



## **EFFECT OF NON - INTEREST COOPERATIVE ON THE LIVELIHOOD OF RURAL HOUSEHOLDS IN SAKI WEST LOCAL GOVERNMENT AREA**

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### **Abstract**

*This study investigates the Effect of Noninterest cooperative on the livelihood of rural households in Saki West local Government Area. The first stage involves the use of snow-balling sampling techniques to identify various non-interest co-operatives society in the study area. The second stage involves random selection of 14 respondents from each of the 7 non-interest co-operative societies spread across the Local Government Area of study. Making a total of 98 respondent's interview through the use of structured questionnaire. The findings revealed 62.1% of the respondents were male, married (57.9%) with majority (62.22%) age fall between 30 – 50 years and have B. Sc./HND level of Education (21.05%). Also, 56.84% of the Cooperators have family size of 6 – 10 people with 43.7% having 1 -5 years of experience. The result revealed 45.26% of the cooperators utilized the Noninterest benefited loans for business expansion and pursuing family education. It was also revealed that, 48.2% of cooperators perceived capital sourcing while 34.74% perceived poor members attendance of meetings as major challenges facing the Non-interest Cooperatives. The Regression analyses results revealed age, gender, marital status and educational status as determinant factors that affect the collection and judicious utilization of Noninterest loan, while factors such as Household size, organization status and commercial bank affect the No-interest cooperatives negatively. It is hereby recommended that, awareness campaign should be intensified among the cooperators on importance of meeting attendance while the Non-interest cooperatives were advise to come together, pool resources together to initiate Non-interest Microfinance or Commercial bank that share their ideology for effective administration of the Cooperatives.*

**Keywords:** *Non – interest loan, Cooperators, Cooperative society, finance.*

### **Introduction**

Co-operative as an autonomous association of persons who unite voluntarily to meet their common economic, social needs and aspiration through a jointly owned and democratically controlled enterprise (ICIA, 1995). It is an established fact that many household in the country today live below the poverty line. Also, investigation have shown that the highest percentage of Nigeria's work force in the public sector find it difficult to make the end meet daily (Godwin,2011and Muntaz *et al*, 2015). It involved voluntary association of persons for mutual benefits and aims accomplished through self-help and collective effort. The main principle underlying a co-operative organization is mutual help, that is each for one and all for each to be called co-operative societies under the co-operative societies act (Shaar 1989 and ILO 2004).

The rural community, whose main occupation is agriculture, produces the food consumed in the country, but which is hardly sufficient to feed the people because they still use crude farming implement to till the land. The federal government in a bid to fight the menace of poverty therefore, has set up some agencies in the form of cooperative society among others essentially to provide financial assistance particularly to youths and women involved in small scale business (Godwin 2011).



Cooperative societies comprises of interest and non – interest co-operative types, the later is operating the free interest loan and finance business activities as enjoined by Almighty Allah (S.W.A) i.e. forbid Riba (usury) on loan, but a fair mechanism, profit/loss sharing principle on investment in proportion of stake.

The concept of interest free co-operative is an integral part of the Islamic economic and financial system. What we are familiar with is the conventional co-operative system of financing, which according to its operation is interest based.

Conversely, Islam enjoins co-operations in all acts of righteousness, as stated in to the Holy Quran (Q5:3). The concept of interest or usury, No matter how little is strongly prohibited by Islam, (Baqarah Q2V275-278), and supported by a verse in Bible (Deuteronomy 21:23-91) also reveals that usury or interest is abhorrent to Almighty God.

