Journal of Agricultural Economics, Extension and Rural Development: ISSN-2360-798X, Vol. 2(11): pp 195-204, November, 2014.

Full Length Research Paper

Sources of Capitalization of Cooperative Societies in Ebonyi State, Nigeria

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Accepted 4th November, 2014

The study investigates the sources of capitalizaton of cooperatives societies in Ebonyi State, Nigeria using both primary and secondary data. Secondary data were comprised of registered cooperative societies across the 13 Local Government Areas of the State obtained from the Department of Cooperative, Ministry of commerce and Industry while primary data sources on perceptions and challenges faced by cooperative were for cooperative officials. A multistage sampling technique was used in drawing a sample size of 130 cooperative societies in Ebonyi State due to the constraints of time and finds. Data were analyzed with the use of tables, percentages, frequencies and piecharts etc. A total of Eight thousand four hundred (8400) registered cooperative societies was recorded and the spread of these cooperatives across the 13 (L.G.As) of the state are shown in Table 1. Sources of capitalization of cooperative societies were mostly equity-based, with membership fees and membership Certificate recorded 27.19% and 27.19 percentage followed by deferred partnonase 14.43, Retention of unallocated reserve `14.16% Revolving finds 14.6%, common stock 1.46% and preferred stock 1.0% respectively as showed in Table 2. Infrastructural challenges which represented 17.80% ranked higher followed by Difficult in obtaining loan and political instability etc with share of 16.89 and 10.95 respectively (see Table 3 for details). In view of the pivotal role of education in development, the study recommends demand driven Cooperative education for Cooperative officials and members with the intension of addressing some of the identified challenges. The need for adoption of external sources (debts) in funding and capitalization of Cooperatives provided there is a sound financial management to ensure optimal capital structure was also recommended. Also, government, Non Governmental Organizations (NGOs) and Commercial banks should encourage Cooperative societies by channeling funds for sustainable business development especially among the micro, small and medium scale businesses through cooperative societies. Government through its Public Private Partnership Initiatives (PPPIs) should intensify efforts in providing the enabling environment to enable the private sector invest in infrastructural developments with a view to addressing the dearth of infrastructure in the State.

Keywords: Capitalization, cooperative, societies, cooperative education

INTRODUCTION

Background and Problem Statement

With over a billion members worldwide, cooperatives play an important role in the global economy. Driven largely by the needs of their membership, they are different from investor-owned corporations in many regards. However, cooperatives increasingly compete with investor-owned corporations in terms of both operations and access to sources of funding. The cooperative business model, while offering the advantages of access to member financing and often impressive customer loyalty, introduces a number of

Challenges in an uncertain, highly-regulated economic environment. Cooperatives must be true to their mission as they seek to achieve the greater financial flexibility needed to drive growth and compete successfully (Agbo, 2009).

Capital is used to purchase fixed assets e.g. land, buildings and movable assets (e.g. fixtures and fittings) as well as stock and working capital, required to pay current expenses, to finance current crops or work in progress. The decisions on the use of capital are all important and require that budgets be prepared in order to decide whether or not capital can be profitably employed in any particular enterprise. Those decisions which are usually termed "Capital decisions" refer to the purchase of assets which are to be used in the business over a number of years i.e. fixed assets, require most careful consideration as they affect the long term viability of the business. The other types of decisions on using capital in the business usually have shorter-term effects and can more easily be corrected; they nevertheless require to be dealt with by careful budgeting and control.

Member loyalty – the basis for collective action and a sound cooperative business are essential for maintaining economies of scale and building market power, both of which are key elements for a successful cooperative. Consequently, promoting member patronage so that it encourages member investment in the enterprise are key element in the cooperative's strategy. Cooperatives have three main categories or sources of finance. The most important source is members as users and investors. Without this base, it is difficult to attract funds from others. The second source is retained surpluses, especially "unallocated" funds that are not assigned for distribution to members. These are known as institutional capital, which belongs to the cooperative and can be liquidated only if the cooperative incurs losses or dissolves. Finally, external funding can also be readily obtained from commercial sources (though usually at a higher cost) in a number of forms that include: loans, equipment financing and even equity capital. In contrast, external funding from donor or government sources is shrinking (Yusuf and Ijaiya, 2009).

