria, such as lack of collateral, poor accounting and record keeping, general lack of credit worthiness in the estimation of potential lenders, high interest rate structures and so on. But co-operative societies are additionally affected by their inherent peculiarities: thus, the principles, laws and regulations guiding them.

- The rank and file of most co-operative societies in Nigeria are not knowledgeable enough to explore all the available opportunities that can expand their ability to borrow, extend credit and invest money;
- Co-operative banks which are supposed to be most sympathetic to co-operatives' yearnings for funds are regularly hijacked by non co-operative interests, and in most cases, their loans are more readily given to big businesses rather than to co-operatives;
- In most co-operative societies, the amount of money that can be raised through issue of shares is too low as a direct consequence of low membership size and general poverty of the members;
- As a result of co-operative societies shares being non-negotiable, the voluntary holding of multiple shares by members is discouraged, thereby holding down the size of the share capital;
- Managers and leaders of co-operative societies in Nigeria have become too used to easy handouts from government to be innovative in their fund raising activities. Besides, they are often not able to conceive bankable projects;
- Finding ways to overcome these and other obstacles have remained challenges of the co-operative movement in Nigeria.The overriding assumption of all co-operative membership activity is that the intervention will change farmers' access to productive resources, in a way that leads to higher household consumption of goods and services; as well as overall economic well-being.

Fig. 1 presents a model conceptualizing the framework in tandem with internal financing of agricultural co-operatives on membership increase in Ohaji/Egbema Local Government Area, Imo State. The independent variables include shares, savings, deposits, entrance fees, voluntary deposits, etc; while the dependent variables include membership size (determined by participation in activities, attendance to meetings, payment of dues, farm size, etc).

The intervening variables include government policies, registration bottlenecks, levels of extension services, input agencies, institutional factors i.e. market information, etc. The resultant therefore would mean the effect of internal financing of agricultural co-operatives on membership increase, manifest in the enhanced status of the farmers. There is usually a cross-functionality of the independent variables and the intervening variables on the dependent variables for the purposed outcome on the farmers.

Independent Variables
(Internal Financing)

· Shares
· Savings
· Deposits
· Entrance fees
· Voluntary deposits
(from members patronage)
Outcomes/Effects
· Reduced poverty
· Diversification of enterprise
· Increased income
· Access to credit
· Higher household consumption of goods and services
· Overall economic well-being
Intervening Variables
(Dependent Variables not studied)
· Government policies
· Registration bottlenecks
· Levels of extension services
· Input agencies
· Institutional factors
(Market information) i.e. area of operation

Fig. 1: Conceptual framework on effect of internal financing of agricultural co-operative societies on membership increase in Ohaji/Egbema Local Government Area, Imo State

Theoretical Review

Pecking Order Theory

[25] assert that managers follow a hierarchy when considering sources of financing. The pecking order theory states that managers display the following preference of sources to fund investment opportunities: first, through the company's retained earnings, followed by debt, and choosing equity financing as a last resort. In the context of the pecking order theory, retained earnings financing (internal financing) comes directly from the company and minimizes information asymmetry. As opposed to external financing, such as debt or equity financing where the company must incur fees to obtain, internal financing is the cheapest and most convenient source of financing. The pecking order theory relates to co-operatives' capital structure in that it helps explain why Agricultural Co-operatives prefer to finance investment projects with internal financing first, debt second, and equity last. The theory arises from information asymmetry and explains that equity financing is the costliest and should be used as a last resort to obtain financing. Equity financing however means money which the co-operative obtains from her members without assuming a legal implication to pay back at a given time. The theory has relationship with the study in that, internal financing being the first financing decision made by managers of agricultural co-operative societies encourages membership increase. Members do not rely on the creditors for their business expansion, project undertaking and economic growth. This is because there is an assurance of simplified financing process, low cost of capital and capital growth with the financing source.

