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**THE PERFORMANCE OF CREDIT CO-OPERATIVES AND ITS EFFECT ON THE ECONOMIC DEVELOPMENT OF ESUT (ICCS) MEMEBERS**

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**ABSTRACT**

This study evaluated the performance of investment and credit co-operative societies and its effects on members' economic development. ESUT (Enugu) Investment and Credit Co-operative Society (EICCS) was used as a case study for the research. Questionnaire and interview served as the instrument of data collection; while Nassiuma formula was used to draw a sample size of 92 respondents from the members of (EICCS) who have a population of 1118 members. Questionnaires were administered to 92 staff of the institution that belongs to the (EICCS), a total of 90 questionnaires were valid and separate designed questions were used to interview some officials/staff of the society. Frequency table and simple percentage was employed in data presentation and analysis. Descriptive research design was used to analyze the data collected. The findings from the analyses show that majority of the members have received loans from (EICCS). Majority also agreed that the EICCS loan transaction cost, availability and low collateral compared to other institution both private and public. The study therefore recommends that co-operative should ire qualified and experienced staff, who would meet the challenges of competition with other business. It was also recommended that they should introduce incentives that are capable of influencing members to increase their savings and deposit. The research concludes that (EICCS) can be a viable and reliable instrument in impacting and improving positively the economic development of (EICCS) members and staff of ESUT.

**Keyword:** Credit Co-Operatives, Economic Development, ESUT (ICCS) Member and Nigeria.

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## INTRODUCTION

It is pertinent to commence this study by talking about the general overview of what cooperative is and what investment and credit cooperative is all about and what they do.

Cooperative is an ubiquitous institution. It is found in economies that are developed, developing, under-developed and never-to-develop. It does well in rural, urban and semi-urban areas [1].

Cooperatives society is also a “pan-human” organization. Because cooperatives are ubiquitous and preponderant, they are found everywhere and the institution is very flexible to be used by all and sundry [2]. The uniqueness of cooperatives and its flexibility allows it to be practiced among farmers, fishermen, artisans, industrial and commercial workers, drivers, market men and women etc.

The cooperative societies do not discriminate against sex, religions, colour or race. Cooperative is destined to play a decisive and effective role in the world economy [3]. Cooperative is an activity of the people. It is a self-generated, voluntary and self-sufficient activity. It has always been a feature of human kind, an activity of the people for mutual help and collective progress [4].

Investment and credit cooperatives are on the other hand intended to offer an alternative to improving the desirable situation on low income earners [5]. Investment and credit cooperatives societies (ICCS) are community membership based financial institutions that are formed and owned by their members in promotion of their members economic, cultural, and social

interests. It can also contribute favorable to Human Integrated Development [6].

Investment and credit cooperative society strategies are customer relationship management, Education and Training, Information technology, Regulatory framework, Monitoring, Evaluation and mentorship, Developing a savings culture promoting of a savings and loan culture, change of attitude and dependence syndrome, adequate institutional support structure and capacity building in the cooperative movement [7].

### **STATEMENT OF PROBLEM**

ESUT investment and credit cooperative society (EICCS) was formed as a result of the desire to eradicate poverty, uplift and standard of living and self-esteem of ESUT workers, the co-operative society has continued to provide financial, material and moral support to its members and ESUT community in general. Hence, the unanimous decision was taken to eradicate poverty and low self-esteem among ESUT staff.

Following the members continues savings with the co-operative; they are able to access credit at low but competitive interest rates. With access to these financial savings and credit services, members can access new investment opportunities or improve on their investment opportunities and engage in any other productive activities as well as learning how to use money wisely and consequently improve on their economic development and standard of living of their household. While there are many factors that can improve and also have positive effect on members economic development and standard of living in ESUT ICCS, its services, terms of service may playing a big role. The study therefore, sought to evaluate the performance of EICCS and its effect on member's economic development and standard of living.

## OBJECTIVES OF STUDY

The general objective of the study is to evaluate the performance of ESUT ICCS and its effect on member's economic development.

