

ASSESSMENT OF THE PERFORMANCE OF SOME SELECTED COOPERATIVE THRIFT AND CREDIT SOCIETIES (CTCS) IN OWERRI ZONE OF IMO STATE

Ezeji, Desmond E; Okoro, Chijioke N.; & Chijoke-Okoro, Chioma G.

Department of Cooperative Economics and Management, Imo State Polytechnic, Umuagwo.

ABSTRACT

The extent to which CTCS have assisted people to obtain loan in Owerri zone of Imo State have not been adequately analyzed, particularly among its members. This study assess performance of CTCS in savings mobilization, number of loan applications made, amount applied, approved/disbursed to the members and extent of loan repayment. Data were collected mainly through questionnaire while descriptive statistics (frequencies and percentages) were applied in the analysis which ascertained specific objectives. Two hypotheses were formulated to guide the study and were tested using one way analysis of variance (ANOVA) of multiple regression statistics. The study showed that a volume of N5,271,050 were saved between 2008 and 2012 while 402 number of loan applications were made which amounted to the value of N5,735,500. It was also found that N5,150,000 amount of loans were approved/disbursed to the members which only N5,115,000 were repaid. With the exception of sex and educational qualification which were not significant, the regression result shows that age, marital status and occupation were identified to have significant relationship with the loan disbursed to the members. The main recommendation of this study is that: CTCS should ensure strong daily savings mobilization system, emphasis should be on full loan repayment and available funds should go into investment purposes.

KEYWORDS: CTCS, SM-savings mobilization, LA-loan application, LA/D-loan approval/disbursement, LR-loan repayment.

INTRODUCTION

Cooperative Thrift and Credit Societies (CTCS) are member-based organizations that help members to address economic problems. The ultimate goal is to encourage thrift among the members and to meet credit needs of people who might otherwise fall prey to loan sharks and other predatory lenders

(Ledger, 2004 in Adekunle et al 2007). Cooperative societies are widely spread organization in developing countries. They are known for strong commitment of, as well as participation, in the decision making of their members (Haan et al, 2003). They support members' business expansion because they have certain characteristics that aid free enterprise. Their characteristics include discretionary power of members, open communication, management suggests rather than instructs, risk and uncertainty are shared and there is motivational potential (Adekunle et al 2007).

In the views of Adesina (1998), Cooperative Thrift and Credit Societies (CTCS) are organizations of people who voluntarily come together by saving (on monthly basis) for the purpose of giving loans to themselves with interest unanimously agreed upon at the fixed time of repayment. This illustrates how cooperatives have a dual goal of socially supporting their members and acting economically as an enterprise in the market. Consequently, United Nations Department of Economic and Social Affairs (1999) has it that they can be set up in poor communities, where access to means of secure savings and to credit at non-exploitative terms is of greatest importance. Credit is important element in any progressive and dynamic economy. As economic activities increase and economy becomes more diversified, credits become necessary. Nigerian craftsmen, artisans, farmers, traders, etc, find themselves in financial and economic difficulties. The unrivaled solution is formation of CTCS among associates.

Statement of the Problem

The studies in Imo State have shown that cooperatives are structurally and organizationally more disposed to assisting the financial weak in their savings and credit needs (Nwankwo, 1994). However, in most cases both CTCS and its members are responsible for financial inadequacy. As, Onugu (2007) in Anambra State identified member contribution insignificant and weak numerical strength of the societies as the major constraints to mobilization of credit. Onwumere and Igwe (2000) in Imo State also deposited that despite the benefits associated with loans, most loan beneficiaries mismanaged the loans and experience the attendant business failure and the eventual default payment. The gap exist of a research in Owerri zone of Imo State that addresses focal area of assessment of the performance of CTCS on members' business expansion based on savings trends, access to loans, business expansion and loan approval/disbursement trends.

Objectives of the Study

The specific objectives are to:

- Examine the socio-economic characteristics of the members.
- Assess the volume of member saving made between 2008 and 2012.

- Ascertain the number of loan applications made and amounts applied for.
- Assess the amount of loans approved/disbursed and repaid by CTCS members between 2008 and 2012.
- Ascertain if members repay loans satisfactorily.
- To make policy recommendations based on the findings.

Hypotheses

The following hypotheses guided this study:

- **H₀:** Loan approved/disbursed by the CTCS is not dependent on the socio-economic factors of the members.
- **H₀:** Members of Cooperative Thrift and Credit Societies (CTCS) do not repay loans satisfactorily.

