THE EFFECT OF COOPERATIVE PRACTICE ON THE POVERTY STATUS OF RURAL HOUSEHOLDS IN KOGI STATE, NORTH CENTRAL, NIGERIA.

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Abstract

The study focused on The Effect of Cooperative practice on The Poverty Status of Rural Households in Kogi State. The data for this study was collected from 150 rural households through a multistage field survey in 2010. The outcome of the logistic regression revealed that education, family size and cooperative membership were the main factors affecting the poverty status of the rural households in the study area. The policy implication arising from this study suggest that the government, non governmental organization and community based organization should be encouraged to facilitate cooperative practice among rural households through mass campaign and release of credit facilities to boost productivity thereby breaking the vicious cycle of poverty. It is also advocated that the farmers should group themselves into cooperative groups where they will be able to attract government attention and have the opportunity of converting personal risk to collective risk.

Key Words: Effect; Poverty; Cooperative; Practice; Rural; Households

INTRODUCTION

Poverty is a complex and multi-faceted phenomenon which does not fit into a neat definition (Smith and Ross, 2006). However several scholars have tried to operationalize the concept of poverty. Spence (2005) views poverty as a condition that deprives individuals the basic necessities for existence like food, water, shelter and clothing as well as other fundamentals to life like health, education, security, opportunity and freedom. It is also described as a misery-go-round plaguing the less developed countries(Jhingan, 2003).

The poverty incidence rose to 61% in 1997 and over 70% in 1999, thus giving Nigeria the 54th position in the Human Poverty Index ranking (Bullion, 2003). The national household survey conducted in 2005 showed that 51.6% of the Nigerian population lives in poverty (National Bureau of Statistics (NBS) 2005). Alleviation of poverty has become the biggest challenge to the human society. In response, the global campaign against poverty has gained momentum, with various development actors suggesting the use of different instruments to alleviate poverty (Birchall, 2004).

There is an emerging consensus among many actors, including the United Nation (UN), the International Labour Organization (ILO), International Cooperative Alliance (ICA) and the European union (EU), that the cooperative enterprise is one of the few forms of organization that meet all dimensions of poverty (ILO/ICA, 2003). Their position is that cooperative has the advantages of identifying economic opportunities for the poor, empowering the disadvantaged to defend their interests, and provide security to the poor by allowing them to convert individual risk into collective risk.

Previous studies have shown that there are a lot of benefits associated with cooperative practice. For instance, Fasoranti (2007) asserted that cooperative societies play an important role in economic capacity building in terms of skills development, business development, mentoring and employment. Agricultural cooperative maintain higher levels of income, making small farmers able to construct decent houses, send their children to school and provides health insurance to sustain rural livelihood, they have advantage of accessing cooperative education and business development capacity building (Chambo and Oloo, 2007).Similarly, Cooperative practice also has the advantage to better the lifestyle, provide credit, which is the widespread activity of the majority (95%) of registered cooperative societies and also eliminate viscous cycle of poverty (Patrick, 1995). The benefits of cooperative practice from empirical observations are not effectively felt in Kogi State, especially in Ofu Local Government Area. Consequently the following research questions are posed to find out this reason:

1. What are the factors affecting cooperative membership in the study area?
2. What are the effects of cooperative membership on the output of farmers?
3. What are the impacts of cooperative practice on the poverty status of the respondents in the study area? It is therefore against this background that this study attempts to use cooperative as a variable to deal with the incidence of poverty in the study area.

CONCEPTUAL FRAMEWORK

This work is based on the concept of the vicious cycle of poverty. This reveals a phenomenon whereby poverty stricken individuals exhibit the tendency to remain poor throughout their lifespan in many cases across generations (Walton, 1999). The cycle of poverty has been described as a feedback loop (Ahmadu, 1990). This often means that poverty stricken individuals find it extremely difficult to get out of poverty because they do not possess enough resources to invest in their own economic development. They are also unable to maintain any savings to invest in human or physical capital to improve their own productivity and therefore income, peasant families would remain poor for generation (World Bank, 1991).