Sincerely speaking, the concept of interest on loans run counter to common reasoning because in most cases it usually has negative effects on the borrower by its burden of multiply in case of default from the borrower. Interest oriented co-operative societies create great sense for psychological imbalance on loan seekers and loan takers in the sense that there is no objectivity in the arrangement. It is based on speculations and uncertainties. This is why it has become a common knowledge that the conventional co-operative society cannot rescue those who hold Head long to it for salvation from their financial mess, while non interest co-operative create no sense of fear to both loan – seekers and loan takers because the loan takers has to repay back the loan at agreed convenient time with zero interest. The different types of non interest co-operatives covered in this study are:

- Special Target Saving Scheme (STSS)
- Structural Adjustment Savings Scheme (SAS)
- Ramah Co-Operative Societies (RCS)
- Al-Iklas Co-Operative Societies (ACS)
- Al-Bayan Co-operative Societies
- Al-Ayan Co-operative Societies

It is becoming very apparent that people still find it difficult or almost impossible to raise capital for their respective business transactions. This analysis would have at the end made critical analysis of the various method of raising capital with particular reference to non-interest co-operative society with the main intention of highlighting the prospect and trends of non-interest co-operative societies in Nigeria. It is hoped that the findings from this study will contribute to knowledge of wellbeing of rural dwellers as well as contribution to policy framework with respect to non interest co-operative society in Nigeria.

The broad objective of this study is to investigate the effect of non - interest co-operative societies on livelihood of rural dwellers in Saki West Local Government while the specific objectives are to:

- Identify the socio-economic characteristics of the respondents in the study area
- Examine the benefit which members have assessed from the non-interest cooperative.
- Identify problems militating against the effectiveness of non-interest co-operative societies in the study area.
- Assess determinant factors that influence cooperators involving non-interest cooperative.

## **Research Methodology**

### **Study area**

Saki West Local Government was created on December, 1996 by the Late General Sanni Abacha led military Administration. It came out of the old defunct Ifedapo Local Government which was spun into three (3) Council namely: Saki West, Saki East and Atisbo Local Government Areas. Historically, the present Saki West Local Government was Saki district council created on 19<sup>th</sup> March 1955. It is located on longitude 8<sup>o</sup> 25<sup>1</sup> – 8<sup>o</sup>52<sup>1</sup> south and



latitude 2<sup>o</sup>55<sup>1</sup> – 3<sup>o</sup>-30<sup>1</sup> North with average rainfall of 1,200mm per annum and 1,500m above the sea level. Recently, two Local council development areas was carve out of the Saki-West Local Government area which comprises of Asabari and Wewe Local council areas.

### Sampling Techniques

A multistage sampling technique was used for this study. The first stage involved the use of snow-balling sampling techniques to identify various non-interest co-operatives society in the study area. This includes special target saving scheme (STSS), Structural adjustment Scheme (SAS), Al-Iklas Co-operative societies, Albayan Co-operative societies. The second stage involves random selection of 14 respondents from each of the 7 non-interest co-operatives spread across the Local Government Area of study. Making a total of 98 respondents’ interviewed through the use of structured questionnaire.

#### Form of Non-Interest in Saki Area, Oyo State.

Non-Interest Co-Operative	Locations
Special target saving scheme (STSS)	The Oke-Ogun Polytechnic Saki, TOPS, Oyo` State.
Structural Adjustment Savings Scheme (SAS)	Muslim Secondary School, Ogboro Road and Muslim Hospital, Area, Sango, Saki, Oyo State.
Ramah Co-Operative Societies (RCS)	The Oke-Ogun Polytechnics Saki, TOPS, Oyo State.
Al-Iklas Co-Operative Societies	A.D.S High School, Sango, Saki, Oyo State
Ifedapo Co-Operative Societies	Opomaalu Saki, Oyo State.
Al-Bayan Co-Operative Societies	Oke Sunnah, Saki, Oyo State.
Al-Ayan Co-Operative Societies	Community High School Challenge 1, Saki Oyo State.

### Data Analyses

Descriptive statistics such as; frequency distribution, percentage was used to analyze the socio-economic characteristics of the respondents while, Regression Analysis was used to identify the factors that influencing the Membership of the Cooperative Societies in the Study Area.

