ANALYSIS OF COOPERATIVE FINANCIAL AND ENTERPRISE FINANCIAL CRISSES

Onafowokan Onabanjo Oluyombo

Abstract
The study links enterprise financial crises and cooperative societies in rural areas to ascertain the effect of cooperative societies on members’ enterprises with the possibility of surviving period of financial crises and coping with difficult times in their businesses. 287 cooperative members participate in rural areas. Data was analysed using percentage, t-test and chi square test. Significant difference between participation in cooperative and ability to survive periods of financial crises was found with a positive association. About 54.4% of cooperative members with enterprise financial crises depend on the cooperative loans for meeting their businesses financial needs.

JEL Classification: B26, D14, D61, D71, G23,

Keywords: Cooperative societies, Enterprises, Rural areas, Financial crises

Introduction
The increase in the demand for financial services in rural areas have brought changes to cooperative societies as a factor in financial, economic, management and social science disciplines to the extent that over the years, local and international organisations have continued to explore the best modalities in the application of cooperative finance to almost every area of the economic needs of individuals and enterprises in rural areas. Challenges faced by rural dwellers in developing nations are numerous and multi facet which include social, political and financial crises. The challenge seems to be more direct and peculiar to rural enterprises that require adequate working capital for their enterprises at regular intervals. Hartarska and Nadolnyak (2008) reported that entrepreneurs’ investment in areas where there are few microfinance providers is very small. The entrepreneurs depend more on informal finance such as cooperative societies while the opposite is the case for locations with many formal financial service providers.

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The providers of rural financial services can be formal, semi-formal or informal but their services should be able to support rural dwellers’ income such that they are not technically excluded from patronising the formal financial providers in these areas because of low education and financial illiteracy among rural dwellers (Oluyombo, 2012). Cooperative and microfinance are seen as better and reliable means of providing financial services to poor people in developing nations especially among rural dwellers. The term microfinance usually implies very small loans to low-income earners for self-employment, often with simultaneous collection of small amounts of savings. The ability of cooperative societies and microfinance programs to reach the target users is very critical in assessing the impact of any microfinance initiatives. Impact monitoring is important to find out the efficacy of microenterprise lending at the rural areas (Shaw, 2004). It therefore means that the usefulness of any cooperative finance program cannot be effectively determined without an appropriate measurement of its impact among the beneficiaries of its services. The purpose of cooperative and micro finance is to reach the low income earners either in the urban or rural areas with financial services that will enable them create wealth.

Many studies such as Shaw (2004), Mawa (2008), Oluyombo (2012) and Naami (2017) had examined the effect of microfinance and cooperative loan on enterprise performance, but there is no literature on the impact of cooperative loan on enterprise financial crises which is different from just access to loan for enterprise use. How rural entrepreneurs survive critical periods of reduced cash flow in financing their business in rural areas where financial resources is more relatively scarce is important for investigation. This study investigates if loans are made available to rural entrepreneurs when their businesses are in financial crises. The study examines further the sources of loan repayment during financial crises with statistical analysis on the effect of each source of loan repayment on the borrowers. This study is significant because it focuses only on members promoted cooperative societies in rural areas without support from donor and government, while none of the previous studies used only members promoted cooperatives.

The researcher has identified gaps in the literature in chapter three and also reveals the dearth of studies that cover the activities of both the registered and unregistered cooperative societies in Nigeria and especially in Ogun State. The identification of more than one hundred unregistered cooperative societies in the rural areas of Ogun State where there is lack of government provided drinkable water supply, electricity supply and tarred roads necessitates the scope of this study to cover only the activities of unregistered cooperative societies operating in the rural areas of Ogun State, Nigeria with the above infrastructural deficiencies.
Literature Review
Cooperative society is an association of individuals who voluntarily form a cooperative society (Lohlein & Wehrheim, 2003) who are united in their quest for the economic benefits of the members. Being a voluntary association, individuals are allowed to join or withdraw as member based on the rules and regulation of the cooperative. Cooperative can be an intervention based on social intermediation in which poor people can mobilise their savings, link them with credit and finally become self-employed (Singh, 2004). Cooperatives are owned by group of people who are the members, and they provide financial services in form of savings and loans to their members. This is different from the formal microfinance institutions such as the microfinance banks (MFBs) in Nigeria which are meant to serve the general public.