Empirical Review

[28], is an empirical study on credit mobilization challenges of Agricultural Co-operative Societies in Anambra State: implication for rural development. The study adopted descriptive statistics (frequencies and percentages) to analyze data collected from respondents in three (3) L.G.As (Aroka North, Orumba North and Ayamelum). Result shows that Agricultural Co-operatives major sources of internal financing are share capital (44.5%) and registration fees (33.3%) while external sources of credit acquisitions are development banks (64.4%) and Co-operative Financing Agency (28.9%). Also, the study confirms that weak membership strength (87%) impede internal credit mobilization of Agricultural Co-operative in the study area. [28] conducted an empirical study of financing Agricultural co-operative societies in Nigeria: Challenges and Prospects. The study sampled 15 Agricultural/Non Agricultural co-operatives in Ogun and Lagos States with total membership strength of 120 using Cluster and Systematic sampling method. A non parametric test was conducted on the data using chi-square and Spearman's coefficient of rank correlation. Findings revealed that there is no significant preference in the extension of loans to Agricultural co-operatives by financial institutions and there is significant relationship in the factors affecting the financial performance of Agricultural co-operatives. The study identified amongst others, loan default, lack of credit facilities, basic infrastructure, securities, technical, expertise and poor membership as the challenges of Agricultural co-operative financing in Nigeria. Nwankwo (2008) is an empirical study of impact of informal credit on Agricultural production in Awka South L.G.A, Anambra State. The study population was 150 farmers randomly selected in the L.G.A. Data was analyzed using descriptive statistics and econometric method. Findings indicated that all the farmers had access to informal sources of credit (internal source) while only 30% had access to formal credit (External source). There is a positive relationship between informal credit and agricultural production but was not significant, which suggests that informal sources of credit were not applied to productive uses. The study recommends that formal financial institutions sources should be applied for increased farm assets and agricultural production. [21], examined the linkage between sources of funds and level of outreach as a performance indicator in SACCOs using panel data regression model in Nairobi County, Kenya. The study findings indicated that both external and internal sources of funds are positive and significantly related to the outreach. The results indicated that external sources of funds are becoming central part of the SACCOs loan portfolio as compared to internal sources of funds, which is a threat to saving practices in SACCOs. However, the study failed to expose a model and level of linkage to maintain the principles, structure and objectives of SACCO. The study by [17] examined the role of Savings and Credits Co-operative Societies (SACCOs) in the economy of Nairobi County, Kenya. The findings showed that, there is a strong positive association between the financial services and the economic growth; also there is two-way Granger causality between them. However, the study further revealed that savings are much important in fostering economic growth as compared to credits/loans. These criteria make SACCOS the distinct microfinance institutions in the economic development, and should be promoted with more emphasis on the savings objective. The study seemed to indicate that the internal financing, in this case, referred to as savings, would have influence on the image and position of the SACCOs (depending on its sustainability). The study did not clarify on the effects of external and internal financing on growth of SACCO, which is what the present study will do.

[26] studied the Problems of Financing Co-operative Society Projects In a Competitive Economy: A Study of Co-operative Societies in Mbano Local

Government Area of Imo State, Nigeria. The study is a descriptive survey that utilized sampling random technique to draw a sample size of 351 from 2880 people in two zones of the study area. Findings revealed that members lack financial commitment to generate internal finances necessary for project execution; government loan granted to co-operative institutions were channeled to other sectors that attracted fat interests. Embezzlement of funds, lack of co-operative business education, poor returns from business operations, etc were also revealed to be the constraints to internal financing. [23] conducted a study on the impact of agricultural co-operatives membership on the well-being of smallholder farmers: empirical evidence from Eastern Ethiopia. The study used consumption per adult equivalence as a well-being indicator, and measured the impact of agricultural co-operative membership by implementing propensity score matching and endogenous switching regression estimation techniques. Findings indicated that joining agricultural co-operatives has a positive impact on the economic well-being of smallholder farmers. It also indicated that agricultural co-operative membership has a heterogeneous impact on financial well-being among its members. [19] worked on the Effect of Co-operative Membership on Income and Poverty Status of Rural Dwellers in Abia State, Nigeria. Descriptive statistic; and multi-staged simple randomized technique was used for 160 respondents. The findings were that co-operative is a viable means of empowerment, amidst many challenges which included government inordinate influence, poor loans assessment, etc. [20] is an empirical evidence on the Impact of Co-operative Membership on Fish Farm Households' Income: The Case of Ghana. The study used endogenous switching regression (ESR) to address the potential sample selection bias issue. The results showed that household heads' decisions to join co-operatives are affected by their access to credit, off-farm work, education level, and peer influence. Co-operative membership can increase both household and farm income by 28.54% and 34.75%, respectively. Again, different groups of households' co-operative impact on farm and household income are heterogeneous. [7] is an empirical study on Co-operative Society's Fund Creation and Economic Strength Promotion among Teachers in Ibadan, Oyo State, Nigeria. The study examined various means of funding co-operative societies owned by teachers to promote 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 analyzed 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 co-operative society solely accounted for the promotion of members' economic strength. It was concluded that co-operative 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.

