

# Roles of Cooperatives in Economic and Rural Empowerment in Imo State, Nigeria

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## Abstract

The paper examines the role cooperatives play in economic and rural empowerment. The purpose is to investigate ways in which cooperatives act as tools towards sustainable rural and economic empowerment in Imo state, Nigeria. The research method adopted is exploratory and reveals that cooperatives have alternative business models for local businesses that are both responsive to rural needs which can stimulate economic development by giving people control over their livelihoods create job opportunities and provide a channel for the overall growth of the Nigerian economy. The results show that cooperatives contribute to economic and rural empowerment through the procurement of farm inputs for members, giving vocational skills and fighting social exclusion in the rural areas. The results also reveal that the gains of cooperation have not been fully realised in the study area especially in job creation. It was concluded therefore that employment planners, cooperative promotion agencies, social partners, donor organisations and agencies should take advantage of the investment opportunities that lie fallow in the study area so that the rural dwellers can feel a change in their quality of life through the provision of amenities such as electricity, water, markets, education, roads and provision of adequate infrastructure, income, food production and employment thus eliminating the rural- urban divide.

**Keywords:** Rural Empowerment; Cooperatives; Economic Empowerment.

## 1. Introduction

In today's contemporary society and in a period when people feel helpless to change their lot in life, expectations become high in terms of workable solutions that would empower people socially as well as economically.

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The rural dwellers and women are most vulnerable to the incidence of poverty evident in the rural landscape and worsened by the fact that the federal government assistance for rural development continues to decline. It becomes imperative for an economic alternative that will be both responsive to rural needs as well as stimulate economic growth. Most experts in the field of Agriculture and economics are increasingly interested in alternative models for local businesses that will foster economic growth at rural and regional levels, thus building on the spirit of cooperation that is domiciled in the rural areas. Again, if development planning is to be successful, it should start from the grassroots levels.

More so, development efforts should be concentrated on human resources and people at grass root levels should be mobilized to work together voluntarily to pool scarce resources at their disposal. Cooperatives play a pivotal role in rural areas especially where private owned businesses are scarce and government agencies and authorities do not provide essential services to meet the needs of the people. The history of cooperatives is a long and fruitful one, and they continue to provide benefits to members today. Extremely varied and flexible, cooperatives have membership rolls that range from millions to only a handful. They have been founded by farmers, artisans and credit unionists, among many others. Co-operatives in other countries like Kenya and Canada contribute significantly to their national economies. Co-operatives could be a significant force in empowering rural communities, farmers, women and micro entrepreneurs throughout Nigeria. The big questions now are, can cooperatives bring about the desired change needed for the economic empowerment of the rural dwellers? Can they eliminate the disparity created by the rural-urban divide in such a way as to improve the quality of life and working condition of people generally? Answers to these and many other questions would be X-rayed in this contribution. The study will look at cooperatives as a means of economic and rural empowerment to the people of Imo state, Nigeria. The study is exploratory thus involving vast literature search. The justification arises from the fact that cooperatives have been widely researched globally but are still in their primary stage of development and researches based on them are scanty and incomprehensible in Imo state.

## **2. Review of literature and definition of terms**

### Concept cooperative Society

Cooperative is an autonomous association of women and men, who unite voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. It is a business enterprise that seeks to strike a balance between pursuing profit and meeting the needs and interests of members and their communities. The ICA defines a cooperative as “an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise [11]. A co-operative is a business organization owned by the members who use the services of the co-operative. Control rests equally with all members and surplus earnings are shared by members in proportion to the degree they use the services. It is further defined as a business owned and controlled by the people who use its services.

They finance and operate the business or service for their mutual benefit. By working together, they can reach an objective that would be unattainable if acting alone.

The purpose of the cooperative is to provide greater benefits to the members such as increasing individual income or enhancing a member's way of living by providing important needed services. The cooperative, for instance, may be the vehicle to obtaining improved markets or providing sources of supplies or other services otherwise unavailable if members acted alone.

#### Concept of empowerment

World Bank's definition of empowerment is that it a process of increasing the capacity of individuals or groups to make choices and transform those choices into desired actions and outcomes. Empowered people have freedom of choice and action. This in turn enables them to better influence the course of their lives and the decisions which affect them. Activities which seek to empower people are expected to increase development opportunities, enhance development outcomes and improve people's quality of life. Empowerment is a process that challenges our basic assumptions about power, helping, achieving and succeeding. It is a process that is similar to a path or journey, one that develops as we work through it. It is a multidimensional social process.