One of the most significant casualties of the economic crisis in 2008 that has gripped the world's markets for the last five years has been accessibility to sufficient capital and financing. Organizations of all sizes, all industries and all geographies have been impacted. Capital scarcity is attributed to reduced availability from conventional sources and increased need due to a challenging business climate and new regulatory requirements. Cooperative organizations which have not been immune to these issues face competition from aggressive organizations with increasingly sophisticated social agenda. To circumvent this challenge, Cooperative societies expected to build scale and invest in their businesses to compete and meet their funding needs.

In Nigeria, savings of members are usually very small due to low income status of the population (Yusuf and Ijaiya, 2009) and as such, majority of the cooperatives do not have enough fund to give out as loans to their members. Some give less than what members request for, which may not be sufficient for the project such members intends to utilize the loans on. Yusuf and Adedayo (2004) reported that about 31 percent of cooperative members in Nigeria claims that the loans were usually inadequate for the purpose it is intended. Bamiduro (2011) identified lack of adequate funding of Cooperatives as one of the inhibiting factor for the inability of most poverty alleviation strategies to yield results. (Agbo and Sand, 2010) stated that one of the major challenges of cooperative is limited access to investment credit. They observed that even when funds are made available for cooperatives by the government; they're still very difficult for members to access funds.

Agbo (2009) discovered that poor cooperative education and illiteracy has been one of the greatest hindrances to growth of cooperatives. Adeyemo and Bamire (2005) also found out that Educating, training and re-training of Cooperative members in general and officers in particular have been challenges to cooperatives in Nigeria (Dogarawa, 2005). Agbetunde (2007) stated that cooperative awareness is high in Nigeria but knowledge of the cooperative principles, values, ideas and practices is very low. As such, issues are handled as they come without proper knowledge and skill necessary to handle them. In fact, some of them lack appropriate documentation, which continue to breed corruption within the organization.

There are clear evidence that financing and capitalization are becoming increasingly important for cooperatives When facing the need for increased capital in a competitive and uncertain economic environment, the cooperative business model has emerged as both a strategic advantage and a challenge. A significant amount of research has been conducted in recent years examining cooperative funding from a theoretical standpoint, with limited feedback from cooperatives themselves. Against this background, this study seeks to investigate the sources of Cooperative Capitalization in Ebonyi State, Nigeria as well as the challenges in sourcing for such fund.

Objectives of the study

The objectives of the study are to:

(i) Determine the number of registered Cooperative Societies in Ebonyi State

(ii) Identify sources of capitalization in Ebonyi State

(iii) Identify the challenges of capitalization of Cooperative Societies in the State?

(iv) Make recommendations for effective capitalization of Cooperatives in the State in line with global practices.

THEORETICAL FRAMEWORK AND REVIEW OF RELATED LITERATURE

Capital structure

Capital structure refers to the way a corporation finances its assets through some combination of equity, debt, or hybrid securities. Optimal Capital Structure refers to the most economical and safe ratio between various types of securities. It is that mix of debt and equity which maximizes the value of the company and minimizes the cost of capital. Essentials of a sound or optimal Capital structure include: minimum Cost of Capital, Minimum Risk, Maximum Return, Maximum Control, Safety, Simplicity, Flexibility, Attractive Rules, Commensurate to Legal Requirements (Modigliani and Miller, 1958). The theory of Capital structure which is applicable to this study is the Pecking Order Theory.

The Pecking Order Theory

The pecking order theory asserts that firms show a distinct preference for using internal finance (as retained earnings or excess liquid assets) over external finance. If internal funds are not enough to finance investment opportunities, firms may or may not acquire external financing, and if they do, they will choose among the different external finance sources in such a way as to minimize additional costs of asymmetric information. The latter costs basically reflect the “lemon premium”(Akerlof, 1970) that outside investors ask for the risk of failure for the average firm in the market. The resulting pecking order of financing is as follows: internally generated funds first, followed by respectively low-risk debt financing and share financing.

In Myers and Majluf model (1984), outside investors rationally discount the firm’s stock price when managers issue equity instead of riskless debt. To avoid this discount, managers avoid equity whenever possible. The Myers and Majluf model predicts that managers will follow a pecking order, using up internal funds first, then using up risky debt, and finally resorting to equity. In the absence of investment opportunities, firms retain profits and build up financial slack to avoid having to raise external finance in the future.