The concept of vicious cycle of poverty holds that low capital leads to low productivity, low productivity leads to low income, low income leads to low saving and low savings leads to low investment and low investment leads to low productivity.The sufficient amount of capital required to break the vicious cycle of poverty can be gotten through cooperative practices. Sufficient activities are generated from cooperative activities which increases productive returns and level of income, leading to increased saving and high investment level (Lemma, 2007). Cooperative activities advantageously foists saving generated from high capital which results to high productivity and high income, resulting to high investment (Olesin, 2007).

METHODOLOGY

The study was conducted in 2010 in Ofu Local Government Area of the eastern senatorial district of Kogi State, Nigeria. It is located between latitude $7^{0}41$ N and longitude $6^{0}54$ E. The study area comprises of 3 districts namely; Ugwolawo, Igalaogba and Itobe and it has eleven potitical divisions called wards.these are ; Ugwolawo ward I, Ugwolawo ward II, Ochadamu, Ejule/Allah, Ogbonicha, Igo, Aloji, Otoke, Itobe/Okokenyi, Iboko.Efaku and Alloma/Okula .

The sample for this study was drawn using a probabilistic sampling technique. This was done to give the respondents equal chances of been selected. The required data was gotten from the sample through the use of a twostage sampling method. The first stage was the random selection of 6 wards from the 11 wards in the study area. These wards are Ugwolawo ward I, Ugwolawo ward II, Ochadamu, Ejule/Allah, Aloji, and Alloma/Okula. The second stage comprised of the administration of questionnaire to 25 randomly selected farm families in each of the selected ward.

Analytical Technique

Delineation of Poverty Groups

These involved the use of poverty line to categorize the respondent into different poverty groups. Poverty line is an arbitrary divider of poor and non-poor. It is usually based on income or consumption / expenditure data. This analysis is required to establish a poverty line which would be used in combination with welfare indicator to categorize people into different expenditure groups. The proportion of the population below the poverty line provides a quick indicator of poverty problem. The approach is based on the classification of poor and non-poor in relation to their level of expenditure.

The total expenditure of each household (Household per capita expenditure) is calculated for a year and then corrected for household size through adjustment by dividing each household's total annual expenditure by the household size.

$$\text{Household Per Capita Expenditure (HHPCE)} = \frac{\text{Total household expenditure}}{\text{Household Size}}$$

The mean per capital household expenditure is calculated by dividing the total per capita expenditure by the total household surveyed

$$\text{Mean Household Per Capital Expenditure (MHHPCE)} = \frac{\text{Total Per Capita Expenditure}}{\text{Total Household Surveyed}}$$

Thus from MHHPCE, the households can the be categorized into three, that is,

1. Core poor are those spending less than one-third of the mean household per capita expenditure (MHHPCE)
2. Moderately poor spend less than two-third of their MHHPCE
3. Non-poor are those spending two-third and above of their MHHPCE

But the purpose of this study category, 1 and 2 were collapse into one group (i.e poor). Leaving us with 2 groups, these are poor and non-poor

Logistic Regression

The probability of farm families to be poor depends on a set of variables x such that

Prob (Y=1) = f (βx) -----------------------1

Prob (Y=0) =1-(βx) -----------------------2

Using the logistic distribution, we have

$$\text{Prob }(Y=1) = \frac{e^{\beta x}}{1+e^{\beta x}} \text{ ------------------------3}$$

$$= A(\beta x) \text{ ------------------------4}$$

Where A is the logistic cumulative distribution functions, then the probability model is the regression:

E(Y/Xi)=0[1-F(βx)]+1[f(βx)]=F(βx)-----5

Where Xi is defined as the set of variables including:

$$Y=\beta_o+\beta_1X_1+\beta_2X_2+\beta_3X_3+\text{-----------------}+\beta_9X_9$$

Where, Y= dependent variable taking values between 0 and 1, 1= poor and 0 = non-poor and the X variables are:

X_1 = Age(yrs), X_2 = Gender (1 = male, 0 = otherwise), X_3 = Marital status (1= married, 0= otherwise) , X_4 = Educational level (yrs), X_5 = Family size, X_6 = Farm size (ha), X_7 = Mixed cropping, X_8 = Cooperative membership (1= member, 0= otherwise).

