

## **Does Cooperatives Matter For Employment Generation And Business Growth? Evidence from Nigeria**

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**ABSTRACT:-** Prior studies have shown that cooperatives play a fundamental role in improving job creations and sustainable development. Regardless of the viewpoints of prior studies, there have been no studies that have assessed the linkage between cooperatives, employment generation and business growth, particularly in Nigeria. Given this gap in management literature, this study examined cooperatives, employment generation and business growth nexus. The survey design was employed and questionnaire was administered to two hundred and nine registered cooperative in south-south geopolitical zone of Nigeria namely Delta, Edo, Bayelsa, Akwa-Ibom, Rivers and Cross Rivers States. Data obtained in the field survey were analyzed using descriptive (simple percentages, mean, standard deviation, skewness, kurtosis) and inferential (Lawley's correlation) statistics. Findings showed that cooperatives are vital dynamics that drive employment generation and business growth; thus, cooperatives matter for employment generation and business growth in Nigeria. In view of the finding, it is recommended that for developing nations to overcome the ever-increasing unemployment rate and grow the business environment, the government should provide support-fund to all categories of cooperatives. In fact, the support-fund should be at no interest rates to enable cooperatives lend to members at a lowered interest rate as well as increasing their capital base.

**Keywords:** Cooperative; Employment generation; Business growth; Developing countries;

**JEL Classification:** P13; Q13; E24

### **I. INTRODUCTION**

In recent times, access and availability of fund has been a fundamental impediment to survival and growth of the formal sector around the globe. This issue is not peculiar to the formal sector alone; the informal sector suffers the most, particularly enterprises that are desirous of trailing growth. In Nigeria for instance, the informal sector accounts for a sizeable number of workforce; however it is constrained by dearth of financial resources. Arindam and Mohua (2019) opined that one vital means via which the informal sector obtains funding has been the instrumentality of cooperatives.

According to the International Labour Office (2015), employment generation and business growth are the most imperative contributions of cooperatives throughout the globe. Saner and Yiu (2017); Churk (2015); Kumar, Wankhede and Gena (2015) see cooperatives as private organizations owned and controlled by individuals who use its products/services to meet the changing needs of individuals. Alluding to the view of ILO (2015), Schwetmann, (2014a) asserts that at least 40 per cent of households in Africa are members of cooperative societies; hence, when taken in aggregate, cooperatives are acknowledged as one of developing nation's prevalent non-governmental organisation (NGO).

Whilst cooperatives create products and services, they also add social values to businesses (Saner & Yiu, 2017). More worrisome is the fact that developing nations are characterized by high levels of low-skilled and unemployed individuals together with an outsized number of people who tend to be barred from partaking in economic and social life as a result of their financial capability. Prior studies showed that cooperatives are more resilient to the increasing economic and job crisis than other economic actors (ILO, 2017; Smith & Rothbaum, 2013); this clearly denotes the deep-seated role of cooperatives as driver of job creation and business growth.

Consequently, it is important to assess whether cooperative matter for employment generation and business growth in developing countries such as Nigeria. The remaining section of this paper is divided as follows: literature review and hypotheses development, research methods, results and discussions, conclusion and recommendations.

## **II. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT**

### **2.1 Concept of Cooperatives**

The concept of cooperative has been widely defined in management literature; cooperative connotes a private enterprise or organization owned and controlled by individuals who use its products or services (Saner & Yiu 2017; Churk, 2015; Kumar, Wankhede & Gena, 2015; Muthuma, 2012). In Nigeria, the Companies and Allied Matters Act (CAMA), 2020 envision cooperatives as non-governmental organization; cooperative is an enterprise that provides financial support via granting of interest-yielding loans for purpose of growing members' business, promote job creation and to a reasonable level, accords members some levels of financial independence. Impliedly, cooperatives are formed by group of individuals who are desirous of coordinating themselves financially in order to realize vertical integration in their business activities (Mohammed & Lee, 2015; International Cooperative Alliance, 2012; Department of Trade and Industry, 2012; Muthuma, 2012)

Cooperatives in Nigeria are in part regulated by CAMA and other cooperative legislatures; they vary in types and membership size and are planned to adapt to member's changing needs. Cooperatives are useful for encouraging the interests of the financially deprived like farmers, workers, and consumers. The United States Department of Agriculture enumerated three vital principles that distinctively characterize a cooperative – user-owned principle (i.e. individuals who own and finance the cooperative), user-control principle (individuals who control the activities of the cooperative), and user-benefit principle (individuals who obtain loan from the cooperative).