In Adebayo, Chinedum, Dabo and Pascal (2010), there was no evidence of usage of cooperative loan for enterprise finance but 92% repaid the loan when due while only 8% are unable to pay at the due dates. Simkhada (2004) reported that instalment loan repayment in cooperatives is flexible because it is designed according to the loan purpose while loan use result reveals that 67% was for productive activities, asset purchase and repair (11%), 13% for social activities and 3% for repayment of previous loan.

Wanyama, Develtere and Pollet (2008) use multiple ownership cooperatives which include a donor funded cooperative in Kenya, Ghana, Nigeria, Cape Verde and Uganda to determine the impact of cooperatives on poverty reduction among households. They found that emergency loans are given with shorter repayment period and higher interest rate for health related matter and for burial expenses. Participation in cooperatives leads to increase in more employment for member. They found in Ghana that members obtain loans for informal business to support their wage income. According to Eisenhauer (1995), the proportion of members that took loan from cooperatives increase which suggests that cooperatives have improved their lending capacity. 61% of the members feel that it is easier to get loan from cooperative than from the bank. 49% agrees that borrowing from cooperative is faster and shorter than from the bank, while 45.3% think otherwise. The short period required may enable members to take advantage of opportunities that may bring profit to their business within a short period of getting such information since the fund can be obtained from cooperative as loan. 45.3% agrees that cooperative loan takes a long time to approve and disburse, while 49% disagree. Loan repayment period was found to be long enough to allow members to pay their loan. 22% of the members took loan to purchase stocks while 33% used their loans for raw materials.
The cooperative provides 67% of financial services required by rural dwellers (Henry & Schimmel, 2011) while the importance of cooperative finance is amplified in the findings of Aina and Oluyombo (2014) which they reported in percentages without statistical value, that bank account holders in Nigeria do not consider bank among the first three options to seek loan. The order is family and friends (24.34%), cooperative society (14.47%), and instalment credit (5.92%). The importance of cooperative loan for enterprise is critical in enterprise finance in rural areas if family and friends are not in position to help others. For example, Sharma, Simkhada and Shrestha (2005) found that 66.6% of cooperative loans are for business use, which is 22.3% for animal husbandry, 20.8% on business investment, and 23.6% for agricultural production. In Adedayo and Yusuf (2004), cooperative loan for business use was 70.63% which are 8.46% on purchase of business input and 64.17% for investment and trade. 86% of program loans are for business use (Akingunola & Onayemi, 2010). Naami (2017) reported 24.9% for sale of yam and cereals, petty trading 41.6%, 10.6% for cooked foods and drinks, fish mongering 12.7%, and 9.1% for fashion trade.

Agbeko, Blok, Omta and Van der Velde (2017) identify entrepreneurial and business competencies that are peculiar for loan repayment in Ghana with the aid of focus group discussion with four loan officers and three program debtors. They found that those unable to repay loan arrive at estimated profit without considering cost of running their business because accurate record keeping was not adhere to. Most of the debtors do not receive fixed salary from their business but engage in indiscriminate withdrawal for personal use. Debtors with good loan repayment sell on credit at times. Loan repayment problem was found due to buying in bulk with inability to sell all their stock, while those without loan repayment problem buy stock when needed and avoid the challenge of having expired goods. They concluded that business performance and loan repayment rates are influenced by other factors than entrepreneurial and business skills.

Financial crisis has been considered as time of financial deprivation for which alternative funding is required to meet financial commitment that an enterprise requires. Ability to raise such fund means an income smoothening arrangement rather than lack of fund for some period. The income smoothening implies a way of determining how members were able to cope and survive period of reduced cash flow in their enterprises (Nelson, 2000; Morris and Barnes 2005). This help to ascertain how smoothening income has been among rural entrepreneurs who are more vulnerable to financial shocks, have limited alternative sources of credit and are highly exposed to other economic and business challenges. Morris and Barnes (2005) reported that 80% of microfinance clients and non-clients experienced financial constraints
within two years and the causes of financial crises are death of family member – 40% for both groups, debt – 8% for microfinance clients and 4% for non-microfinance clients, and medical expenses – 83% by clients and 82% by non-clients. The differences are statistically significant between clients and non-clients.

The use of cooperatives loan leads to income generation at enterprise level and creation of employment by members (Wanyama et al. 2008). Todd (2000) documented that clients use their program savings to solve enterprise financial cash flow problem, while Shaw (2004) reported that financial support which could be loan and/or grant for rural entrepreneurs help to alleviate ill effects of poverty. The ability of an enterprise to be properly funded is important every time in the life of the business because according to Morris and Barnes (2005), the main problem encountered by entrepreneurs is irregular capital flow. Financial crises can therefore not be ignored in impact of cooperative finance on enterprises especially when it relates with rural dwellers enterprises.