REVIEW OF LITERATURE AND CONCEPTUAL FRAMEWORK

This study assesses the performance of some selected CTCSs among traders, farmers, craftsmen, artisans and entrepreneurs in Owerri zone. To determine savings trends, access to credit, loans approval and disbursement trends as it collectively contributes meeting members' business expansion and community development. However, credit and loan is used interchangeably, both meaning money given or borrowed with interest.

Concept of Credit

Credit according to Wikipedia (2005), the free encyclopedia: Domestic credit to private sector stated that credit is the trust which allows one party to provide resources to another party where that second party does not reimburse the first party immediately (thereby generating a debt), but instead arranges either to repay or return those resources (or other materials of equal value) at a later date. Credit is in turn dependent on the reputation or creditworthiness of the entity which takes responsibility for the funds. Ingham (2004) noted that credit in commerce and finance, is a term used to denote transactions involving the transfer of money or other property on promise of repayment, usually at a fixed future date. Nonetheless in cooperative, credit is an instrument of empowerment for the members.

SM-savings mobilization

According to Parkinson (2005) everyone agrees saving the excess of income over what is spent on consumption. The part of a person's income that is not spent. Obienugh (2010), saving refers to a methodological increase in an individual's net worth, a finance based activity by an individual occurring over time – a kind of flow variable. In this case within your personal finance, the act of saving corresponds to nominal preservation of your money for future use.

LA-loans application

According to Emejulu (1998) “a member who desires to obtain a loan shall submit an application in writing to the committee stating the amount and the purpose for which the loan is required, the term of repayment, whether to be repaid in bulk or in installment and the names of proposed sureties and any other security which is offered”. Again, before you seek financial support, you should thoroughly assess your current financial situation. The lender will need to know your specific intentions for the money, to assure them that your business will thrive and that repayment is assured.

LA/D-loans approval/disbursement

The committee members have responsibility to appraise the loans. They are primarily responsible to appraise all credit proposals emanating from prospective borrowers, for the purpose of meaningful and critical appraisal of credit proposals. Okechukwu (2003) stipulated that at the committee meeting, the committee shall consider the application and if satisfied with the trustworthiness of the applicant, the sufficiency of live security offered and the prospects of the advantages to the borrower in the way of increased production, economy or otherwise, may approve the loan. Then, disbursement carried out subsequently.

LR-loan repayment

The committee members have responsibility to ensure that loans shall be fully repaid with interest on time. They should hold periodic meetings of clients as an integral part of marketing strategy to identify good borrowers (JSTOR, 2012). However, loans issued to members could be repaid in two ways:

- The installment repayments; where the loan amount and interest are repaid in piece meal with a stipulated period of time (usually six or twelve months).
- Full repayment at once; here members are allowed to take loans for a period of time agreed upon and refund fully when due with all interest as accrued.

Theoretical Framework: Contingency Theory

This research takes its compass from the perspective of contingency theory. Contingency theory is a class of behavioral theory which states that there is no one best way to organize a cooperation, to lead a company, or make decisions. Instead, the optimal course of action is contingent (dependent) upon a situation. A contingent cooperation or company effectively applies their own style of leadership to the right situation. According to Lawrence, Lorsch and Thompson (1967) cited in Onwuchekwa (1995) the appropriate form of contingency theory

depends on the kind of task or environment one is dealing with. Therefore, there is no one best way to manage or organize and any way of organizing is not equally effective. As Scott (1981) cited in Onwuchekwa (1992) the assumption of the contingency theory is that the best way to organize depends on the nature of the environment to which the organization (cooperative) must relate.

RESEARCH DESIGN AND METHODOLOGY

Being a fact finding study, survey plan research design method will be used in sourcing of data, questionnaire administration, retrieval and data analysis. Also, a descriptive survey study will be adopted. Given that population of 1,295 members of the 90 CTCS under study, the application of Taro Yamani formula gave a sample size of 306 out of which 295 questionnaires were completed and returned for the study. Data were collected from primary sources (structured questionnaire and interviews) and secondary sources (textbooks, web pages on the internet, journals and related articles).

Model Specification

The model for this study takes form:

One way analysis of variance (ANOVA) of multiple regressions statistics was used. This was used as bases to assess or decide to accept or reject. Linear multiple regression analysis model was the ordinary least square (OLS) type to determine if loan disbursed by the CTCS is not dependent on the socio-economic factors of the members. The implicit specification is given in equation 1 below:

$$Y = f(X_1, X_2, X_3, X_4, X_5) \dots \dots \dots (1)$$

Where:

- Y = Volume of loan obtained by member in naira between 2008 and 2012.
- X_1 = Age of the member (years)
- X_2 = Sex of the member (male = 0, female = 1) into numerical form.
- X_3 = Marital status of the member in 2012.
- X_4 = Educational level of the member in 2012.
- X_5 = Occupation of the member in 2012.