The pecking order theory regards the market-to-book ratio as a measure of investment opportunities. With this interpretation in mind, Myers and Majluf (1984) and Fama and French (2000) note that a contemporaneous relationship between the market-to-book ratio and capital structure is difficult to reconcile with the static pecking order model. Iteration of the static version also suggests that periods of high investment opportunities will tend to push leverage higher toward a debt capacity. To the extent that high past market-to-book actually coincides with high past investment, however, results suggest that such periods tend to push leverage lower.

Review of Sources of Co-operative Financing

As cooperative organizations seek to satisfy their increased need for capital, they are exploring a variety of new options. This section highlights some of the advantages of the cooperative model as it relates to financing and capitalization; outlines conventional and emerging options available to cooperatives; and presents examples of how cooperatives are finding innovative solutions to their funding needs.

Organizations generally have four options for financing new growth and operational investments: operating capital (e.g. retained earnings); debt (e.g. bank loans, issuance of debt instruments, securitization); equity; and hybrid debt/equity instruments (e.g. convertible bond offerings). Cooperatives have historically focused on funds from operations and debt or equity from their member base. However, as the survey responses indicate, cooperatives are now looking beyond traditional financing approaches to improve their capital positions and enable growth.

Cooperatives can get financing to organize, operate, and expand from two sources: equity capital and borrowed capital. In a cooperative, equity capital is the portion of assets owned by members. It is also described as the risk capital because all other obligations must be met in case of liquidation before any equity capital is returned to its members. Borrowed capital is capital borrowed through the member's equity in the cooperative (Myers and Majluf,1984) and (Fama and French,2000).

A. Equity Capital Sources

Members most commonly provide equity capital to their cooperative by: **(1)** purchasing capital stock or other types of equities; **(2)** leaving a portion of the cooperative's net savings in the cooperative; and **(3)** authorizing the co-operative to deduct from proceeds made through sales of member's farm products usually called per unit retains.

Equity capital may be divided into two classes: **(1)** initial capital investments consisting of common stock, preferred stock and membership fees; and **(2)** capital obtained through operations that result in member or patron investments. These investments consist of patronage refunds and per unit capital investments made by members in their cooperative, and stock or other types of equity certificates sold to members and patrons.

(i) Common Stock is an important source of initial equity capital in the cooperative. Generally, common stock is fixed to voting rights. The cooperative may issue several kinds of common stock (i.e., classes A, B, and C) and designate one class as voting stock. For example, Class A common stock may be voting stock and may be limited to one share per member. Class B stock may represent other initial investments of members. In some instances, per unit capital investment and deferred patronage refunds are identified as common stock C.

(ii) Preferred Stock is a second source of initial equity capital. As the name implies, this stock is preferred over common stock because it has fewer risks and dividends are assured. Usually preferred stock is non-voting. Preferred stock is more like an investment than other equity capital issued by cooperatives, and in many instances, it may represent capital raised from the general public or non-patron groups.

(iii) Membership Fees are a third source of initial equity capital when cooperatives are organized on a non-stock basis. Paying the membership fee is thus equivalent to purchasing a share of voting stock. Some cooperatives expect fees to be paid yearly in proportion to the business the member does or will do with the cooperative.

(iv) Membership Certificates are issued by non-stock cooperatives to members when membership fees are paid. These funds pay all or a part of the costs associated with operating the cooperative.

(v) Capital Certificates, also issued by non-stock cooperatives, are similar to preferred stock certificates in that they may bear interest, have due dates, usually have no voting rights, and can be issued to both members and nonmembers.

(vi) Deferred Patronage Refunds. Cooperatives can retain 80 percent of net margins and pay member-patrons the remaining 20 percent in cash. The 80 percent of net margins, which could be paid to members as patronage refunds, are accumulated by the cooperative until sufficient capital is accumulated to finance needed facilities and operations. They may then be redeemed under a revolving capital plan.

(vii) Retention of Unallocated Reserves. Some capital reserves are retained by the cooperative on an unallocated basis. These reserves are generally designed to absorb possible operating losses and are sometimes established to comply with state laws.

(viii) Per-unit Capital Retains, used primarily by marketing cooperatives, are invested in cooperatives through deductions from sales proceeds on a physical unit basis. Cooperative bylaws may place such retains in a revolving capital fund, providing that when the cooperative has adequate finances, the fund will be revolved.

(viii) Revolving Fund Financing allows cooperatives to constantly renew their capital structures, to provide an unending source of member capital, and, at the same time, assure that the oldest equities would be paid back first. Under this financing method, members' revolving equities are allocated to them on the cooperatives' books, and these equities are used to conduct the business.