Table 2: Summary of Empirical Review

S/N	Authors	Year	Area of Study	Title	Methodology	Findings
1	Onugu, C.U.	2007	Anambra State	Credit Mobilization Challenges of Agricultural Co-operative Societies in Anambra State: Implication for Rurual Development	Descriptive Statistics (Frequencies and Percentage)	Agricultural Co-operatives major sources of internal financing are share capital (44.5%) and registration fees (33.3%) while external sources of credit acquisitions are development banks (64.4%) and Co-operative Financing Agency (28.9%). Also, the study confirms that weak membership strength (87%) impede internal credit mobilization of Agricultural Co-operative in the study area.
2	Ikpefan, O.A.	2007	Oyo & Lagos States	Financing Agricultural Co-operative Societies in Nigeria: Challenges and Prospects.	Non-Parametric Test, with Chi-Square & Spearman's Coefficient of Rank Correlation.	a) No significant preference in the extension of loans to Agricultural co-operatives by financial institutions. b) Significant relationship in the factors affecting financial performance. c) Loan default, lack of credit facilities, basic infrastructure, securities, technical expertise are among the challenges of Agricultural co-operative financing in Nigeria.
3	Nwankwo, F.	2008	Awka, Anambra State	Impact of Informal Credit on	Descriptive Statistics and Econometric	a) All farmers had access informal sources of credit,

				Agricultural Production in Awka South L.G.A.	Method	while 30% had access to formal credit. b) There positive relationship between informal credit and agricultural production but was not significant, which suggests that informal sources of credit were not applied to productive uses.
4	Ndiege, et al.	2013	Nairobi County, Kenya	Linkage between sources of funds and level of outreach as a performance indicator in SACCOs	Panel data regression model	External sources of funds are becoming central part of the SACCOs loan portfolio as compared to internal sources of funds
5	Xuezhi and Ndiege	2013	Nairobi County, Kenya	Role of Savings and Credits Co-operative Societies (SACCOs) in the economy	Descriptive survey and multiple regression analytical tool	Strong positive association between the financial services and the economic growth; there is two-way Granger causality between them. Again, savings are important in fostering economic growth as compared to credits/loans.
6	Onyeze, Ebue& Ike	2014	Mbano, Imo State, Nigeria	Problems of Financing Co-operative Society Projects in a Competitive Economy: A Study of Co-operative Societies	Sampling random technique for a sample size of 351 from 2880 people in two zones.	Findings included members lack of financial commitment to generate internal finances. Government loans granted to co-operative institutions. Embezzlement of funds, lack of co-operative

						business education, poor returns from business operations, etc were also revealed to be constraints
7	Ahmed & Mesfin	2017	Eastern Ethiopia	Impact of agricultural co-operatives membership on the well-being of smallholder farmers	Consumption per adult equivalent as a wellbeing indicator	Joining agricultural co-operatives has a positive impact on the economic well-being of smallholder farmers. Agricultural co-operative membership has a heterogeneous impact on financial well-being among its members.
8	Mbagwu, G.N.I.	2017	Abia State, Nigeria	Effect of Co-operative Membership on Income and Poverty Status of Rural Dwellers	Descriptive Statistics; and Multi-staged simple randomized technique was used to select 160 respondents.	Co-operative is a viable means of empowerment. Many challenges abound, including government inordinate influence on co-operative affairs, and then poor loans assessment by co-operators, etc.
9	Martinson et. al.	2021	Ghana	Impact of Co-operative Membership on Fish Farm Households' Income: The Case of Ghana	Endogenous Switch in Regression (ESR)	Heads' decisions to join co-operatives are affected by their access to credit, off-farm work, education level, and peer influence. Co-operative membership can increase both household and farm income. Different groups of households' co-operative impact on farm and household income

						are heterogeneous.
10	Adeniyi & Yoloye	2021	Ibadan, Nigeria	Co-operative Society's Fund Creation and Economic Strength Promotion among Teachers	Fund Creation Checklist (FCC) and Members Economic Strength Questionnaire (MESQ). Data were analyzed using Descriptive Statistics and Pearson Product Moment Correlation (PPMC).	Result revealed an insignificant negative relationship between fund creation and members economic strength promotion.