The explicit specification of the equation number 1 is further given as equation number 2:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e_i \dots \dots \dots (2)$$

Both β_0 and β_1 are regression parameters to be estimated, while e_i is the composite error term that designed to capture the effects of variables not included in the equation. The t and f statistics were employed to measure the significance of the individual and joint effects respectively of the independent variables (X) on the dependent variable (Y).

Data Presentation, Analyses and Interpretation**Table 1: Distribution of Volume of Savings between 2008 and 2012.**

Year	Amount saved	Percent (%)
2008	N890,000	16.9
2009	N950,300	18.0
2010	N1,100,000	20.9
2011	N1,350,200	25.6
2012	N980,000	18.6
Total	N5,271,050	100
Average	N17,868	

Source: Field Survey, 2013.

The above table shows responses on the volume of savings with their societies. The highest volume of savings in 2011 was N1,350,200 which was 25.6% volume of savings for 5 years. In 2010 savings mobilization was N1,100,000 which constituted 20.9% total volume of savings in 5 years. The societies in 2012 were able to mobilize savings worth N980,000 with 18.6% of savings in 5 years although a considerable change from what previously mobilized in the preceding year. This may be due to the critical situation of that time. The deduction from the above discussion is that engagement in CTCS enabled respondents to save money by saving the excess of income over what was invested from the loan obtained. On the average a member saved at least N17,868 during the period under review which is below the minimum wage.

Table 2: Distribution of Number of Loan Applications, Amount of Loan Applied, Approved/Disbursed and Repaid by Members between 2008 and 2012.

Yr	No.	Amt	Amt	Amt	Extent of
-----------	------------	------------	------------	------------	------------------

	Applied	Applied	Approved/ Disbursed	Repaid	Repaymt
2008	62	N900,500 (15.7)	N850,000 (16.5)	N840,000 (16.4)	Part
2009	76	N1,125,000 (19.6)	N920,000 (17.9)	N920,000 (18.0)	Full
2010	82	N1,250,000 (21.8)	N1,050,000 (20.4)	N1,050,000 (20.5)	Full
2011	102	N1,400,000 (24.4)	N1,350,000 (26.2)	N1,350,000 (26.4)	Full
2012	80	N1,060,000 (18.5)	N980,000 (19.0)	N955,000 (18.7)	Part
Total	402	N5,735,500	N5,150,000	N5,115,000	

Source: Field Survey, 2013. () represented %

Table 2 shown that in 2008, 62 loan applications made with amount worth N900,500 only N850,000 was approved/disbursed to the respondents for business expansion which may be due to the level of savings mobilization. The amount repaid was N840,000 remaining N10,000 which signified part repayment. At the same time in 2008, 15.7% constituted amount of loan applied while 16.5% amount to loan approved/disbursed and 16.4% amount of loan repaid in 5 years respectively. In 2009, 76 applications were made with amount of N1,125,000 only N920,000 was approved/disbursed to the respondents for business expansion while the same amount was repaid meaning full repayment unlike in 2008. In 2009, 19.6% constituted amount of loan applied while 17.9% amount to loan approved/disbursed and 18% amount of loan repaid in 5 years respectively. This signified that the respondents increased amount of loan applied by 3.9%, amount approved/disbursed by CTCS with 1.4% and 1.6% for amount repaid by respondents as against 2008.

In 2010, loan applications made 82 with value worth N1,250,000 only N1,050,000 was approved/disbursed to the respondents for business expansion while the same amount was repaid meaning full repayment like in 2009. The 21.8% constituted value of loan applied while 20.4% amount to loan approved/disbursed and 20.5% for amount of loan repaid respectively in 5 years understudy which indicated improvement from 2009. From the result above, 2011 was most robust compared to other years with 102 number of loan applications worth value of N1,400,000 with only N1,350,000 was approved/disbursed for business expansion at the time as the same amount was repaid meaning full repayment like in the preceding year 2010. Still in 2011, it signified that the respondents increased amount of loan applied by 2.6%, amount approved/disbursed by CTCS with 5.8% and 5.9% for amount full repaid by respondents as against 2010. The finding is in conformity with the solution of Reihart (2002) which states that access to credit has expanded over the years as a result of financial deregulation for all. It goes a long way to assure why there was full repayment in that year.