Naami (2017) focuses on effect of microfinance and small loans centre program on women beneficiaries live and business with aid of personal interview. The study found loan repayment period of 6 months is short with negative impact on their businesses. However, the loan itself led to expansion (99.4%). Type of loans received is significantly related to kind of business chosen to finance (p=0.010). 83.4% repay their loan monthly, 0.9% for bi-monthly, and 15.7% for weekly. 12% defaulted in loan repayment which is significant (p=0.000). Causes of defaults are hospital bills (27.5%), children school fee payment (37.5%), and 35% for unfavourable market condition. However, Naami (2017) was unable to determine if loan lead to enterprise profitability or not. Study by Shaw (2004) on how microfinance programs contributed to rural poverty reduction in remote regions of Hambantota district in Sri Lanka, examines the causes of income related impact gap and the reasons for differences between earnings of micro enterprises among poor and less poor clients. The study found that the poor in semi-urban locations have a better opportunity to exit poverty via any micro enterprises than their rural counterparts.

For a group lending method program, Adjei, Arun, and Hossain (2009) reported that participation in the program reduces clients’ vulnerability to crises such as sales of assets and illness. The inability of the researchers to state the gender of the program participants is a wide gap in the study, the inclusion of which could have helped better in comparison of their result with a similar program. Ndiaye (2005) asserted that Africa’s social progress lags behind other developing countries. The author found that only 6% of poor
people have access to financial services, while 50% of the population live on US $1 or less per day. The availability of financial services that is widely available in rural and urban areas for low income earners could help the poor to improve their financial security and to take advantage of business opportunities which may facilitate growth for their enterprises. However, Oluyombo (2012) reveals that at the enterprise level, access to cooperative loans for enterprise use does not translate into more profit, but the study found evidence of increasing in enterprise assets as a result of participation in a cooperative society. A qualitative study by Mawa (2008) in Bangladesh notes that when poor people get credit, they employ their skills and get involved in income generating activities in rural areas which enable them to earn more income from their enterprises and smoothens consumption level. The researcher reported that microfinance increases the capacity to deal with the risky situations which previously forced poor people to sell their productive assets.

The role of microfinance on enterprise finance and development including the effect of rural female entrepreneurs’ income and employment in India was conducted by Kumar (2017). He found that those with lower education were employed through micro enterprises. There is timely access to loan while the participants save as tool for risk management. Diversification through innovation led to micro health insurance accessibility for 82.5% of members. Members experience increase in monthly income through engagement in micro enterprises such that 17.5% contribute 50% to 75% to family income while 70% contributes 25% to 50% to family income. After joining the program, the members were able to leave seasonal employment with its irregular income for permanent one. The study concluded that vulnerable women in rural areas got employment and income through entrepreneurship loan.

Simkhada (2004) that used mixed cooperatives program in rural and urban areas found that 53% of members made profit in their enterprises. The study documented that social capital also includes the establishment and expansion of markets made possible by the cooperative. However, the result was not compared between members and non-members that are contrary to the reason for using non-members as control group in the study. Statistical test was not conducted on any of the variables. The result of Todd (2000) at the enterprise level shows that many microfinance clients diversified and expanded their business instead of keeping to a single trade which led to increase in income and reduction in their poverty level. The ability of cooperative societies to assist their members when in need of fund because of reduced business cash flow is determined through the research hypothesis that ‘participation in
cooperative does not lead to ability to survive periods of reduced enterprise cash flow.

**Methodology**
There are twenty local governments within the three senatorial districts - Ogun East, Ogun West and Ogun Central - of Ogun State in both rural and urban areas. Two local governments that are more rural - based on Nigeria's poverty index - were selected in each senatorial district for study. Stratified and random sampling techniques were used as follows based on a preliminary survey carried out. There is an average of fifteen cooperative societies in each local government area. Five cooperatives were randomly selected in each local government that make a total of 30 cooperatives out of the 90 cooperatives within the six local governments. Thereafter, a random sampling of ten individuals from the membership list of the thirty chosen cooperatives were selected to participate in the survey questionnaires, which give 300 sample size.