B. Retained Earnings

A part from equity capital, one important source of financial resources, which is usually overlooked, is profit made by the cooperative societies, which are ploughed back into the cooperative business. These monies generated and utilized by the cooperative are called retained earnings. Its avaliability depends on the size of profit which the cooperative earns at a particular period.

Fund created through the retention of cooperative business surpluses that are not directly allocated to members. This is a longterm source of funds to be distributed only when a cooperative is liquidated. Unlike loans or indindual member deposits, the cooperative does not have to pay interest to use the funds. Of course, retaining such funds by the cooperative also represents a cost to the indindual members who otherwise would have had that portion of the surplus allocated to them. Members willingly accept this cost when the benefits it crates for then are clear and worthwhile.

This source of funds from retained surpluses is often called “Institutional Capital” and represents the collectively-owned wealth of the cooperative.

C. Sources of Borrowed Funds

In addition to Institutional Capital and member capital, cooperatives often make use of external sources of funds to run their operations or to finance investments. These non-member sources of fund may include cooperative or commercial bank, supplies, government or donnor agencies. External funding may be provided in different ways:

- As a grant
-` As a short-term loan
- As a long-term loan
- As trade credit offered by a supplies.

Commercial providers of funds, such as Banks, generally provide credit or loan that are legally secured by collateral (pledged assets of the cooperative). They are motivated by profit and seek to mizimze risk.

Non-commercial providers, such as governments or donors, generally provide credit or more generous terms at below market rates of interest or provide grants. Their motivations may be social, political or economic – often a mixture of all three

The gearing ratio:

The more assets the cooperative owns and has fully paid for – buildings equipment, stock and financial reserves – the more others are willing to lend additional funds. Also, the greater the amount of the cooperative's institutional plus member capital, the higher the amount that can safely be borrowed from outside sources.

Finanical leverage, or gearing is expressed by a percentage ratio which gives an indication of the amount of risk involved in borrowing funds. The higher the gearing ratio, the higher the risk the cooperative runs in losing their assets in the event of inability to repay a loan.

The gearing ratio relates the amount of externally borrowed capital to the total capital employed by the cooperative (institutional and member capital plus fund borroweed)

Gearing = fund borrowed +(institutional and member capital plus fund borrowed) X 100

Example, a cooperative might have ₦900,000 of assets that it has fully paid for if it borrows ₦9000.000 from the bank, it would have a high gearing ratio (50%). If on the other hand, the cooperative borrows only ₦100.000 the low gearing ratio of 0% indicates a much lower level of risk.

The gearning ratio and hence the level of risk involved in borrowing a given amount will vary according to the type of business a cooperative conducts. A consumer organization with a high level of turnover but relatively low investment in ficed assets (such as building and machinery) may be able to safely take on relatively high short term debt in proportion to its total assets.

The same gearing ratio would represent a higher level of risk for an agro-processing society with relatively large investment in fixed assets.

Institutional and member capital are lower risk than outsider funding since they are provided by the members and hence the assets of the cooperative are less at risk. In most situations, therefore, they are often a preferred form of funding. Institutional capital, in addition, is the cheapest from of capital since generally no interest needs to be paid.

METHODOLOGY

a) Study Area

Ebonyi State is one of the five states that make up the South East geopolitical zone of Nigeria. It has interstate boundaries with Abia State to the south, Benue State to the north, Enugu State to the west and Cross River State to the east. Its capital is Abakaliki. Ebonyi State covers an area of 6,421.2 square kilometres. It lies at latitude 6^{o}15' north and longitude 8^{o}05' east. It has a population of 2,176,947 (2006 census figures) and a population density of 393 people per square kilometre. The state accounts for 1.6% of Nigeria's total population. There are thirteen Local Government Areas in Ebonyi State namely: Abakaliki, Afikpo North, Afikpo South, Ebonyi, Ezza North, Ezza South, Ikwo, Ishielu, Ivo, Izzi, Ohaozara, Ohaukwu and Onicha. Ebonyi State is primarily an agricultural region. It is a leading producer of rice, yam, potatoes, maize, beans, and cassava in Nigeria. Rice and yams are predominantly cultivated in Edda, a region within the state. Ebonyi has several solid mineral resources, including lead, crude oil, and natural gas, but few large-scale commercial mines. The state government has, however, given several incentives to investors in the agro-allied sector to encourage production. Ebonyi is called "the salt of the nation" for its huge salt deposit at the Okposi and Uburu Salt Lakes

b) Sources of data

Primary and Secondary data were used in the study. Primary data were obtained through in-depth interview with officials of various types of Cooperative Societies in the area of study on sources and challenges of capitalization of Cooperatives while secondary data comprised registered Cooperatives across 13 Local Government Areas of the State.

c) Sampling Technique

Multi-stage purposive random sampling technique was applied in sample selection. A frame of registered cooperatives in the State was obtained from Cooperative Department in the State Ministry of Commerce and Industry.