Regression Model specification used according to Gujarati (2005) is of the form;

$$Y = ( X_1, X_2 \dots X_n )$$

Implicit function:

$$\ln Y = \alpha + \beta_1 X_1 + \beta_1 X_2 + \beta_1 X_3 + \beta_1 X_4 + \mu$$

Where;  $\alpha$  = Intercept or Constant

$\beta_1 \dots \beta_6$  = Coefficient of each parameter

Y = Amount Loan accessed (Dependent Variable)

X<sub>1</sub> = Age (Years)

X<sub>2</sub> = Gender

X<sub>3</sub> = Marital Status

X<sub>4</sub> = House hold size

X<sub>5</sub> = Educational Status

X<sub>6</sub> = Organizational status

$\mu$  = Random Error



Ln = Natural log of Y.

## Results and Discussion

### Personal Characteristics of the Respondents

Findings in table 1 below revealed 62.1% of the respondents were male and married (57.9%). Also 33.68% of the respondents' age fell between 31- 40years, while 29.4% of the respondents fell between the ages of 41-50years. This implies that majority of the noninterest cooperators were agile and were in their economic active age. Findings revealed 35.79% of the respondents had secondary education while 21.05% of the respondents had B.Sc/HND education, this connotes that majority of the non-interest cooperative members were learned ones and were ready to adopt new innovations and technology that will improve their life. About 32.63% of the respondents involved in trading/Business while 26.32% of the respondents were artisans, this implies that majority of the respondents have entrepreneurial skills. All 100% of the respondents that they member of non-interest co-operative society. About 43.16% of the respondents had being a non-interest co-operators for the period of 1-5years while 38.95% of the respondents had being in the non-interest co-operative society for the period of 6-10years. This implies that majority of the respondents have being in non-interest co-operative society for the period to measure the merit and disadvantage of the non-interest cooperate. Forty percent of the respondents' family size fell between 1-5 people while 56.84% of the respondents' family size fell between 6-10 people. This implies that majority of the respondents have large family and polygamous that renders support in various form of family business.

**Table 1: Distribution of respondents' personal characteristics**

Variables	Frequencies	Percentage (%)	Cumulative Percentage (%)
<b>Sex</b>			
Male	59	62.1	62.1
Female	36	37.9	100.00
<b>Marital Status</b>			
Single	19	20	20.00
Married	55	57.90	77.90
Widow	11	11.58	89.48
Divorce	10	10.53	100.00
<b>Age</b>			
20-30years	20	21.05	21.05
31-40years	32	33.68	54.73
41-50years	28	29.47	84.20
Above 50 years	15	15.79	100.00
<b>Education level</b>			
No formal education	18	18.95	18.95
Primary	14	14.74	33.69



Secondary	34	35.79	69.48
BSC/HND	20	21.05	90.53
Tertiary	09	9.47	100.00
<b>Occupation</b>			
Farming	10	10.53	10.53
Trading/Business	31	32.63	43.16
Civil Servant	23	24.21	67.37
Unemployed	06	6.32	73.69
Artisan	25	26.32	100.00
<b>Experience year</b>			
1-5years	41	432.16	43.16
6-10years	37	38.95	82.11
11-15years	13	13.68	95.79
Above 15years	04	4.21	100.00
<b>Family size</b>			
1-5people	38	40.00	40.00
6-10people	54	56.84	96.84
11-15people	03	3.16	100.00

Source: Field Survey, 2022.

#### **Respondents Benefit from Non-Interest Co-operative**

In table 2, the finding revealed 45.26% of the respondents agreed to use of the loan from non-interest co-operatives for business expansion while 24.21% of the respondents agreed to utilize loan in pursuing family education. This implies that majority of the respondents unanimously agreed that the loan from non-interest co-operative to be helpful and beneficial.

**Table 2:** Distribution of respondents' benefit of non-interest co-operative loan

Variable	Frequency	Percentage (%)	Cumulative percentage (%)
Farm Business	43	45.26	45.26
Farming	13	13.68	58.94
Housing	16	16.84	75.78
Family education	23	24.21	100.00
<b>Total</b>	<b>95</b>	<b>100.00</b>	<b>100.00</b>

Source: Field Survey, 2022.