The researcher receives responses from 287 members which comprises of two groups – loan members and no-loan members. The comparison of data for loan and no-loan members has been used in the literature by Adjei et al. (2009) and Oluyombo (2012). The no-loan members are members of the cooperative societies, but they did not take loan as at the time of the study. The choice of loan and no-loan members helps to use the no-loan members as control group for loan members. The questionnaire was adopted from Oluyombo (2012), which was translated into the local language (Yoruba) of the respondents in order to gather accurate responses to the questions as used in Kenya by Copestake, Johnson, and Wright (2002) and in Nigeria by Oluyombo (2012) where all questions were translated to ‘Swahili’ and ‘Yoruba’ respectively. For example, cooperative societies are called “egbe alaje seku” in the local language of the respondents. The cooperative executives were not allowed to participate in the study. This precaution was undertaken to avoid bias and to enhance the validity and reliability of the study by reducing subjectivity and third party interference. The data from the questionnaires are analysed with chi square, t tests and percentages, because rigid scientific method of analysis may not permit alternative data explanation beyond the hypothesis (Oluyombo & Iriobe, 2017).

**Findings and Discussion**
Demographic information by gender shows that 148 and 139 of the respondents were female and male respectively. Majority are married (81%), 5% are widowed while singles and separated are almost equally represented. The family types are monogamous 246, while 41 are polygamous. 88 respondents have not received loan from the program, this include 14% of
those who have participated in the program for six years and above, 36% for those within two and five years of membership while those within a year and below accounted for 50%. 33% do not have formal education. Those with primary school education are 42% while 10% have secondary school certificate. 42 respondents (15%) have university, polytechnic, technical or vocational institutions certification but only 7% hold a first degree from either a university or polytechnic. The educational information is not a threat to the study since the respondents are rural dwellers.

The t-test results in table 1 shows that the loan and no-loan groups are similar in number of children (p=0.051). There are significant differences between the groups on three variables namely age (p<0.001), membership duration (p<0.001) and household size (p=0.000).

**Table 1. Tests of significance on demographic variables between loan and no-loan members (t-tests)**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Levene’s test for equality of variance</th>
<th>T-test for equality of means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig</td>
</tr>
<tr>
<td>Age</td>
<td>2.263</td>
<td>.134</td>
</tr>
<tr>
<td>Household Size</td>
<td>6.193</td>
<td>.013</td>
</tr>
<tr>
<td>Membership Duration</td>
<td>10.821</td>
<td>.001</td>
</tr>
<tr>
<td>Number of Children</td>
<td>5.191</td>
<td>.023</td>
</tr>
</tbody>
</table>

* Significant at five percent  ** Significant at ten percent

A question was directed to loan and no-loan members to ascertain if they ever faced any financial constraints at any point in the process of engaging in their businesses. 141 (71%) of loan members and 44 (50%) of no-loan members claimed that at some point, they were unable to carry out their business functions due to lack of money (see table 2). This is lower than 80% for both clients and non-clients found by Morris and Barnes (2005) in Uganda. The loan members found it difficult to conduct their business more than no-loan members at one point or the other. Although, there could be issue of pride among the no-loan members to cover up their financial problem and wanting to show that they can manage without cooperative loan.
Table 2  Financial constraint in business

<table>
<thead>
<tr>
<th>Financial constraint in business</th>
<th>No-loan Members n=88</th>
<th>Loan Members n=199</th>
</tr>
</thead>
<tbody>
<tr>
<td>Those unable to conduct business at some point due to lack of money in the last twelve months</td>
<td>No.</td>
<td>%</td>
</tr>
<tr>
<td>44</td>
<td>50</td>
<td>141</td>
</tr>
</tbody>
</table>

The membership period of those who at some point lack money for their business is shown in table 3.

Table 3  Enterprise financial difficulty at some point

<table>
<thead>
<tr>
<th>Membership Duration</th>
<th>No-loan Members n=88</th>
<th>Loan Members n=199</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>%</td>
<td>No.</td>
</tr>
<tr>
<td>0 – 1 year</td>
<td>19</td>
<td>22</td>
</tr>
<tr>
<td>2 – 5 years</td>
<td>15</td>
<td>17</td>
</tr>
<tr>
<td>6 years and above</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>44</td>
<td>50</td>
</tr>
</tbody>
</table>

Majority of those who had financial constraint at some points in their enterprises among no-loan members are those within a year membership – 22%. This may be due to the fact that some of them are not qualified for loan because most of the cooperatives surveyed give loan to members who joined and have continuous saving for a minimum of six months. The result of 22%, 17% and 11% for no-loan members with membership duration of 0-1 year, 2-5 years and 6 years and above respectively reveals the possibility that the longer a member stayed in the cooperative without a loan, the lesser the degree of financial constraint experienced in their business at any point by such a member.