In 2012, all the indices drop as compared with 2011, out of 80 number of loan applications made worth N1,060,000 only N980,000 was approved/disbursed by the CTCS while N955,000 was repaid remaining N25,000 which signified part repayment. This may be due to fall in savings mobilization and credit turned what was already a nasty downturn into decline on members' business activities. The effects of the crash may still ripple through the members business as seen in part repayment of loans obtained. The deduction from the above discussion is that CTCS enable members to obtain loan for business which they pay back installmentally until the full repayment is made.

Test of Hypothesis 1

H₀: Loan disbursed by the cooperative societies is not dependent on the socio- economic factor of the members.

H₁: Loan disbursed by the cooperative societies is dependent on the socio-economic factors of the members.

So in order to test the above hypothesis ANOVA of the multiple regressions was used and the result displayed below:

Table 3: ANOVA Table showing the Relationship of Loan Disbursed on Socio-economic Factors of the Members

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	198.050	5	39.610	648.273	.000
Residual	17.658	289	.061		

Total	215.708	294		
-------	---------	-----	--	--

Dependent variable: Loan disbursed

Predictors: (Constant), occupation, marital status, sex, age, educational qualification

Decision: The F ratio in the table above shows a value 648.27 which was significant at 0.01 level of significance. Therefore, null hypothesis was rejected and the alternate was accepted meaning that loan disbursed is dependent on the socio-economic factors of the respondents.

Discussion of Model Result

The above table of regression analysis, the correlation coefficient R^2 showed the extent which dependent variable is explained by the independent variables. This implies that 92% of variations in loan disbursed (dependent variable) are explained by the independent variables. As well, the adjusted R^2 was also 0.913, showing 91% of the variations in loan disbursed were explained by changes in independent variables. The F-statistics is highly significant even at 0.01 per cent level. Therefore, it is obvious that there is a strong relationship between member's socio-economic characteristics and loan disbursed in which age (X_1) 0.84, marital status (X_3) 0.31, and occupation (X_5) 0.23, are all positive significance that is, one unit increase in these socio-economic characteristics will affirmatively increase loan disbursed. The coefficient on age showed that older members were given more loan than the younger ones. Age is expected to be positively related to the loan disbursed.

The positive coefficient on marital status showed that married members received more loans. This conforms to apriori expectation. The positive coefficient on occupation (X_5) showed that loan was given to members who have economic activities which were expected to be positively related to loan disbursed. While sex (X_2) and educational qualification (X_4) are not significant which means they have no relationship with loan disbursement in the CTCS.

Table 4: Regression Analysis Result of Loan Disbursed is Dependent on Socio-economic Factors of the Members.

Model	Standardized Coefficients	T	Sig.
Constant		-1.177	.240
Sex	.073	1.807	.072

Age	.840	19.352	*.000
Marital status	.310	12.459	*.000
Educational qualification	.050	.932	.352
Occupation	.232	3.426	*.001

Dependent Variable: Loan disbursed *significant

Predictors: (Constant) sex, age, marital status, educational qualification, Occupation.

$R = 0.958$

$R^2 = 0.918$

Adjusted $R^2 = 0.913$

$N = 295$

Test of Hypothesis 2

H₀: Members of Cooperative Thrift and Credit Societies (CTCS) do not repay loans satisfactorily.

H₁: Members of Cooperative Thrift and Credit Societies (CTCS) repay loans satisfactorily.

So in order to test the above hypothesis one way analysis of variance (ANOVA) statistics was used and the result displayed below:

Table 5: ANOVA Table Showing the Relationship of Loan Repayment on Loan Disbursed.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	72.628	1	72.628	88.366	.000
Within Groups	240.816	293	.822		
Total	313.444	294			

Dependent variable: Loan disbursed

Factor variable = Loan repayment

Decision:

The result shows an F ratio of 88.366 which is significant at 0.01. Therefore we reject the null hypothesis and accept the alternate which states that: Members of Cooperative Thrift and Credit Societies repay loans satisfactorily.

Summary of Findings

From the analysis of the study the findings revealed that:

1. Educational qualification of respondents has insignificant relationship on loan disbursed therefore CTCS does not consider level of education before giving out loans.
2. Occupation as a legal economic activity like trading, farming and craftsmanship which is an indication of obtaining loan as a result perceived variations in loan repayment. Occupation of respondents has significant relationship on loan disbursed meaning that the CTCS considers the business purpose for obtaining loan.
3. Generally on the average a member saved at least N17, 868 during the period under review.
4. Most amount of loan worth N1,350,000 was approved/disbursed to the respondents in 2011 for business expansion which is an indication for 26.2% of loan approved/disbursed in 5 years while in 2008 witnessed the lowest amount.
5. The socio-economic characteristics have significant relationship on the loan disbursed as they account for 91.3% of the variations in the loan disbursed to members.
6. Over 90% of the respondents have fully repaid as loan repayment F ratio of 88.37 shows that members repay loan satisfactorily.