According to Smith and Rothbaum (2013); Mhembwe and Dube (2017); Arindam and Mohua (2019), cooperatives play a fundamental role in periods of economic turbulence and crisis. Cooperatives are one of the most widespread approaches used to enhance livelihoods across the globe (Khumalo, 2014; Schwettmann, 2014a; Schwettmann, 2014b; Hyung-sik, 2017). Cooperatives operate in a broad variety of industries like agricultural, credit units, housing, business, insurance, students, and workers cooperatives among others.

In developing countries like Nigeria, the most predominant forms of cooperatives are business, agricultural, housing, and workers cooperatives; these types of cooperatives are predominant in developing countries because they are targeted at growing business, equipping members with financial resources, thus disconnecting them from the unemployment circle. Consequently, cooperatives are envisaged as drivers of business growth and employment generation, particularly for countries where financial resources are limited.

### **2.2 Cooperatives as Dynamic of Employment Generation**

In developing countries, unemployment persists and has resulted in economic decline. However, with the appearance of cooperative, unemployment landscape change (Mayende, 2011; Mensah, Ameyaw, Ahenkan & Nyigmah, 2013). By and large, the use of cooperatives is widely acknowledged as an engine for promoting employment generation.

The International Labour Office (2017; 2015); Mohammed and Lee (2015); and Ferguson (2012), observed that with the appearance of cooperatives, most world economies, predominantly developing economies witnessed tremendous progress as more employments were created. Prior researches by Arindam and Mohua (2019); Mhembwe and Dube (2017); Mago, Mazsie and Hofisi (2013) established that cooperatives contribute significantly to employment generation. Based on the viewpoints of prior studies, we therefore hypothesized that:

***H<sub>01</sub>: Cooperatives have no relationship with employment generation in developing countries***

### **2.3 Cooperatives as Determinant of Business Growth**

In management literature, there is dearth of empirical evidence on cooperatives and business growth nexus in developing countries. Moreover, given the motive for establishment of most cooperatives (business cooperatives), it is a sine qua non that activities of the cooperative are structured towards the success of members' business.

Again, members who obtain loans from cooperatives usually commit the funds into a business venture or the other for purpose of generating the needed resources to repay the obtained loan. Given the dearth of empirical evidences on cooperatives and business growth nexus and the viewpoints articulated above, we thus hypothesized that:

***H<sub>0</sub>2: Cooperatives have no relationship with business growth in developing countries***

#### ***2.4 Theoretical Underpinning***

Several theoretical paradigms have been advanced to explain the basis for success or failure of cooperatives. Birchall (2009) posits that some of these theoretical paradigms encompassed mutual incentive, supportive environment, cooperative design/evolution, ownership theories, among others. However, this paper is anchored on cooperative design and evolution (CDE) theory propounded by Shah.

The CDE theory depicts the foundation of failure or success of cooperatives by exposing that cooperative may fail or succeed due to members' loyalty, and/or inability of cooperatives management to have a formidable design of how it structures its activities in order to generate employment and fund members businesses. Remarkably, prior studies (Saner, Yiu & Csend, 2017; Birchall, 2009) have used CDE in explaining cooperatives and economic development and job creation. The relevance of this theoretical archetype to the study is that CDE provides a basis for supporting the link between cooperatives and employment generation and business growth.

#### ***2.5 Extant Studies***

There are robust empirical studies on cooperatives and sustainable development nexus while there is dearth of empirical studies on cooperatives, employment generation and business growth nexus, particularly for developing countries. For instance, Arindam and Mohua (2019) examined the contribution of cooperatives on employment generation in India as a target for sustainable development goal (SDG). Secondary data and the student t-test was employed and findings indicated that cooperatives play a very fundamental role in realizing the targets associated with sustainable development goal eight

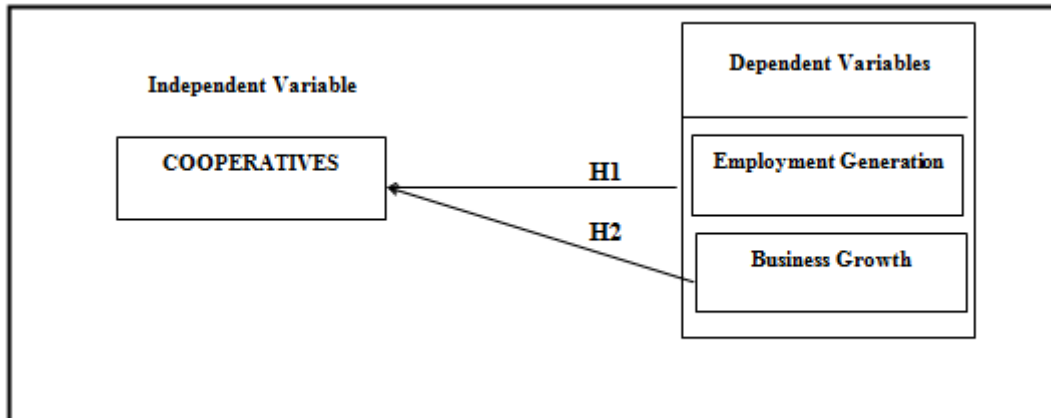
Mhembwe and Dube (2017) studied the place of cooperatives in sustaining the livelihoods of local rural communities in Zimbabwe. Questionnaire was administered to respondents in rural communities and the data obtained were analysed by means of descriptive statistics. Findings indicated that with the adoption of cooperatives, local rural communities generated employment, augment food production, empowered the marginalised, particularly women, and encouraged social cohesion and integration, thus improving the livelihoods of local rural communities.