Most of those who lack money at some points for their business among loan members - 36% - are within two and five years membership period, followed by those of six years and above with 32%, while the least - 3% - are those within a year membership period. The longer a loan member stays in the cooperative, the likelihood such member may want to enlarge his or her business and therefore suffer lack of money at one point or the other. This pattern may eventually reduce as the member becomes matured in the program with a membership period of 6 years or more because financial sustainability could have been reached at that time.
The study finds out if loan members were able to meet their financial needs in time of financial constraint from cooperative loan. This determines if cooperatives can absorb financial shock from her members especially in solving financial problems in their businesses. According to Morris and Barnes (2005), the main problem encountered by entrepreneurs is irregular capital flow. The response from a question as presented in table 4 was used to find out if those with enterprise financial constraints were able to solve the cash flow problem faster as a result of loan from the cooperative.

**Table 4 Access to business loan from cooperative in difficult time**

<table>
<thead>
<tr>
<th>Membership Duration</th>
<th>Loan Member* n=199</th>
<th>Loan Member** n=141</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–1 year</td>
<td>No.</td>
<td>%***</td>
</tr>
<tr>
<td>2–5 years</td>
<td>72</td>
<td>36</td>
</tr>
<tr>
<td>6 years and above</td>
<td>64</td>
<td>32</td>
</tr>
<tr>
<td>Total</td>
<td>141</td>
<td>71</td>
</tr>
</tbody>
</table>

* Those with lack of money at some point for their business

** Those able to solve cash flow problems faster by taking loan from the cooperative

*** This is express as percentage of loan member respondents i.e. 199

**** Express as a percentage of loan member with lack of money at some point. e. g. $\frac{58}{72} \times 100$

Out of the affected 141 respondents, 115 respondents – 82% – affirm to have solved their cash flow problem with ease through cooperative loan. Only 18% of loan members with lack of money in conducting their business were unable to solve their cash flow problem from cooperative loan. This may be based on the premise that most cooperative loans are accessed on first come first serve basis and also on final repayment of previous loan before a new loan is granted. The magnitude of loan required by a cooperative member may be more than what the member is entitled to or what the cooperative can afford at a particular time. For most of the cooperatives, a member is entitled to apply for a double of his or her savings as a loan. There is a limit to what is given as loan to members that did not show positive commitment to previous loan repayments in order to serve as a warning for others to pay their loan when due.

Two (40%) out of the five loan members within one year membership period that experienced financial constraint in their business were able to solve the problem by accessing loan from the cooperative. 58 (81%) out of the 72 were able to take loan from the cooperative to solve their business cash flow for those between two and five years membership while 86% had the same success rate for longer membership duration of six years and above. The
significance or otherwise of the result is determined through chi-square tests on the research hypothesis.

A chi-square test for independence indicates significant association between participation in cooperatives and survival of periods of reduced enterprise cash flow, $X^2 (1, n=199) = 82.466$, $p=0.000$, $\phi=0.544$. The result is significant while the research hypothesis that participation in cooperative does not lead to ability to survive periods of reduced enterprise cash flow cannot be accepted because participation in cooperative lead to ability to survive periods of reduced enterprise cash flow. There is positive association between being a loan member and surviving periods of reduction in enterprise cash flow. The effect of the association as revealed in the Phil coefficient of 0.544 is high$^2$. On average, about 54.4% of loan members with financial constraint in their enterprises can depend on the cooperative loan to meet their financial needs and be able to continue their businesses.

During times of business financial difficulty more of members who qualify for loan will be able to access cooperative loan to continue their business rather than stopping the enterprise. The findings tally with Mawa (2008) that microfinance increases the capacity to deal with the risky situations which previously forced poor people to sell their productive assets. The result supports Todd (2000) that clients use their program savings to solve enterprise financial cash flow problem, while Shaw (2004) reported that financial support for rural entrepreneurs helps to alleviate ill-effects of poverty.

The fact that cooperative loan members face financial difficulty in conducting their business at some point indicates the need to ascertain how loan repayments are made during difficult times when such member owe the cooperative. Table 5 shows the result of loan members’ response to a question – *During difficult time, how do you repay your loan?* This question consists of four possible answers as duress, property confiscation, sales of existing property and business profit. Respondents were allowed to choose more than one option in response to the question because more than one answer may be applicable to some members.