Having a total of 8400 registered cooperative societies by type as shown in Table 1

Total sample size for the study was 130 cooperative societies, out of which ten cooperative societies was randomly selected in each of the 13 Local Government Area. And in each Local Government Area, different communties that make up the Local Government Areas were sample.

d) Method of data analysis

Data obtained were analyzed using tables, percentages, frequency, bar and pie charts.

RESULT AND DISCUSSION

Distribution of Registered Cooperative Societies in Ebonyi State by Local Government Area and Type, 2014

A total of 8400 Cooperative Societies were registered across the 13 Local Government Areas of Ebonyi State with Ikwo accounting for the highest share of 13.87 per cent followed by Afikpo north and Iyo with shares of

Table 1: Distribution of Registered Cooperative Societies in Ebonyi State by Local Government Area and Type, 2014.

Local Govt Areas	Number of Registered Cooperative Societies									
	FMCS		MCS		CTCS		CTLS		TOTAL	
	No.	%	No.	%	No.	%	No.	%	No.	%
Abakaliki	628	7.80	42	14.29	10	22.22	5	50	685	8.15
Afikpo north	797	9.90	38	12.93	13	28.89	3	30	851	10.13
Afikpo south	671	8.33	35	11.90	7	15.56	1	10	714	8.5
Ebonyi	550	6.83	30	10.20	5	11.11	0	0	585	6.96
Ezza south	489	6.07	31	10.54	0	0	0	0	520	6.19
Ezza north	338	4.20	28	9.52	5	11.11	0	0	371	4.42
Ikwo	1150	14.28	12	4.08	2	4.44	1	10	1165	13.87
Ishielu	418	5.19	21	7.14	0	0	0	0	439	5.23
Ivo	800	9.94	14	4.76	2	4.44	0	0	816	9.71
Ohaozara	695	8.63	17	5.78	0	0	0	0	712	8.48
Izzi	605	7.51	10	3.40	1	2.22	0	0	616	7.33
Ohaukwu	538	6.68	3	1.02	0	0	0	0	541	6.44
Onicha	372	4.62	13	4.42	0	0	0	0	385	4.58
Total	8051	100	294	100	45	100	10	100	8400	100

Source: Field survey, 2014

Note: **FMCS** = Farmers Multipurpose Cooperative Society; **MCS** = Multipurpose Cooperative Society; **CTCS** = Credit and Thrift cooperative Society; **CTLS** = Cooperative Thrift and Loan

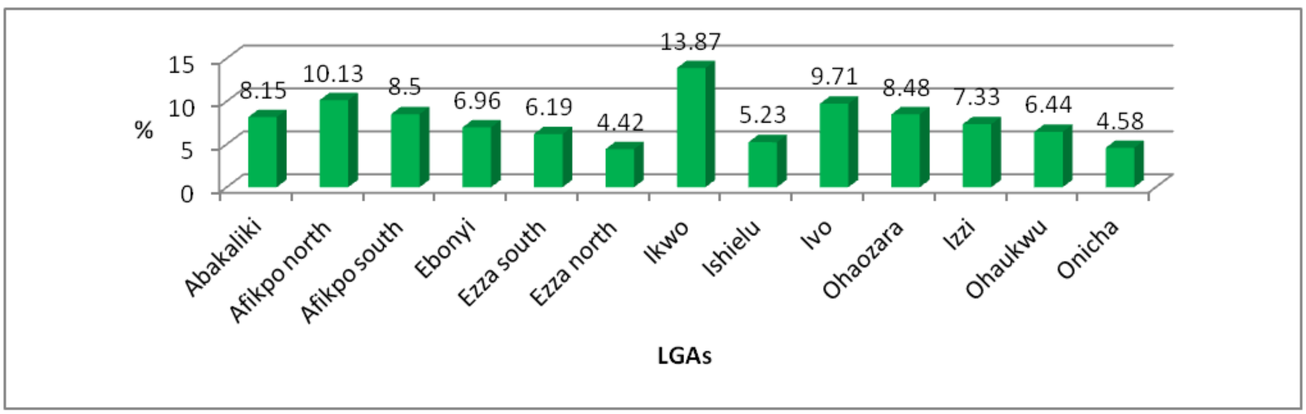

Figure 1: Registered Cooperative Societies in Ebonyi State by Local Government Area, 2014

10.13 per cent and 9.71 per cent respectively as shown in Table 1 and figure 1. The lowest share representing 4.42 per cent was obtained in Ezza north.