Saner and Csend (2017) scrutinized the organizational challenges of cooperatives and their potential contributions to economic development in least developed countries (LDC). The qualitative result showed that cooperatives contributes to inclusive economic and social value creation in LDC. Khumalo (2014) evaluated the contributions of cooperatives as vehicles for local economic development in South Africa. The qualitative result revealed that cooperatives promote local economic development as well as a vital instrument for socio-economic development.

Mago, Mazsie and Hofisi (2013) assessed whether cooperatives affect employment generation in South Africa using secondary data. The study found that cooperatives contribute to the employment generation in South Africa. More so, the study showed that while cooperatives employ worker-members, they could not employ managers and other skilled personnel that can drive their activities.

Smith and Rothbaum (2013) investigated the foremost trends and prospects for cooperatives using four dimensions: lack of jobs, educational mobility, economic and social inequality, and priority need for innovation. Secondary data was obtained from 1976-1981 on job creation, and cooperative employees. The study established that economic and social inequalities as well as lack of jobs are the foremost trends for cooperatives. Majee and Hoyt (2011) analysed the link between cooperatives and community development in the United States of America. The descriptive result showed that cooperatives serve as a means of community development

Dogarawa (2005) examined the place of cooperative societies in economic development in Nigeria. The descriptive result indicated that for cooperatives to be effective and promote economic development, it must achieve two inter-related goals: enhance viability and ability to service members; yet, the study showed that cooperatives enhance economic development. In view of the literature review and hypotheses development, the conceptual model of study is given as:



**Figure 1: Conceptualized by the Researcher**

**III. RESEARCH METHODS**

In this paper, the survey research design was adopted by means of questionnaire administered to two hundred and nine(209) registered cooperative societies in south-south geopolitical zone of Nigeria, specifically Delta, Edo, Bayelsa, Akwa-Ibom, Rivers and Cross Rivers States. The understudy cooperative concerns were categorized into three forms: small, medium and large in order to assess their extent of efficiency in management aimed at promoting employment generation. The basis for categorizing cooperatives into small, medium and large was based on their capital base, number of members and financing capacity

More so, the questionnaire was designed on 5-point Likert scale of Strongly Agree, Agree, Undecided, Disagree and Strongly Disagree and built based on the viewpoints of prior studies of Arindam and Mohua (2019); Mago, Mazsie and Hofisi (2013). The questionnaire was designed to assess cooperatives, employment generation and business growth nexus. Towards ensuring a robust data collection, the respondents were given a 10day period to complete the survey.

More importantly, a test-retest method comprising of thirty (30) respondents was carried out to assess the internal consistency of the questionnaire through the Cronbach Alpha reliability test, of which a reliability index of 0.84 was recorded. Data obtained in the field survey were analyzed using descriptive (simple percentages, mean, standard deviation, skewness, kurtosis) and inferential (Lawley’s correlation) statistics; the Lawley’s correlation was employed with a view to ascertaining whether a relationship exist between cooperatives, business growth and employment generation. The statistical analysis was performed via STATA 13.0 version.