RESULTS AND DISCUSSIONS

Social- Economic Characteristics of Respondents

Table 1.0: Social- economic characteristics of respondents

Gender		
Gender	Frequency	Percentage
Male	129	86.0
Female	21	14.0
Total	150	100.0
Age		
Age	Frequency	Percentage
20-30	15	10.00
31-40	31	20.67
41-50	52	34.67
51-60	34	22.67
Above 60	18	12.00
Total	150	100.00
Educational Status		
Education	Frequency	Percentage
Primary	53	35.33
Secondary	43	28.67
Tertiary	38	10.67
No Formal Education	16	25.33
Total	150	100.00

Farm size	Frequency	Percentage
0-2	93	62.00
3-5	55	36.67
6-8	1	0.67
Above 8	1	0.67
Total	150	100.00

Field survey (2010)

The analysis from the gender perspective of the respondents presented in table 1 revealed that majority (86.0%) of the respondents were males, while only 14.0 % were females. This implies a strong labour force for agricultural activities in the area. This is expected to increase output, thereby increasing income, which leads to higher saving, thus, breaking the vicious cycle of poverty.

Table1 also showed that, majority of the respondents (88.01%) were within their productive age, while only 12.00% were above 60 years of age. The implication of this, is that output of the farmers is expected to be high based on the fact that the respondents are within the active and productive stage of their lives. Thus, there is every opportunity for breaking the poverty cycle through increase output if given adequate credit and input.

Table 1 further revealed that majority of the respondents (89.33%) were educated, while 10.67% were illiterates. This implies that adoption of new farming methods and technology will be easier.

According to the statistics on the farm size of the respondents presented in table 1 showed that the majority (62.00%) of the rural households cultivate between 0-2 hectares. While only 0.67% cultivated above 8 hectares. This will make the mechanization of agricultural activities difficult due to the small and scattered nature of farm lands.

Poverty Status of the Respondents

Table 2: Poverty status of the respondents

Poverty Status	Frequency	Percentage
Core Poor	53	35.33
Moderately Poor	72	48.00
Non Poor	25	16.67
Total	150	100.00

Field survey (2010)

The analysis of the poverty status of the respondents as presented on Table 2 revealed that 35.33% of the rural households were core poor. This group spend less than one-third of their mean household per capita expenditure (MHHPCE). The table also revealed that majority(48.00%) of the respondents were moderately poor. Respondents in this group spend less than two-third of their MHHPCE. Only 16.67% of the respondents were non poor, spending two-third and above of their MHHPCE.

The Effect of Cooperative Practice on the Poverty Status of the Respondents

Table 3.0: Logistic regression result of the effect of cooperative practice on the poverty status of the respondents.

Variables	Coefficients	Standard Errors	Level of Significance
Age	.017	.019	.382
Gender	.853	.620	.169
Marital status	-.566	.501	.259
Education	-.087	.037	.018**
Family size	-.111	.052	.033**
Farm size	-.070	.148	.638
Mixed cropping	-.096	.393	.808
Cooperative membership	-.940	.373	.012**
Constant	1.623	.926	.080

Significant level, ** at 5% **Source: Field survey (2010)**

The result of the logistic regression presented on table 3 shows a chi-square of 17.030 with a degree of freedom of 8 and significant at 5% .This implies that all the independent variables jointly accounts for the variation in the dependent variables. The result revealed that the following variables, (marital status, education, family size, farm size, mixed cropping and cooperative membership) were negatively related to the likelihood of respondents becoming poor. This implies that an increase (by one) in the said variables reduces the odds of the respondents being poor. However education, family size and cooperative membership were significant at 5%. However, age and gender have a positive relationship with the poverty status of the cooperative farmers. This implies that increase (by one) in the said variables, increases the likelihood of the respondent to break from poverty

CONCLUSION

This study focused on the effect of cooperative practice on the poverty status of rural households in Kogi State. The outcome of the study revealed that education, family size and cooperative membership are the main factors affecting the poverty status of the rural households in the study area.The devastative effect of poverty on rural households can not be over-emphasized given that it is a state of deprivation of individuals to the basic necessities for existence and tends to keep them in continued vicious cycle of poverty. Therefore it is necessary to focus on strategies that will ameliorate it. As a result of this, it is advocated that the government, non governmental organization and community based organizations should be encouraged to facilitate cooperative practice among rural households through mass campaign and release of credit facilities to boost productivity and consequently break the vicious cycle of poverty. It is also advocated that the farmers should group themselves into cooperative groups where they will be able to attract government attention and have the opportunity of converting personal risk to collective risk.

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