A total of four types of registered Cooperatives were identified in the State namely: Farmers Multipurpose Cooperative Society (FMCS), Multipurpose Cooperative Society (MCS), Credit and Thrift cooperative Society (CTCS) and Cooperative Thrift and Loan (CTLS). The spread of these Cooperatives by Local Government Areas showed that out of 8051Farmers Multipurpose Cooperative Societies registered in the State, Ikwo accounted for the highest share of 14.28 per cent followed by Ivo and Afikpo north with shares of 9.94 per cent and 9.90 per cent respectively while Eza north had the lowest share of 4.20 per cent as shown in Table 1.

A total of 294 Multipurpose Cooperative Society were obtained in the State with Abakiliki accounting for the highest share of 14.29 per cent followed by Afikpo north and Afikpo south with shares of 12.93 per cent and 11.90 per cent respectively. The lowest share of 1.02 per cent was obtained in Ohaukwu Local Government Area of the State.

The number of Credit and Thrift cooperative Society in the State was 45 with Afikpo north accounting for 28.89

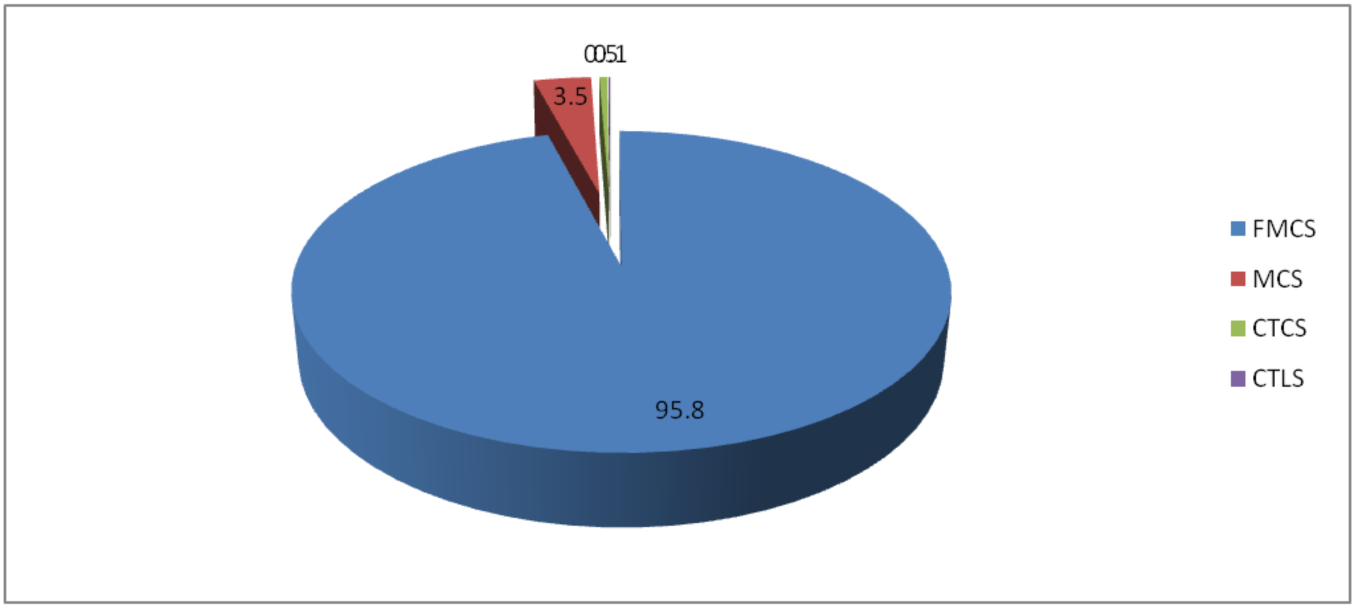

Figure 2: Proportion of Registered Cooperative Societies in Ebonyi State by Type, 2014

Source: Field survey, 2014

per cent followed by Abakiliki and Afikpo south with shares of 22.22 per cent and 15.56 per cent respectively. The lowest share of 2.22 per cent waqs recorded in Izzi Local Government Area.