The specific objectives include:

- To look into the objectives, roles and operations of ESUT ICCS in solving the financial problems of the members.
- To appraise the performance of ESUT ICCS with a view of finding out how the organization has achieved its objectives as well as improve members economically
- To identify the challenges faced by EICCS in carrying out its activities and meeting to the economic needs of its members.
- To analyze the effect of EICCS performance on members economic development.
- To proffer solutions for solving these lapses and problems for better success of EICCS.

## RESEARCH QUESTIONS

- What are the objectives, roles and services of ESUT ICCS in solving the financial problems of the members?
- How can the performance of EICCS be said to have achieved its set objectives and also improve members economically?
- What are the challenges faced by EICCS in carrying out its objective effectively and efficiently?
- How has the performance of EICCS affected member's economic development?
- What measures can be taken in other to solve the lapses and problems of EICCS in other to fully achieve better results?

## METHODOLOGY

The primary and secondary data were used in this study. The primary data came from questionnaire; direct observation and interview. The secondary data came from abstracts, journals, textbooks, newspapers, magazines, publications by EICCS, CBN publications.

The project is focused on ESUT investment and credit co-operative society located at Agbani Nkanu West Local Government in Enugu State.

### Population/sample size

The population of the study is all members of ESUT Investment Credit Co-operative Society (EICCS) with a population of one thousand, one hundred and eighteen (1,118) members who are staff of Enugu State University of Science and Technology (ESUT) using NASSIUMA: 2000

$$N = \frac{NC^2}{C^2 + (N-1)E^2}$$

Where n = sample size

N = population (1,118)

C= coefficient of variation (0.4)

E = level of precision (0.05)

$$N = \frac{1118 (0.5)^2}{(0.5)^2 + (1118 - 1)0.05^2}$$

$$\frac{279.5}{3.0425} = 91.8652424$$

≈ 92 members

Simple random sampling was used to draw the 92 members from EICCS upon which the formula was applied. The idea is to ensure that all members of the sample population of EICCS has equal chance of being included in the sample.

### ANALYSIS AND PRESENTATION OF DATA

**Table 1: What are the sources of fund for ESUT ICCS?**

Sources of fund	Responses											
	Agree		Strongly agree		Disagree		Strongly disagree		No idea		Total	
	Freq	%	Freq.	%	Freq.	%	Freq.	%	Freq	%	Freq	%
	.								.		.	
Share capital	55	61.1	33	36.6	-	-	-	-	2	2.2	90	100
		1		7						2		
Insurance fees	70	77.8	19	21.1	-	-	-	-	2	1.1	90	100
				1						1		
Interest on loans	68	75.6	22	24.4	-	-	-	-	-	-	90	100
				4								
Fines and levies	74	82.2	15	16.6	-	-	-	-	1	1.1	90	100
				7						1		
Donations	50	55.6	35	38.8	-	-	-	-	5	5.5	90	100
				9						6		

Source: Field survey, March 2016.

Table 1 shows that the respondents rejected none i.e disagreed to all the sources as part of funds for ESUT ICCS. The options are as follows, (61.11) agreed, (36.76) strongly agreed and (2.22%) had no idea in terms of share capital and so on. The other sources and it responses are in the table above.

Based on this analysis, we therefore conclude that all the sources of funds mentioned in table 1 above are part of sources of funds for EICCS. Some other people specified some other sources of fund outside the stated ones in table 1 above which include: Grants from other cooperatives, theft savings and deposit from members and non-members and reserves.

**Table 2: Perceptions as regards the adequacy of services provided by EICCS are**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative percentage</b>
<b>Adequate enough</b>	50	55.56%	55.56%
<b>Very adequate</b>	34	37.78%	93.34%
<b>Inadequate</b>	5	5.56%	93.34%
<b>Very inadequate</b>	1	1.10%	98.8%
<b>Total</b>	<b>90</b>	<b>100</b>	-

Source: Field Survey, March 2016.