\footnotesize{$^2$ Using Cohen’s (1998) criteria of .10 for small effect, .30 for medium effect and .50 for large effect.}
Table 5: Sources of loan repayment in difficult time

<table>
<thead>
<tr>
<th>Source</th>
<th>Loan member n=199</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
</tr>
<tr>
<td>Duress</td>
<td>23</td>
</tr>
<tr>
<td>Property confiscation</td>
<td>4</td>
</tr>
<tr>
<td>Sales of existing property.</td>
<td>2</td>
</tr>
<tr>
<td>Business profit.</td>
<td>52</td>
</tr>
</tbody>
</table>

Cooperative societies have always found different ways of recovering her money from members with outstanding loan after maturity. These methods vary from one cooperative to another and it includes duress and property confiscation by the cooperative while members at times have to sell their existing property, some may use business profit to repay their loans in order to avoid embarrassment hence their reputation may be tarnished by the cooperative and members of the scheme. In Adedayo et al. (2010), there was no evidence of usage of cooperative loan for enterprise finance but 92% repaid the loan when due while only 8% are unable to pay at the due dates. Majority (26%) of those that had to pay their loan during difficult time used their business profit to do it. This may not be wrong since the loan is expected to be used for the expansion of members’ business and therefore require proper planning by the beneficiary to put in place modality that will ensure prompt repayment of loans as when due. Those that paid under duress and property confiscations accounted for 12% and 2% respectively, while 1% of the respondents had to sell their existing property to pay their debt to the cooperative.

Table 6: Test of significance on sources of loan repayment in difficult time (chi-square)

<table>
<thead>
<tr>
<th>Source</th>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duress</td>
<td>9.545</td>
<td>1</td>
<td>0.002*</td>
</tr>
<tr>
<td>Property confiscation</td>
<td>0.629</td>
<td>1</td>
<td>0.428</td>
</tr>
<tr>
<td>Sales of existing property.</td>
<td>0.030</td>
<td>1</td>
<td>0.862</td>
</tr>
<tr>
<td>Business profit</td>
<td>25.701</td>
<td>1</td>
<td>0.000*</td>
</tr>
</tbody>
</table>

* Significant at 0.05 level

Majority of loan members facing difficult period in their business pay their loan from their business profit. The fact that they made profit and also experienced financial constraint may be that they expanded their business more than what their capital could finance. As a result, they may want to retain their profit in the business instead of repaying their loans. The statistical implication of these loan repayment methods (see table 6) shows
that only duress and use of business profit in loan repayment are significant with p=0.002 and p=0.000 respectively.

**Conclusion and Recommendation**

Participation in cooperative societies increases members’ ability to survive periods of reduced enterprise cash flow. Members were able to get loan from the cooperative to continue with their businesses. Hence, enterprise liquidity problems are readily solved by being a member of a cooperative society. Significant positive relationship was documented between cooperative membership and ability to survive periods of reduced cash flow in enterprises. During times of enterprise financial difficulties, members have access to cooperative loan which enables them to continue their enterprises rather than stopping it. The researcher interprets this to mean a positive income smoothening effects of cooperative on rural entrepreneurs who are more vulnerable to financial shocks with limited alternative sources of credit and exposure to other difficult economic and enterprises challenges.

Access to loan from cooperative societies appear to help rural entrepreneurs to solve their business cash flow problem quickly and also enable them to take advantage of available business opportunities within a short period. There is a high positive association between being a cooperative member and surviving periods of reduction in enterprise cash flow. About 54.4% of members on the average with financial constraint in their enterprises depend on the cooperative loan to meet their financial needs, and continue their businesses. Cooperative finance may be enhanced through government financial support as grants or loan with minimal interest to bridge the gap in rural financial service delivery. This will lead to higher proportion of rural dwellers in financial inclusion in rural areas.

The cooperatives need to be developed with access to fund from the government for on-lending to their members at reduced interest rate because the cooperatives are trusted part of the rural economy. The federal government through the Central Bank should be willing to provide free fund, though refundable, to cooperative societies operating in the rural areas for on-lending to their members, and the conditions attached should not be stringent to discourage the poor from accessing the fund. This requires a shift of focus by the relevant governments and their agencies to deliberately put in place a functional policy that will lead to the growth of rural economy by removing constraints that hinders easy accessibility of rural enterprises to financial services.
References