Source: Field Survey, 2022

Gap in Empirical Literature

The research observed that there are few studies on the effect of external financing of co-operatives on membership increase [17]. Again, model specifications are rare in certain studies; which should capture maintenance of principles, structure and objectives of co-operative.

METHODOLOGY

Research Design

Descriptive Survey design was adopted for this study, because data were generated through a questionnaire. Population consists of nine (9) Agricultural Co-operatives in Ohaji-Egbema L.G.A of Imo State, with a total membership size of 490 persons. Three (3) Agricultural Co-operatives with membership size of 207 were selected purposively on the basis of viability and functionality. Taro Yamane statistical formular was adopted to determine the sample size of 136. Bowler's Formula was used to obtain the number of copies of the questionnaire to be administered to each of the three Agricultural Co-operatives selected.

Area of Study

Ohaji-Egbema, a Local Government Area in Imo State, Nigeria has its headquarters in Mmahu-Egbema. It has an area of 890 km² and a population of 182,538 (National Population Commission, 2006). The postal code of the area is 464. It shares common boundaries with Owerri in the East, Oguta in the North, and Ogba "https://en.wikipedia.org/wiki/Ogba/Egbema/Ndoni"Ndoni in Rivers State in the South-West. It is made up of three districts namely: Ohaji East, Egbema North, and Ohaji West. There are 12 Council Wards and the local Government also has 16 autonomous communities. The L.G.A being oil-producing has attracted a good number of Oil producing and oil servicing companies such as Shell Petroleum Development Company (Nig.) Ltd (SPDC), Chevron Nig. Ltd, Nigeria Agip Oil Company Ltd (NAOC), and many others. Farming, fishing, palm oil processing, hunting, and animal husbandry are vigorously practiced. Adapalm (Nig) Ltd at Ohaji, Rubber Estate at Obitti, and Forest Reserve at Ekugba are examples of companies there. Agricultural Co-operative activities are vigorously practiced in the L.G.A, owing to the agricultural occupational predominance in the area. Nine Agricultural Co-operatives are registered in the area while other types of societies also exist.

Sources of Data

The study derived data from both primary and secondary sources. The primary data were collected through the use of a structured set of questionnaire. However, the secondary data were collected from edited articles published in learned and academic journals, monographs, textbooks, and web downloads from reliable and trustworthy sources.

Population of the Study

All Agricultural Co-operative Societies in Ohaji-Egbema L.G.A qualify as the population of this study. There are nine (9) Agricultural Co-operatives in the study area with a total membership size of 490 persons. The nine (9) agricultural co-operative societies in Ohaji-Egbema LGA include:

- Oganihu Age Grade FMCS Ltd (45 members)
- Integrated Farmers (Ohaji-Egbema) Co-operative Society Ltd (41 members)
- Ezekuna FMCS Ltd (51 members)
- AgbejeUmuoru FMCS Ltd (47 members)
- Ebenezer Agro-Allied (Umukeni) (Ohaji) FMCS Ltd. (53 members)
- Enyioma Youth FMCS Ltd (46 members)
- UdokammaCo-operative Society Ltd Umuokanne (Ohaji-Egbema) (65 members)
- Eziahakaego FMCS Umuagwo (Ohaji-Egbema) (70 members)
- Palm Kernel Dealers MCS Ltd, Umuapu (72 members)

Determination of Sample Size

For the purpose of this study, three (3) Agricultural Co-operatives with membership size of 207 were selected purposively on the basis of viability and functionality. Taro Yamane statistical formular was adopted as expressed below to determine the sample size:

$$n = \frac{N}{1+N(e)^2}$$

Where
n = Sample Size
N = Population
e = Error Margin
I = Constant

$$n = \frac{207}{1+207\ (0.05)^2}$$

$$n = \frac{207}{1+207(0.0025)}$$

$$n = \frac{207}{1+0.5175}$$

$$n = \frac{207}{1.5175}$$

$$n = 136$$

Sampling Technique

Bowler's Formula shown below was used to obtain the number of copies of the questionnaire administered to each of the three (3) Agricultural Co-operatives selected.