#### **Respondents view on Challenges encountered in non-interest co-operative.**



The result in table 3 revealed 48.42% of the respondents observed limited Capital loan as major problem encountered by being a members of non-interest co-operative while 34.74% of the respondents agreed to poor attendance of general meetings as the problem encountered by the cooperators. This implies that majority of the respondents were of the view that accessing capital and poor meeting attendance as the problem encountered as a non-interest co-operative members.

**Table 3:** Distribution of respondents based on problems encountered in non-interest co-operative

Variable	Frequency	Percentage (%)	Cumulative percentage (%)
Capital sourcing	46	48.2	48.2
Leadership	3	3.16	51.58
Unity among member	13	13.68	65.26
Poor attendance	33	34.74	100.00
<b>Total</b>	<b>95</b>	<b>100.00</b>	<b>100.00</b>

**Source:** Field Survey, 2022.

### Regression Analyses Result

Table 4 revealed the Regression analyses for Non - interest cooperative Societies to determine the factors influencing the application for loan in the cooperative. The Positive values of the Coefficients showed that a unit increase in any of the factors would lead to percent increase in the amount of loan to be collected by the members. While the negative value would lead to a percent decrease in the dependent variable. The regression Coefficient for age, gender, marital status, educational status had positive value 0.725, 0.445, 0.522 and 0.32 while variable such as house hold size and organizational status had negative Coefficient value of – 0.167 and – 0.312 respectively.

The gender and Marital Status Coefficients were positive and significant at 10 percent, the coefficients suggest that a unit increase in the gender and marital status of the respondents would lead to 0.445 and 0.522 percent increase in the amount of loan collected by the respective members of the societies. This implies that the gender and marital status is a factor contributing to the amount of loan being collected and utilized in the cooperative’s societies. The variable such as, household size and organizational status had negative Coefficients value of – 0.167and – 0.312 respectively. R<sup>2</sup> value of 0.773 shows the total variation in dependent variable being explained by the explanatory variable of Non - interest cooperative society. However, the F-statistics which shows the fitness of the whole model for Non - interest cooperative society is also significant at 10 percent level of probability.

**Table 4:** Logit Regression Results on Determinant factors of Non-interest cooperative

Variable	Estimated Coefficient	P - Values
Constant	3.650	.000
Age	0.725	(0.009)***
Gender	0.445	(1.025)
Marital Status	0.522	(0.059)**
Educational Level	0.323	(0.822) *
Household Size	- 0.167	(0.250) **



Organization Status	-0.312	(0.678)
Commercial Bank	- 0.635	(0.544)***
Personnel training	0.611	(0.012)
<hr/>		
F Statistics 0.613	R <sup>2</sup> = 0.773	Adjusted R <sup>2</sup> = 1.48

Source: Authors Computation,\*\*\* denote significant at 1% \* denote significant at 10%.

### **Conclusion**

The findings showed majority of the Cooperators were male, married with respondents age fall between 30 – 50 years. It was revealed that most of the Cooperators have Secondary Education with majority having 1 – 10 years of experience of membership and have family size member of 5 – 10 people.

The result revealed majority of rural Cooperators utilized Non-interest Cooperative loan for farm business expansion and pursuing family education respectively. The Regression analyses revealed factors such as age, marital status and educational level have positive effect on the loan collected by the Cooperators while variables such as; house hold size, organization status, and commercial banks have negative effect on Non-interest loan collected by the respondents.

### **Recommendations**

Based on the findings of this study, it is hereby recommendations that:

1. The Non – interest Cooperatives should step up awareness campaign to the Cooperators, on importance of meeting attendance, as a tool for effective decision making in the Society.
2. The Non – interest Cooperatives should form cartel and pool resources together to establish Microfinance or Non-interest Commercial bank to prosper their ideology and avoid excessive interest charges on their business activities.

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