The table 2 shows that responses on the perception of members as regards the adequacy of services provided by EICCS (55.56%) and (37.78%) says EICCS is adequate enough and very adequate respectively, while the remaining (5.56%) and (1.10%) say that they are inadequate and very

inadequate respectively. This implies that majority of the respondents has a positive perception as regards the service provided by EICCS.

**Table 3: Are management committees transparent and accountable during their service delivery?**

Responses	Frequency	Percentage	Cumulative percentage
Agree	37	41.11%	41.11%
Strongly agree	42	46.67%	87.78%
Disagree	8	8.89%	96.67%
Strongly disagree	3	3.33%	100%
<b>Total</b>	<b>90</b>	<b>100</b>	<b>-</b>

Source: Field Survey, March 2016.

Data provided on the table 3 above indicates the responses of members concerning the transparency and accountability of EICCS management committee during their cause of carrying out their duties. (41.11%) and (46.67%) agreed and strongly agreed respectively, while the remaining (8.89%) and (3.33%) disagreed and strongly disagreed respectively. This shows that most of the respondents accept that management committee is transparent and accountable in the course of their duty.

Table 4: Challenges facing ESUT ICCS are:

Challenges	Agree		Strongly agree		Disagree		Strongly disagree		No idea		Total	
	Freq	%	Freq.	%	Freq.	%	Freq.	%	Freq	%	Freq	%
Over due loan	21	23.33	30	33.33	15	16.67	2	2.22	22	24.44	90	100
Inadequate capital	42	46.67	18	20	5	5.56	7	7.78	18	20	90	100
Inadequate management and staff	14	15.56	19	21.11	22	24.44	30	33.33	5	5.56	90	100
Mis-appropriation and embezzlement of fund	37	41.11	40	44.44	10	11.11	2	2.22	1	1.11	90	100

Source: Field survey, March 2016.

Table 4 shows that the respondents accepted or agreed to the challenges with (23.33%), strongly agreed (33.33%), disagreed with (16.67%) strongly disagreed with (2.22%) and while respondents that had no idea remaining (24.44%) respectively. For overdue loans as part of the challenges facing

EICCS other analysis of the challenges can be viewed in table 4 above shows responses of the respondents.

Based on the analysis above, we can therefore conclude that the following are challenges: overdue loans, inadequate capital etc. as listed above some others gave further problems as lack of proper record keeping.

**Table 5: Suggestions on ways of reducing or eliminating the challenges of EICCS are:**

Remedies To the challenge s	Agree		Strongly agree		Disagree		Strongly disagree		No idea		Total	
	Freq	%	Freq.	%	Freq.	%	Freq	%	Freq	%	Freq	%
Amendme nt of bye- laws	21	23.32	35	38.89	19	21.11	15	16.67	-	-	90	100
Train up of managem ent and staff	38	42.22	44	48.89	6	6.67	-	-	2	2.22	90	100

Source: Field survey, March 2016.

The table 5 above shows the responses of the respondents regarding suggestions on how to solve or eliminate the challenges faced by EICCS. The responses shows that majority of the respondents agreed and strongly agreed that amendment of bye-laws representing (22.22%) and (38.89%) respectively are solution to the challenges faced by ESUT ICCS while the

suggestion of possible solution of training and education of managements and staff has the following responses (42.22%) and (48.89%) agreed and strongly agreed to the proposed solution to the challenges.

From the analysis, we therefore can conclude that measures to eliminate or reduce the challenges of ESUT ICCS are, proper and deliberate amendment of EICCS bye-laws and training and education of staff and management committee.

Some other suggestions were given by the respondent and it includes: proper and adequate book-keeping of accounting records of all transactions. EICCS and also periodic auditing or inspection of the books of account of EICCS.