Thus: $nh = \frac{nNh}{N}$

Where
nh = Number of membership of each Co-operative Society
n = Sample size
Nh = Number of the item in each Co-operative Society
N = Population size

$$n1 = \frac{136 \times 70}{207} = 46$$

$$n2 = \frac{136 \times 65}{207} = 43$$

$$n3 = \frac{136 \times 72}{207} = 47$$

Table 3: Agricultural Co-operatives in Ohaji-Egbema LGA, Imo State

S/N	Name of Society	Membership Size	Sample Size
1.	Eziahakaego FMCS Umuagwo	70	46
2.	Udokamma Society Ltd Umuokanne	65	43
3.	Palm Kernel Dealers MCS Ltd, Umuapu	72	47
	Total	207	136

Source: Field Survey, 2022.

Method of Data Collection

The instrument of data collection used was the questionnaire designed by the researcher and validated by experts at the Department of Co-operatives and Rural Development, Enugu State University of Science and Technology, Agbani. The response format adopted was a modified five-point Likert Scale of Strongly Agree (SA), Agree (A), Undecided (U), Disagree (D), and Strongly Disagree (SD). They were weighted 5, 4, 3, 2, and 1 respectively (for section A and B of the questionnaire).

Validity of the Instrument

The instrument for data collection underwent scrutiny by experts at the Department of Co-operatives and Rural Development, Enugu State University of Science and Technology, Agbani. They were requested to check if the items in the instrument are relevant, clearly stated, and capable of producing the right responses from respondents.

Reliability of the Instrument

The reliability of the seminar instrument was established using the responses of 136 members of Agricultural Societies in the study area. It also underwent a test using E-views 10 Econometric Analysis, and then SPSS 20.0 IBM Statistic.

Method of Data Analysis

The data collected were analyzed using the model specifications presented hereunder. The model specification is thus:

$Y=f(X)$ -(i)

Where Y= internal financing (funds)

X= membership increase

And statistically,

$Y= b_o + b_1X$ - - - - - - - - - - - - - - -(ii)

Where b_o and b_1 are parameters to be estimated, but the apriori expectation should be

$b_1>0$ i.e. coefficient of X increasing as Y increases.

DATA PRESENTATION AND ANALYSIS

Data Presentation

Out of the one hundred and thirty-six (136) copies of the questionnaire distributed to the respondents, ninety-five (95), thus, 69.85% were returned correctly filled and were used for data analysis.

Table 4: OLS Result - Funds Raised and Membership of Co-operative Society

Dependent Variable: FUNDS				
Method: Least Squares				
Date: 03/29/22 Time: 05:51				
Sample: 1 136				
Included observations: 136				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	18.42872	2.347093	7.851722	0.0000
MEMBERSHIP	-0.074225	0.097911	-0.758087	0.4497
R-squared	0.004270	Mean dependent var		16.65441
Adjusted R-squared	-0.003160	S.D. dependent var		2.045333
S.E. of regression	2.048563	Akaike info criterion		4.286751
Sum squared resid	562.3456	Schwarz criterion		4.329584
Log likelihood	-289.4990	Hannan-Quinn criter.		4.304157
F-statistic	0.574696	Durbin-Watson stat		2.667851
Prob(F-statistic)	0.449730			

Source: E-Views 10, Econometric Output of the Study

Table 5: Friedman Q Test Ranking of the Constraints Associated with Internal Sourcing of Fund among Members

Ranks	
	Mean Rank
POVERTY	2.61
POORMGT	2.55
PROJSELCTION	2.21
LOWSHARES	2.63

Test Statistics[a]	
N	136
Chi-Square	12.442
Df	3
Asymp. Sig.	.006

a. Friedman Test

Source: SPSS 20.0 IBM Output of the Study

Data Analysis

Quick examination of Table 4.1 submits that funds raised and membership of Co-operative Society is linearly related. And when coefficients are substituted in equation (ii) (which is the regression equation), we have:

Y = 18.4287 – 0.074225 X - - - - - - - - - - - - - (iii)

Therefore, funds = 18.4287 – 0.074225 membership - - - - - -(iv)

However, membership of Co-operative Society cannot significantly explain the variations in funds raised by Co-operative Societies. Its probability is 0.4497 with -0.758087 as t- calculated. The coefficient of membership of Co-operative Society which is -0.074225 implies that a unit increase in the independent variable (membership) will lead to the dependent variable decreasing by -0.074225. Both variables exhibit inverse relationship. The R- Squared value of 0.004270 gives the indication that variation in funds raised that is explained by membership is minimal to the tune of ½% of Co-operative Society's operation.