**IV. RESULTS AND DISCUSSIONS**

**Table 1: Socio-Demographic Characteristics of the Respondents**

Ranks	Variables	Respondents	Frequency N=209	Percent(%)
1	Gender	Male	122	58.37%
		Female	87	41.63%
		<b>Total</b>	<b>209</b>	<b>100%</b>
2	Age	25-30years	34	16.27%
		31-35years	51	24.40%
		36-40years	88	42.11%
		> 41years	36	17.22%
		<b>Total</b>	<b>209</b>	<b>100%</b>
3	Marital Status	Single	43	20.57%
		Married	157	75.12%
		Others		
		<b>Total</b>	9	4.31%
4	Category of Cooperatives	Small	209	29.0%
		Medium	88	42.11%
		Large	92	44.02%
		<b>Total</b>	29	13.87%
		<b>Total</b>	<b>209</b>	<b>100%</b>

Source: Field Survey, 2020

Presented in Table 1 are the socio-demographic characteristics of two hundred and nine (209) respondents in the south-south geopolitical zone who partake in the survey on cooperatives, employment generation and business growth; the table above revealed that 122(58.37%) of the respondents are males while 87(41.63%) are females. 34(16.27%) and 51(24.40%) are within the age brackets of 25-30years and 31-35years respectively while 88(42.11%) and 36(17.22%) 36-40years and 41years and above respectively.

Besides, 43(20.57%) and 157(75.12%) of the respondents are single and married respectively. In addition, it was shown that majority of the cooperatives sampled were small and medium signifying 88(42.11%) and 92(44.02%); an indication that quite a number of cooperatives in the south-south geopolitical zones are either small or medium cooperatives.

**Table 2: Descriptive Statistics of Dependent and Independent Variables**

Variables	Obs.	Mean	Std. Dev.	Kurtosis	Skewness
Cooperatives	209	3.4279	0.4379	2.8560	0.9690
Employment generation	209	3.5443	0.4608	2.5040	1.0450
Business growth	209	3.3203	0.3889	2.4270	1.6370

**Source: Field Survey, 2020**

With regards to the dependent variables (employment generation and business growth) and independent variable (cooperatives), all the variables scored above a mean threshold of 2.50 (Table 2); indicating that the respondents perceived the instrument scales as good metrics for assessing cooperatives, employment and business growth nexus. However, all the variables showed minimal variations in the data values as captured by the standard deviation; implying that respondents perception on the subject are not too dispersed from each other.

Similarly, skewness and kurtosis statistics jointly provide information on normality of data. The dependent and independent variables are skewed to the right, as indicated by the positive signs attached to skewness values. Moreover, kurtosis values showed that both the dependent and independent variables are less than 3; a clear indication of platykurtic curves (more flat-topped distributions) as recommended by Gujarati (2003). Impliedly, the result satisfies the normality condition.

**Table 3: Lawley Correlation Result for Cooperatives, Employment Generation and Business Growth**

Variables	Obs.	Lawley chi2	Prob > chi2
Employment Generation	209	65.58	0.0000
Business Growth	209	89.32	0.0000

**Source: Field Survey, 2020**

Presented in Table 3 is the Lawley correlation of cooperatives, employment generation and business growth nexus. Based on the Lawley statistics (Employment generation = 65.58 Prob = 0.0000 < 0.005; Business growth = 89.32 Prob < 0.005), there is link between cooperatives, employment generation and business growth. Consequently, the null hypotheses are rejected while alternate hypotheses are accepted, indicating that cooperatives societies have significant relationship with employment generation and business growth in Nigeria.

The results of this study corroborates in part with prior studies of Arindam and Mohua (2019); Mhembwe and Dube (2017); Khumalo (2014); and Mago, Mazsie and Hofisi (2013). These studies found reasonable evidences that the presence of cooperatives can augment job creation and perhaps makes an economy sustainable.

## V. CONCLUSION AND RECOMMENDATIONS

In recent times, cooperatives play a fundamental role in improving the livelihoods of rural communities, the world over. Regardless of the role of cooperatives in contemporary society, their task has not been greatly harnessed. Whilst we acknowledge the fact that there are quite a number of studies that have assessed the role of cooperatives in promoting job creations, and sustainable development; nevertheless, whether the presence of cooperatives augments employment generation and business growth has been a concern that has not been deeply researched, particularly for developing countries characterized by surmounting unemployment rates.

Given this lacuna in literature, this paper was carried out with the view to assessing whether cooperatives are dynamics for employment generation and business growth via their financing support to individuals and businesses that may not have the financial capacity and collateral to obtain funding from formal institutions. In view of the analysis of data obtained in the field survey involving two hundred and nine (209) small, medium and large cooperatives in south-south geopolitical zone of Nigeria, it was found that cooperatives societies play a fundamental role in promoting employment generation as well as in enhancing business growth in Nigeria.

In fact, for developing nations such as Nigeria to overcome its ever-increasing unemployment rate and grow the business environment, there is the need for government to provide support to cooperatives by way of support-fund; the support-fund should be at no interest rates to cooperatives to enable them lend to members at a lowered interest rate as well as increasing their capital base. More so, the move by the government to provide support-fund will not only promote cooperative societies, rather it will translate into enhanced job creations and business growth for its citizens.

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