A total of 10 Cooperative Thrift and Loan Societies were registered in the State. Abakiliki accounted for 50 per cent followed by Afikpo north with 30 per cent while Afikpo south and Ikwo accounted for 10 per cent each as shown in Table 1.

On the whole Farmers Multipurpose Cooperative Society accounted for 92.3 per cent of registered Cooperatives in the State followed by Multipurpose Cooperative Society with 3.5 per cent while Credit and Thrift Cooperative Society and Cooperative Thrift and Loan accounted for shares of 0.54 per cent and 0.12 per cent respectively as shown in figure 2.

Sources of Capitalization of Cooperatives

Capitalization of Cooperatives can be achieved through several sources as shown in Table 2. These sources could be broadly classified as equity (internal sources) and debts (external sources). It was observed that all the Cooperatives Societies derived funding mostly from Equity. The breakdown showed that Membership Fees, Membership Certificate, Deferred patronage, Retention of unallocated Researves and revolving fund etc that has 27.19%, 27.19%, 14.43%, 14.16%, and 14.6% respectively are the main sources of capitalization of cooperative societies in Ebonyi State as shown in Table 2.

Table 2 also shows that cooperative societies in Ebonyi State do not relies on the use of debt to capitalize, as the option are usually bureaucratic and politically influenced.

The ranking of perceptions of cooperative officials on challenges of capitalization of cooperative societies in Ebonyi State as presented in Table 3 shows that poor infrastructural challenges accounted 17.80%, followed by difficulty in obtaining loans 16.89, poor information teachnology, 14.61% political instability 10.95% and poor respectively and the lowest challenge representing a share of 2.51% and 1.14% was on wrong choice of investment projects and illiteracy among cooperators.

Which is not in conformity or agrees with (Agbo 2009) that states poor cooperative education and illiteracy has been the greatest challenges of cooperative societies.But in this study a survey carried out in Ebonyi state 2014 shows that poor infrastructure,difficulty in obtaining loan ranked highest in the challenging factors of cooperative societies in the state.And ajgrees with Agbetunde(2007)which states that cooperative awareness is highin Nigeria,Ebonyi state inclusive but knowledge of the cooperative principles,values,ideas and practices is very low. A

Table 2: Sources of Capitalization of Cooperatives Societies in Ebonyi State, 2014.

	Ai	Afn	Afs	Eb	Ezs	Ezn	Ik	Ish	Iv	Oha	Iz	Oh	On	Total freq	%
SOURCES															
EQUITY															
Common stock	4	2	1	0	0	0	0	0	0	0	0	0	0	7	1.46
Preferred stock	4	1	0	0	0	0	0	0	0	0	0	0	0	5	1.0
Membership fees	10	10	10	10	10	10	10	10	10	10	10	10	10	130	27.19
Membership Certificate	10	10	10	10	10	10	10	10	10	10	10	10	10	130	27.19
Capital Certificates	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Patronage	5	6	4	4	5	6	6	7	6	6	4	5	5	69	14.43
Retention of UR	7	6	7	6	5	5	4	3	4	5	5	5	5	67	14.16
Per unit capital retains	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revolving Funds	7	8	8	6	8	7	4	5	3	4	5	3	2	70	14.6
TOTAL	47	43	40	36	38	38	34	35	38	35	34	33	32	478	100
DEBTS															
Cooperative Bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial Bank	2	1	0	0	0	0	0	0	0	0	0	0	0	3	37.5
Government Agencies	2	1	0	0	0	0	0	0	0	0	0	0	0	3	37.5
Individuals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25.0
Microfinance Banks	1	1	0	0	0	0	0	0	0	0	0	0	0	2	0
Insurance companies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Regional Cooperatives	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Foundations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Private Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	5	3	0	0	0	0	0	0	0	0	0	0	0	8	100

Source: Field Survey, 2014

Table 3: Challenges of Capitalization of Cooperative Societies in Ebonyi State, 2014.