Conclusion and Recommendations

This study has assessed the performance of some selected Cooperative Thrift and Credit Societies in Owerri zone of Imo State. Cooperative Thrift and Credit Societies (CTCS) mobilize local savings, administer credit to members thereby encourage thrift and entrepreneurship. As much as possible it enable its members obtain loans necessary at reasonable interest rates with convenient terms of repayment. This study specifically: examined the socio-economic characteristics of CTCS members, assessed volume of members savings, ascertained the number of loan applications made, amount applied, amount approved/disbursed to the CTCS members for business expansion, ascertained that CTCS members repay loans satisfactorily and determined the relationship of the socio-economic characteristics on the loan disbursed to the CTCS members. Finally, made recommendations on possible ways of improving on

the performance of CTCS based on the findings. This study therefore recommends that:

1. Factors that militate against the proper obtaining, utilization and repayment of credit facilities should be made known to CTCS through public enlightenment for their avoidance. This can be achieved by Divisional Cooperative Officer, Zonal Cooperative Officer and State Director of Cooperatives.
2. Information about credit should be disseminated through CTCS and government agencies by their inclusion in the curriculum of Cooperative Studies at all levels of education.
3. CTCS should ensure that they have strong savings mobilization system as if this was the major determinant of the loan. Strong savings mobilization system by daily or weekly will enable the CTCS to mobilize more money for loan and increase their business volume. Members of CTCS should be enlightened on the benefits of saving money.
4. CTCS should avoid the temptation of not considering the level of education of a member before giving out loans. This study has revealed that CTCS do not consider the level of education before giving out loans. This could be harmful as education is a requirement for human growth and development.
5. CTCS should begin to lay emphasis on full loan repayment as required in terms and conditions of loan as critical in determining the financial sustainability of the societies. Efforts should be made to ensure loan repayment as at when due.

REFERENCES

- Adekunle, T., Henson, S. and Miler, F. (2007) *“The Effect of Cooperative Thrift and Credit Societies on Personal Agency Belief”*: A Study of Entrepreneurs in Osun State, Nigeria.
- Adesina, K. (1998) Essential Information on Cooperative Credit Societies. Ibadan: DAC-PRINTS.
- Emejulu, G. and Emejulu, H. (1998) Foundations and Cultural Aspects of Cooperatives. Onitsha, Otopa Press Ltd.
- Haan, J., Louter, K. and Gerard, G. (2003) Innovation Behavior in India Cooperatives; New Product Development Traditional Sectors from http://ivo.uvt.nl/fulltext/03oth2_groot.pdf. Accessed January, 2013.
- Ingham, G. (2004) The Nature of Money. London: Polity Press.

- Journal Storage (JSTOR), (2012) Credit Management, United State from <http://www.jstor.org/discover/10.2307/3741859>. Accessed on 2012-05-28.
- Nwankwo, F. (1994) “*Rural Savings Mobilization – Indigenous Savings and Credit Associations in Imo State, Nigeria*”. Hamburg: Lit Verlag.
- Obienugh, JP (2010) Johnbull’s Stock Guide. Canada: Trafford Publishing.
- Okechukwu, E. (2003) Understanding the Cooperative Laws and Regulations. Enugu, Admix Publications.
- Onugu, C. (2007) “*Credit Mobilization Challenges of Agricultural Cooperative Societies in Anambra State: Implications for Rural Development*”: Nigerian Journal of Cooperative Economics and Management (NJCEM). Vol.1 No.1 December, p41, p44-45.
- Onwuchekwa, (1992) Management Theory and Organizational Analysis A Contingency Theory Approach. Enugu, Obio Publishers.
- Onwuchekwa, (1995) Personnel Management. Awka, Goshen Business Enterprises.
- Onwumere, J. and Igwe, C. (2000) *Economic Development – Meaning, Measurement and Advance*. Nigeria Bankers Report.
- Parkinson, D. (2005) Business Dictionary, United Kingdom. Oxford University Press from <http://www.businessdictionary.com/definition/savings.html>. Accessed December, 2012.
- Reinhart, C. (2002). Financial Crises, Credit Rating and Banking Failures: The International Bank for Reconstruction and Development. The World Bank; New York, Oxford University Press.
- United Nations Department of Economic and Social Affairs (UNDESA), (1999). Status and Role of Cooperatives in the Light of New Economic and Social trends. UN Report.
- Wikipedia (2005) The Free Encyclopedia: Domestic Credit to Private Sector from en.wikipedia.org/wiki. Retrieved November, 2012.