#### Rural empowerment and Rural development

Rural empowerment simply means the process of increasing the capacity of individuals or groups resident in the rural areas to better influence them in achieving the transformational economic, environmental and social changes required for sustainable development. Rural empowerment is a key not only to the well-being of individuals and families living in rural communities, but also to overall economic productivity of a nation. Rural development generally refers to the process of improving the quality of life and economic well-being of people living in relatively isolated and sparsely populated areas. Rural development has traditionally centred on the exploitation of land-intensive natural resources such as agriculture and forestry. Rural development actions are mainly and mostly to development aim for the social and economic development of the rural areas. Rural development aims at finding the ways to improve the rural lives with participation of the rural people themselves so as to meet the required need of the rural area. The outsider may not understand the setting, culture, language and other things prevalent in the local area. As such, general people themselves have to participate in their sustainable rural development [13]. As a concept, it connotes overall development of rural areas with a view to improve the quality of life rural people. As a phenomenon, it is the result of various physical, technological, economic, socio-cultural and institutional factors. As a discipline, it is multi-disciplinary in nature representing an intersection of agricultural, social, behavioural and management of sciences. In short, rural development is a process that aims at improving the standard of living of the people living in the rural areas.

Rural development may be defined as overall development of rural areas to improve the quality of life of rural people. It is an integrated process, which includes social, economic, political and spiritual development of the poorer sections of the society. It can also be defined as, helping rural people set the priorities in their own communities through effective and democratic bodies, by providing the local capacity; investment in basic infrastructure and social services, justice, equity and security, dealing with the injustices of the past and ensuring safety and security of the rural population, especially that of women. Rural development is a strategy to enable a

specific group of people, poor rural women and men, to gain for themselves, and their children more of what they want and need.<sup>[4]</sup> It involves helping the poorest among those who seek a livelihood in the rural areas to demand and control more of the benefits of rural development. The group includes small scale farmers, tenants and the landless. From these definitions, it can be deduced that rural development means improving the quality of life of the rural people through the provision of amenities such as electricity, water, markets, education, roads and provision of adequate infrastructure, income, food production and employment thus eliminating the rural-urban divide. Rural empowerment is a step in the right direction to rural development.

#### Economic empowerment and Economic development

Economic empowerment is the capacity of women and men to participate in, contribute to and benefit from growth processes in ways that recognise the value of their contributions, respect their dignity and make it possible to negotiate a fairer distribution of the benefits of growth. Economic empowerment increases people's access to economic resources and opportunities including jobs, financial services, property and other productive assets, skills development and market information.

Economic development on the other hand has been defined by an array of authors as the creation of jobs and wealth, and the improvement of quality of life. Economic development can also be described as a process that influences growth and restructuring of an economy to enhance the economic well-being of a community. It is described as the creation of jobs and wealth, and the improvement of quality of life.

In the broadest sense, economic development encompasses three major areas, policies that government undertakes to meet broad economic objectives including inflation control, high employment and sustainable growth, policies and programs to provide services including building highways, managing parks and providing medical access to the disadvantaged and policies and programs explicitly directed at improving the business climate through specific efforts, business finance, marketing, neighbourhood development, business retention and expansion, technology transfer, real estate development and others.

Economic development generally refers to the sustained, concerted actions of policy makers and communities that promote the standard of living and economic health of a specific area. Economic development can also be referred to as the quantitative and qualitative changes in the economy. Such actions can involve multiple areas including development of human capital, critical infrastructure, regional competitiveness, environmental sustainability, social inclusion, health, safety, literacy, and other initiatives. Economic development differs from economic growth. Whereas economic development is a policy intervention endeavour with aims of economic and social well-being of people, economic growth is a phenomenon of market productivity and rise in GDP.

The main goal of economic development is improving the economic well-being of a community through efforts that entail job creation, job retention, tax base enhancements and quality of life. As there is no single definition for economic development, there is no single strategy, policy or program for achieving successful economic development. Communities differ in their geographic and political strengths and weaknesses. Each community therefore, will have a unique set of challenges for economic development. Therefore, economic empowerment if