**Table 6: Are savings and loan terms flexible enough to encourage everyone to save and borrow money in EICCS?**

Responses	Frequency	Percentage	Cumulative percentage
To some extent	43	47.78%	47.78%
To a great extent	39	43.33%	91.11%
Indifferent	6	6.67%	97.78%
Not at all	2	2.22%	100%
<b>Total</b>	<b>90</b>	<b>100</b>	

Source: Field Survey, March 2016.

The table 6 indicates whether savings and loan terms of EICCS are flexible enough to encourage everyone to save and borrow money. (47.78%) and (43.33%) agreed to some extent and to a great extent respectively, while

(6.67%) and (2.22%) were indifferent from the foregoing. We can now agree that savings and loan terms are flexible enough to encourage every member to save and borrow money.

**Table 7: EICCS loans have tremendously improved members income and as well as solved their financial problems.**

Responses	Frequency	Percentage	Cumulative percentage
Agree	25	27.78%	27.78%
Strongly agree	63	70%	97.78%
Disagree	2	2.22%	100%
Strongly disagree	-	-	-
<b>Total</b>	<b>90</b>	<b>100</b>	<b>-</b>

Source: Field Survey, March 2016.

Table 7 shows that the views of respondents on whether EICCS loans has tremendously improved members income as well as solved their financial problems. Majority of the respondent agreed (70%) while (2.22%) which is the least response strongly disagreed. This implies that ESUT ICCS loans has tremendously improved members' income as well as improved their financial problems as seen in the table 7 above indicates that most of the respondents agreed that members have received productive loans from EICCS.

**Table 8: Are interest on savings and deposits always communicated and distributed as at when due?**

Responses	Frequency	Percentage	Cumulative percentage
Agree	51	56.67%	56.67%
Strongly agree	30	33.33%	90%
Disagree	6	6.67%	84.44%
Strongly disagree	-	3.33%	100%
<b>Total</b>	<b>90</b>	<b>100</b>	-

Source: Field Survey, March 2016.

Data on table 8 shows that the reviews of respondents concerning interest on savings and deposits always communicated and distribute as at when due. The respondent response indicates that (56.67%) and (33.33%) agreed and strongly agreed respectively; while the remaining responses (6.67%) and (3.33%) disagreed and strongly disagreed respectively. This shows that the respondents agreed that interest on savings and deposits are always communicated as at when due.

**Table 9: Interest earned on saving is high enough or not?**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative percentage</b>
<b>To some extent</b>	39	43.33%	43.33%
<b>To a great extent</b>	32	35.56%	78.89%
<b>Not at all</b>	17	18.89%	97.7%
<b>Indifferent</b>	2	2.22%	100%
<b>Total</b>	<b>90</b>	<b>100</b>	-

Source: Field Survey, March 2016.

Table 9 shows respondents' views on whether interest earned on savings is high enough. The responses shows that (43.33%) and (35.56%) agreed to some extent and to a great extent respectively. While the remaining (18.89%) and (2.22) respectively did not agree at all and indifferent. This indicates that most respondents to some extent agreed that interest earned on saving is high enough.

**Table 10: Method of Calculating interest on saving is fair and encourages saving?**

Responses	Frequency	Percentage	Cumulative percentage
To some extent	34	37.78%	37.78%
To a great extent	29	32.22%	70%
Not at all	22	24.44%	94.44%
Indifferent	5	5.56%	100%
<b>Total</b>	<b>90</b>	<b>100</b>	-

Source: Field Survey; March, 2016.

The table 10 above shows respondents responses on whether the method used in calculating interest on savings is fair and encourages saving by members. The responses indicates that (37.78%) and (32.22%) to some extent and to a great extent respectively agreed, while the remaining responses (24.44%) and (5.56%) did not agree at all and the least is indifferent about the method used in calculating interest.

**Table 11: Do you know the surplus is disbursed or appreciated?**

Responses	Frequency	Percentage	Cumulative percentage
To some extent	37	63.33%	63.33%
To a great extent	22	24.44%	87.7%
Not at all	7	7.78%	95.55%
Indifferent	4	4.44%	100%

<b>Total</b>	<b>90</b>	<b>100</b>	<b>-</b>
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Source: Field Survey; March, 2016.