From Table 4.2 above, monies raised through shares are low due to low membership size (mean rank of 2.63) happens to be the highest challenge to cooperative membership in the study area. This is closely followed by fund impeded by general poverty of members (mean rank of 2.61). This is followed by the poor managerial abilities among leaders which affect internal fund raising activities (mean rank of 2.55). Thus, selection of available projects by co-operatives affects fund raising activities internally, which is the least challenge (mean rank of 2.21) to co-operative membership.The second panel of Table 4.2 shows the various statistics with respect to Friedman's Q test. The Chi-Square (more correctly referred to as Friedman's Q Test) is our test statistic. It basically summarizes how differently the challenges to co-operative membership were rated in a single number. The df represents the degrees of freedom associated with our test statistic. It is equal to the number of variables we compared (-1). In our example, 4 variables - 1 = 3 degrees of freedom. The Asymp. Sig. is an approximate p-value. Since p (.006) ≤ 0.05, we reject the null hypothesis of equal population distributions amongst the variables.

Test of Hypotheses

Ho_1: Funds raised internally does not have a significant effect on membership of co-operative societies in the study area.

OLS Regression was used to assess the predictive power of membership of co-operative societies and funds raised internally. The variability explained by the model was not significant p = 0.4497 at 5% levels (P>0.05). Similarly, t-calculated (-0.758087) < t-tabulated (1.96). Thus, the null hypothesis cannot be rejected; therefore, the conclusion is that there is no significant relationship between funds raised internally and membership of co-operative societies in the study area.

Ho_2: There is no significant relationship between funds raised internally and membership of co-operative society with respect to the challenges they face.

The predictive power of challenges to co-operative societies face was assessed in this hypothesis. The variability explained by the model was significant p = .006 at 5% levels (P < 0.05). The null hypothesis is rejected and the conclusion is that there is significant relationship between challenges membership of co-operative societies face and funds raised internally by co-operative societies in the study area.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Summary of Findings

The following findings are presented:

- Internal sourcing of funds have linear effect on co-operative membership
- Co-operatives are constrained by certain factors, which hamper internal sourcing of funds amongst members. Some of these constraints include: weak membership strength, lack of credit facilities, loan default, lack of technical expertise, lack of increased securities, lack of financial commitment to generate internal finances, embezzlement of funds, lack of cooperative business education, poor returns from business operations, etc.

CONCLUSION

Internal financing of agricultural co-operative societies is within the reach of the rural dwellers, who constitute large chunk of the membership. Despite glaring influences on the membership, certain challenges are common; which include: high membership registration fees, poor execution of government polices on loan, poor access to improved agricultural farm inputs, absence of probationary cooperative societies as obtainable in other countries, government/agents inordinate influence, poor extension service, no stated qualification for the Director of Cooperatives making the office a political one], etc.

RECOMMENDATIONS

Based on the findings and conclusion, the following recommendations are made:

- Management of co-operatives should prioritize internal financing so as to build a self-reliant enterprise, and then eliminate cost of capital on debt financing.
- Since low membership size and poverty of members impede fund raising activities, co-operative management should be stemmed up; even through selecting economically viable projects capable of alleviating members' poverty. This, however, will enhance membership increase.
-

Contributions to Knowledge

The study has revealed that internal sourcing of funds may not linearly determine co-operative membership size. However, such parameters which make other business concerns to be dynamic and competitive should be observed. These may include revisiting such inherent structural principles in the laws (which tend to limit co-operative growth and development). The study was in Imo State, Nigeria; and suggests a good literature source for further studies. Policy makers can use this study as a template for co-operative membership increase through internal financing.

Suggestions for Further Studies

Influence of intervening variables to the study was not captured; neither the estimated amount of any internal source of fund in the study area. There is need to investigate on these exogenous variables, as well as stabilizing tools to internal sources of fund in co-operatives, for membership increase expectation.

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