coordinated well can lead to economic development. Cooperatives are therefore instrumental in creating opportunities for productive employment, potable water, roads, health services, education, and markets as well as giving a stronger voice to the rural population. They contribute to the economic development by generating more than 100 million jobs and securing the livelihood of nearly a quarter of the world's population [11]. They provide important channels for combining people, resources and capital into larger and more viable and economically competitive units. Cooperatives are hitherto fore targeted at reducing Poverty resident in the rural landscape which has become a pervasive national and global issue resulting from a state of short-or long-term deprivation and insecurity in basic human needs [4, 11]. Cooperatives play a crucial role in reducing poverty, improving food security and generating employment opportunities. Cooperatives can also be used as breeding grounds for socio-economic empowerment of women by enhancing their specific knowledge and capacities [1]. They empower their members economically and socially and create sustainable rural employment through business models that are resilient to economic and environmental shocks. Agriculture – farming, forestry, fisheries and livestock – is the main source of employment and income in rural areas, where most of the world's poor and hungry people live thus necessitating the need for cooperatives in these settings for economic reasons. The question is how can cooperatives improve the standard of living of the rural dwellers in Imo state and bring about the much desired economic change? The purpose of this paper is to identify the roles cooperatives play in rural and economic development. Therefore, In developed countries, rural cooperatives have significantly contributed to the mobilization and distribution of financial capital, created employment, and constituted a forum for education and training, social welfare and poverty alleviation, and other socio-economic problems [23]. The cooperative enterprise model exists in many sectors, including agriculture, consumer issues, marketing and financial services, and housing.

#### A brief history of cooperatives

There have been conflicting reports and divergent views about the origin of cooperatives. The first documented consumer cooperative was founded in 1769, in a barely furnished cottage in Fenwick, East Ayrshire, when local weavers manhandled a sack of oatmeal into John Walker's whitewashed front room and began selling the contents at a discount, forming the Fenwick Weavers' Society [6]. Decades later many cooperatives emerged such as Lennox town friendly society organised in 1812. Most cooperatives founded in the 19<sup>th</sup> century had collapsed by 1840 leaving only a few who still operate today. In 1844, the Rochdale Society of equitable pioneers established the Rochdale principles on which they ran their cooperatives which gave rise to the modern day cooperatives existing presently. Co-operative enterprises were formed successfully following Rochdale principles, and an international association was formed in 1895. Co-operative enterprises are now widespread, with one of the largest and most successful examples being the industrial Mondragón Cooperative Corporation in the Basque country of Spain. Co-operatives were also successful in Yugoslavia under Tito where Workers' Councils gained a significant role in management.

In many European countries, cooperative institutions have a predominant market share in the retail banking and insurance businesses. There are also concrete proposals for the cooperative management of the common goods, such as the one by Initiative 136 in Greece. Cooperatives in Nigeria were introduced in the 1930's following the acceptance by the colonial administration of Mr. C.F Strickland's survey on the prospects of cooperatives in

Nigeria. Since then cooperatives in Nigeria have recorded membership of over five million people across the states of Nigeria [7].

#### The role of cooperatives in economic and rural development

Cooperatives are based on basic values and principles. Cooperative values are general norms that co-operators, cooperative leaders and cooperative staff should share and which should determine their way of thinking and acting [10]. The values, which are articulated by the ICA in a statement in 1995, are self-help, self-responsibility, democracy, equality, equity and solidarity. Cooperative principles on the other hand, are guidelines by which cooperatives put their values into practice. The principles rest on a distinct philosophy and view of society that helps members judge their accomplishments and make decisions [10]. The principles are voluntary and open membership, democratic control by members, member economic participation, autonomy and independence, education, training and information; cooperation among cooperatives and concern for community. Consequently, cooperatives can enhance the social and economic status of the rural area dwellers by increasing the income generated in their locality, helping them pay their taxes thus increasing the internally generated revenue of their local government and state and enabling them produce more food, employment, and infrastructure as well as increased aggregate income. The process of developing and sustaining a cooperative involves the processes of developing and promoting community spirit, identity and social organisation as cooperatives play an increasingly important role worldwide in poverty reduction, facilitating job creation, economic growth and social development [8]. Cooperatives are viewed as important tools for improving the living and working conditions of both women and men. Since the users of the services they provide owned them, cooperatives make decisions that balance the need for profitability with the welfare of their members and the community, which they serve. As cooperatives foster economies of scope and scale, they increase the bargaining power of their members providing them, among others benefits, higher income and social protection. Hence, cooperatives accord members opportunity, protection and empowerment- essential elements in uplifting them from degradation and poverty [17]. They contribute to sustainable human development and have an important role to play in combating social exclusion. Thus the promotion of cooperatives should be considered as one of the pillars of national and international economic and social development [12]. Cooperatives in Nigeria can provide locally needed services, employment, circulate money locally and contribute to a sense of community or social cohesion. They can provide their employees with the opportunities to upgrade their skills through workshops and courses and offer youth in their base communities short and long-term employment position [5]. Cooperatives serve as useful mechanisms to manage risk for members and keep markets efficient [9].