Data on table 11 indicates respondents' views whether they know how surplus is bring distributed or appreciated. The responses shows that (63.33%) and (24.44%) respectively are positive to some extent and to a great extent; while the remaining (7.78%) and (4.44%) do not think so at all and are indifferent about it. This implies that majority of the respondents agree to some extent that have an idea how the surplus of EICCS is disbursed or appreciated to members.

**Table 12: Performance Appraisal of EICCS from 2005-2013.**

<b>Year</b>	<b>Revenue (#)</b>	<b>Net profit/loss (#)</b>	<b>Share capital (#)</b>	<b>Thrift and saving (#)</b>	<b>Deposit (#)</b>
<b>2005</b>	885,700	3,086,630	3,567,800	69,433,397	6,205,250
<b>2006</b>	2025,269	6,324,533	5,622,750	107,369,846	9,606,736
<b>2007</b>	1876,240	12,142,433	8,322,450	148,795,385	21,002,789
<b>2008</b>	9082,152	6,856,916	11,203,550	205,044,585	26,553,817
<b>2009</b>	5,856,700	(990,046)	11,408,410	256,112,817	25,371,275
<b>2010</b>	8,550,777	8,213,269	25,572,941	320,911,477	21,301,063
<b>2011</b>	11,958,513	16,951,997	39,816,496	395,549,277	22,780,081
<b>2012</b>	14,208,938	18,091,170	59,154,981	523,291,507	23,025,294
<b>2013</b>	14,006,310	15,352,110	82,181,436	694,081,262	26,837,281

Source: Financial Statement of EICCS, 2005-2013.

Table 12 indicates the financial performance appraisal of EICCS from 2005-2013, comprising of its revenues, net surpluses/losses, share capital, thrift and savings as well as deposit.

Based on the table, it implies that the EICCS performance has tremendously been improved when compared from 2005 to 2013 except from 2009 that they had a net loss of (₦990,046). The figures on the table were gotten from EICCS summary of annual statement of accounts as improved by the Director of Cooperative Societies (2005-2013).

### Analysis of EICCS profitability ratio

**Table 13: Computed from 2005-2013**

Year	R.A%	P.M	A.T	R.O.E	C.R
2005	2.05	192.63	0.0117	26.52	8:10:1
2006	5.23	312.28	0.0167	46.62	11:04:1
2007	6.86	647.17	0.0105	42.96	8:08:1
2008	2.82	75.50	0.0374	18.04	7:29:1
2009	-1.56	-16.91	0.0924	5.22	12:18:1
2010	2.15	96.05	0.0224	13.56	15:75:1
2011	3.49	141.76	0.0246	18.67	16:93:1
2012	2.78	129.32	0.0218	14.11	23:31:1
2013	1.78	109.61	0.0163	9.22	28:30:1

Source: Financial Statement of EICCS, 2005-2013.

From table 13 above, it indicates the analysis of EICCS profitability ratios. These ratios were calculated using the accounting ratios specifically, the profitability ratios which comprises of Return on Assets (R.A), Profit Margin (P.M), Asset Turnover (A.T), Return on Equity (R.O.E), Current Ratio (C.R). This was computed using the data's gotten from EICCS summary of annual statement of account as approved by Director of Cooperative Societies (2005-2013).

### **Summary of findings**

The findings were summarized in an attempt to answer the research questions raised in chapter one in line with the objective of the study.