Challenges of Cooperative Societies	Ai	Afn	Afs	Eb	Ezs	Ezn	Ik	Ish	Iv	Oha	Iz	Oh	On	Total	%
Mismanagement of Cooperative Funds	4	2	5	1	0	2	3	1	0	2	4	3	4	31	7.07
Poor Cooperative Education	3	4	2	3	5	4	2	3	3	3	2	1	2	37	8.44
Difficulty in obtaining Loans	6	5	5	4	6	7	5	5	6	7	6	6	6	74	16.89
Wrong choice of Investment Projects	0	1	1	2	1	1	0	0	0	1	2	1	1	11	2.51
Poor attitude towards consumption by members	2	2	1	2	3	2	4	2	3	3	2	4	3	33	7.53
Poor Infrastructure	7	5	6	6	6	7	5	5	6	7	7	5	6	78	17.80
Illiteracy among Cooperators	0	0	0	0	1	1	0	1	0	0	1	1	0	05	1.14
Political Instability	2	2	4	5	5	4	4	4	3	3	4	5	3	48	10.95
Poor attitude to loan repayment	5	2	3	5	4	3	3	3	4	5	4	3	2	46	10.50
Poor patronage of existing Cooperatives	0	0	1	1	1	0	1	1	2	1	1	1	1	11	2.51
Diversion of farm inputs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00
Poor Information Technology (IT) Facilities	4	3	3	5	6	5	6	5	5	4	5	6	7	64	14.61
Total														**438**	**100**

Source: Field Survey, 2014.

NOTE:L.G.A--Abakaliki(**Ai**),AfikpoNorth(**Afn**),Afikpo South(**Afs**),Ebonyi(**Eb**),Ezza South(**Ezs**),Ezza North(**Ezn**),Ikwo(Ik),Ishielu(**Ish**),Ivo(Iv),Ohaozara(**Oha**),Izzi(Iz),Ohaukwu(**Oh**),Onicha(**On**).

CONCLUSION AND RECOMMENDATION

Cooperative financing remains the vibrant economic technique of capital formation, wealth creation, job creation and business financing. Institutional and member capital which have been identified by this study as major sources of cooperative funding. Although they are the lowest risk, safest forms of funding and should be the first choice in most cases, these types of funding are sometimes not enough, or are not available at the time when they are needed. Effective cooperative education and necessary supports by government, banks and NGOs is imperative to grow Cooperatives through funding from external sources at lower costs in order to ensure optimal capital structure.

Government should expedite actions in providing an enabling environment to enable Public Private Partnership Initiatives in infrastructural development thrive. This is important because no amount of efforts made in funding cooperatives would yield the expected impacts if the problem of infrastructure is not addressed holistically. The study identified private challenge of funding cooperative society which lies with the attitudinal behaviour of Nigerians towards consumptions. Nigerians like most third world people have a high taste for consumption rather than investment (Oyedepo, 2006). Consequently, money borrowed for investment purpose could be diverted to consumption purpose like marrying more wives, buying new cars etc. Hence, those who are interested in running cooperative business should be willing to confront these challenges. Other challenges facing the funding of cooperative societies in the area of study were: poor cooperative education, mismanagement of existing cooperative societies, illiteracy, delays in loan repayment, lack of patronage of existing cooperative societies, poor investments decisions. Also, the changing world of technology poses great challenges to the efficiency of cooperative societies. In Nigeria, most cooperative societies are operating with inadequate capital to cope with the need of business financing, not to talk of the needs for Information Technology for their operation.

It is therefore expected that relevant stakeholders namely: Government, Banks and Non-

Governmental Organizations will perform their roles in line with global practices to enable Cooperative Societies in the study area and Nigeria generally meets their capital needs. This is the only way they can cope with the changing socio-economic environment.

Bassed on the findings, the following recommendations were made:

(i) Cooperative education is pivotal in addressing the issue of funding and capitalization of Cooperatives in the State. This would ensure efficient and effective investment decision, encourage sound financial management and the need to explore external sources (debts) for Cooperative funding amongst others.

(ii) The government, NGOs and commercial banks should encourage cooperative societies by channeling funds for sustainable business well-being especially among the micro, small and medium scale businesses through cooperative societies.

(iii) As government through the CBN recapitalized the banking sub-sector, the cooperative sub-sector of the economy should be recapitalized to prevent more crisis in the sector.

(iv) Government should through the Public Private Partnership Initiatives (PPPI) intensify efforts in providing the enabling environment to enable the private sector scale up investment to address the dearth of infrastructure in the State.

(iii) There should be aggressive Investment in Information and Communication Technology (ICT), as this has become imperative for a success-driven cooperatives

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