### **3. Methodology**

The study area is Imo State, South-east Nigeria. It lies on Latitudes  $4^{\circ} 45^1$  N and  $7^{\circ} 15^1$  N and longitudes  $6^{\circ} 50^1$  E and  $7^{\circ} 35^1$ . The state shares common boundaries with Anambra State on the North, Abia State on the East, Delta State and Rivers State on the West and South respectively. Imo State is made up of 27 Local Government Areas and has a population of about 4,500,997 in 2012, projected from 2006 census figure. The temperature in Imo State increases from the Southern to the northern part of the state except in January when the situation is

reversed by the haze of harmattan. The mean annual temperature ranges between 26<sup>0</sup>C and 28<sup>0</sup>C. The soils of Imo State are dominated by sandy loam and feralitic soil, making the soil rich in free ion, low nutrient reserve and fertile status. The mean annual rainfall ranges from 2400mm in the South to about 1,900mm in the North. Imo State has an average annual relative humidity of 75% which is highest during the raining season, when it rises to about 90% [22]. The high temperature and humidity experienced in the State favour luxuriant plant growth which produces the state's rich and beautiful vegetation of the tropical rainforest. Agriculture is the major economic activity of the people of the state while others are civil servants, traders, and artisans [24]. This study adopted exploratory research technique which looked into a wide array of literature in order to come up with ideas for subsequent research.

#### **4. Results and discussion**

Strategies adopted by cooperatives for rural empowerment.

Cooperatives worldwide adopt almost the same strategies in eliminating rural underdevelopment. They do this by creating employment for their members, educational support for members, facilitating financial services, mutual aid and labour exchange, training members in skills acquisition and marketing services for small members [20]. According to Iheanacho, cooperatives create employment in three ways. They give direct wage employment to people who work in primary and secondary cooperatives as well as in governmental cooperative support institutions; they offer self-employment to members through participation in economic activities that their cooperatives make possible, thereby guaranteeing decent income. They also indirectly employ non-members through the spill over effects of their activities, whose income generating activities are only viable through the transactions. Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives and their locality at large. They work for the sustainable development of their communities through policies approved by their members. Like what is obtainable in cooperatives worldwide, the cooperatives in Imo state apply the same principles. Some authors are of the opinion that acting through their cooperative organizations, small scale producers, workers and the poor, especially in rural areas, access goods, markets and government services more efficiently aimed at improving their livelihoods and undertake other self-help action to improve their communities.<sup>[18]</sup> Cooperatives are a means through which empowerment of disadvantaged people is possible in Imo state and the society at large.

Contributions of cooperative societies in Imo state

Cooperatives have brought with them economic as well as rural development which spurred out of empowering the rural population in developed societies. Imo state is still in the process of empowering the poor and rural people and therefore cannot satisfactorily be classified as a state basking in the gains of cooperation. Notwithstanding the primary stage of cooperation in Imo state, it is pertinent to note that the much desired economic and rural empowerment is making headway towards its realization. This is posited in the findings of Chikaire *et.,al*, who observed that cooperative societies in Ahiazu mbaise local government area made contributions in procuring farm inputs for its members. This is needful because studies conducted show that

farm inputs arrive late usually towards the end of farming season or after due to lapses in distribution [21]. Cooperatives in Imo state are so resourceful in providing timely farm inputs to their members; they give vocational training and skills, participate in sanitation activities, combat social exclusion and offer community banking. It is important to underline that most cooperatives are *not* instruments of employment promotion, but enterprises that give their members economic services [2]. The present report shows that African cooperatives have created a sizeable number of salaried jobs; yet, their biggest employment creation potential lies in the field of direct and indirect self-employment [3]. Cooperatives can effectively create and maintain self-employment in both the rural and urban areas of Nigeria. In Imo state, cooperatives have not comfortably created jobs but must have done well in empowering them with skills and training. Therefore, employment planners must take advantage of this opportunity in Imo state.

## 5. Conclusion

Cooperative action will help people to organize their much needed economic and social services, this will in turn relieve the burden of the state and contribute to the success of economic empowerment; it will make people more aware of their freedom and responsibility to identify and control their own destiny, and as such make democratization irreversible. It will strengthen popular participation and decentralized decision making so as to put national development on a wider pedestal. Employment planners, cooperative promotion agencies, social partners and donor agencies and organisations in Nigeria should take advantage of the employment advantages of cooperatives that are in Imo state since jobs are yet to be created by these cooperatives. When this is achieved, rural and economic empowerment becomes tantamount to rural and economic development in Imo state.

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