The summary of the findings are therefore as follows:

- The investment and credit cooperative plays a lot of roles in solving the financial problems of its members. This is evidence with the presence of ESUT (Enugu ICCS providing services to both the academic and non-academic staff of ESUT institution).
- The performance of ESUT (Enugu ICCS and its effect on members economic development have been analyzed and;
  - i. It was discovered that loans were continuously given to cooperators even when cooperator's salaries deducted was not paid to the cooperative society.
  - ii. It was also discovered hat loans were possessed fast enough within the time frame allocated for loan processing.
  - iii. It was ascertained that interest/dividends to cooperators were paid yearly about January-February of each year. This was to enable the members tidy up the dry months following the Christmas and New Year celebrations.
  - iv. It was also ascertained that retired or voluntary withdrawn or demised cooperators were paid off without delay. Form 2009, all **IDOSR JOURNAL OF ARTS AND MANagements 1(1):19-40, 2016.**

cooperator that paid ₦100.00 per month for 5 years and retained or voluntarily withdraw or died were paid the sum of ₦200,000.00 as welfare package in addition to all their contributions. This package was later suspended as it became unsustainable.

- There are factors which also impeded the effectiveness of EICCS. They include; overdue loans, inadequate share capital which is as a result of the consideration its marginal member, inadequate management and staff capacity, fraud, mis-appreciation and embezzlement of funds as well as lack of proper book keeping and accounting system etc.
- The cooperative have also been able to engage in some productive transaction which are of great benefits to its members and the society at large by enhancing and improving members standards of living. Such transactions, the purchase of landed properties and the allocation of the purchased landed properties to its members who later pay up back to the cooperative society.

### **Leadership**

Cooperatives will require assistance in hiring qualified and experienced employees, who could meet the new challenge of competition with other businesses. In addition, assistance will be required in training such staff, particularly on the job training. Poor governance has also stemmed from uninformed cooperative members who are manipulated by a few individuals in electing cooperative officials. Assistance is therefore required in investing in training programs that creates awareness to the cooperative members on their rights. These would in turn make them demand for good governance, i.e transparency and accountability.

### **Financial management**

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To overcome the problem of poor and inefficient management systems, the cooperative movement requires to be assisted to invest in developing sound management and accounting models for adoption by cooperatives in a more liberalized economy. This would enhance accountability through strengthening of watch dog systems such as improvement in accounting, budgeting, internal and external accounting. Penalties for fraud and misappropriation of funds could also be made harsh within the legal framework.

Based on the above, it is the contention of the researchers that credit cooperative should be sufficiently assisted to have greater impact on not just influencing savings decisions but enhancing and improving the economic needs of its members. We therefore suggest the following:

- An awareness membership drive is desirable to attract more members into cooperative society in order to enable as many persons as possible have the opportunity of saving towards provision economic needs of members and unforeseen events.
- Credit cooperative should introduce incentives that are capable of influencing members to increase their savings deposit and also attract new members. Such incentives could be in the form of attractive interest rates and linkage of credits/loan to amount of savings deposit made in cooperative.
- The credit cooperative in the area should consider the possibility of going multipurpose so as to be able to satisfy members' economic needs.
- The credit cooperatives should as much as possible try to link credit demand to savings deposits. This way, members will intensify efforts at meeting up with savings obligations being fully aware that the

amount of credit they will obtain from cooperative will depend on this.

- With due consideration of the income factor which is a prime determinant of savings, one way to improve the saving level for all members would be by implementing politics that improve productivity and income of household.

### **Conclusion**

This study assesses the performance of investment and credit cooperative societies (ICCS) and its effects on member's economic development with focus on ESUT (Enugu) investment and credit cooperative society (EICCS). The paper was able to establish the fact that ICCS is an important organ for economic development among staff of both public and private workers of higher institutions who ordinarily cannot afford to save enough money themselves to develop economically and improve their standard of living. Although the result for the research question revealed that salaries of staff have not been able to significantly assist the members in helping themselves economically. However, the respondents appreciate the interest rate offered to them by the society. Majority responded that there is no problem with the running's of the society. The remaining few complained of delay in giving out loan, dishonesty from some members in returning loans and back of enough money. These problems are actually taking care of by EICCS for instance defaulters on returning loans are handled easily by the society through the defaulting member's salary and source of pay cash.

Despite some of these problems, respondents still rated the cooperative society loan higher compared to other institution because of its, affordability, availability, transaction cost and accountability.

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