

**DESIGN AND IMPLEMENTATION OF COOPERATIVE SOCIETY
APPLICATION SYSTEM**

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CHAPTER ONE

INTRODUCTION

1.1 Background of Study

Thrift and Credit Cooperative Societies (TCCS) are member-based organizations that help members to address economic problems. The ultimate goal is to encourage thrift among the member and to meet credit needs of people who might otherwise fall prey to loan sharks and other predatory lenders (Adekunle et al., 2007).

Cooperative Societies are widely spread organization in developing countries, they are known for strong commitment as well as participation in the decision making of their members (Haan et al, 2003). These societies mobilize local savings and administer credit to members, thereby encouraging thrift and entrepreneurial activity (Adekunle et al., 2007).

A cooperative society according to International Cooperative Alliance (ICA, 1995) is “an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations, through a jointly owned and democratically controlled enterprise”. When first started, credit unions use relatively unions use relatively unsophisticated administrative practices, so that the cost are very small and most interest income from loans may either be distributed to the members or reinvested in the credit union within a capitalization programme. Consequently (UNDESA, 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.

Thrift and Credit Cooperative Societies (TCCS) assure any group of individuals an effective means to combine resources, however small they further started. It can exist among traders, farmers, craftsmen, artisan, academicians, and so on, who pull their resources together to meet their common needs by means of regular savings passbooks in which his savings are recorded for keeps. It permits a larger savings mobilization than within the capacity of most

individuals. Financial intermediation through TCCS may be a catalyst of most entrepreneurial growth.

The society retains capital and the surplus from outside transactions in the society with which it operates and is used for further entrepreneurial development. According to Adekunle et al (2007), cooperatives are a form of participatory, democratic economic and work organization in which members are simultaneously the owners, managers and workers. Credit is important element in any progressive and dynamic economy. As economic activities increases, economic becomes more diversified, credits become unavoidable. The unsurpassed solution is formation of TCCS among close associates. TCCS also in (Adekunle et al, 2007), has characteristics which include discretionary power of members, open communication, management suggestions rather than instructs, risk and uncertainty are shared and there is motivational potential.

Federal University Otuoke Staff Multipurpose Cooperative Society (FUOSMCOS) is a cooperative society that provides all members with convenient and secured means of interest. The cooperative society maintains the records of members, the accounting books and provide passbook for each member just as the banks were doing before.

However, the banks have become more effective in regards to the saving and monetary management of funds by the use of relevant information technology platforms. So it is believed that the same approach could be integrated in the management of credit and multipurpose cooperative society.

The development of a web-based and thrift management system has become necessary to keeping records and adequate management of the credit system as this will allow for efficiency, credibility, reliability, availability and accessibility of necessary funds to members. A web-based management system will allow for easy fund management and boost

accessibility irrespective of where the members are as the world is globally connected via the web services of the internet.

1.2 Statement of the Problem

The following are the problems associated with the design and implementation of cooperative society application system;

1. Lack of Proper Management: One of the major setbacks in establishing and running a business in any organization is the lack of appropriate leadership. It is the quality of leadership that is displayed at the committee or board level, which determines the success or failure of the cooperative.
2. Lack of Adequate Financing: Traditionally, cooperatives have developed around persons of limited means who lacked the financial strength to adequately capitalize their organizations. Until recent years, the commercial banking sector had no faith in the cooperative movement, and credit from this sector to cooperatives was virtually impossible. Government provided only minimal assistance through its lending agencies.

1.3 Aim of the study

The aim of this project is to design and implementation of cooperative society application system, It will also bring into focus the various ways by which the use of computer can be of great benefit to the cooperative societies.

The aim and objectives of the research works are the following:-

1. To provide adequate security on records of the union.
2. To reduce any attempt of misplacement of data.
3. To computerize the system that will ensure prompt and accurate withdraw of money.

1.4 SCOPE OF THE STUDY

The case study of this project is Ogbomoso North Local Government staff cooperative Investment and credit union society. It is presently located in the premises of the Ogbomoso North Local Government.

The scope of the study will cover the process of computerizing all the transaction made by the above named union.

1.5 SIGNIFICANCE OF THE STUDY

Automating processes such as membership management, financial transactions, loan processing, and reporting can significantly reduce the manual workload and operational inefficiencies. Automation and digital tools can save time for administrators and members, allowing them to focus on more strategic activities rather than routine tasks. Members can access their account information, apply for loans, and participate in society activities through a user-friendly application, enhancing their overall experience. The application can provide real-time updates on financial transactions, society activities, and decision-making processes, fostering trust among members. By analyzing the data collected through the application, society leaders can gain insights into member behavior, financial health, and other critical aspects, enabling data-driven decision-making.

1.6 LIMITATIONS OF THE STUDY

The limitations of the proposed system are:

1. The proposed system will not cater for the payment of salaries of the staffs involved in the operation because we were not give any information pertaining to that.
2. The proposed system will not determine that maximum period of loan repayment due to time constraint.

3. The proposed system will not accept a divorce into the union because the personnel were not specific if there is divorce or not, it will only process for only married and single.

1.7 DEFINITION OF UNFAMILIAR TERMS

1. CREDIT: Way of delayed payment of goods and service which allows for regular payment over a period of time.
2. LOAN: A sum of money issued to a person on credit with an accompanying duration of time for repayments to be done.
3. DIVIDEND: A share profits paid to member who own share in an organization.
4. THRIFT: It refers to a prudent economy that is, the habit of saving money and spending it carefully.
5. INTEREST: A calculated sum of money with a given rate charged on loan.
6. GUARANTOR: A person who guarantees a loan.

CHAPTER TWO

LITERATURE REVIEW

2.1 The Concept of Cooperative Society:

The term cooperative is derived from the Latin word co operatic, where the word co-means with” and opera means to work” thus cooperative means working together. So those who want to work together with some common economic objective can form a society, which is term as cooperative society” it is a voluntary association of persons who work together to promote their economic interest.

The International Cooperative Alliance (ICA) in its Statement on the Cooperative Identity, in 1995, defines a cooperative as “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.” It is a business voluntarily owned and controlled by its member patrons and operated for them and by them on a nonprofit or cost basis (UWCC, 2002). It is a business enterprise that aims at complete identity of the component factors of ownership, control and use of service, three distinct features that differentiate cooperatives from other businesses (Laidlaw, 1974).

The International Labour Organization (ILO) In 2004, define cooperative societies as an association of persons usually of limited means who have joined together to achieve common economic goals through the formation of democratically controlled business organization, making equitable contribution to the capital required and accepting a fair share of risk and benefit of undertaken.

Encyclopedia American (2004) refers to cooperative societies as an organization establish by individual to provide themselves with goods and services or to produce and dispose the product of their labour. This means of production and distribution are thus owned in common and the earning reverts to the members, not on the basis of their

investment in the enterprise but in proportion to their patronage or personal participation in it. Helms (2005), on the other hand defined cooperative societies as a voluntary association of persons having mutual ownership in providing themselves some needed services on non profit basis usually organized as a legal entity to accomplish objective through joint participation of its members.

Cooperative is an association open to all and granting equal right and responsibility (democracy and autonomy) to members engage in all economic enterprise and share of profit which are bestowed on members in proportion to their use of the enterprise itself without regard to their share in the society. (Standing, 2008) cooperative society is an organization people who come together voluntarily for the purpose of contributing their wealth in terms of cash and ideas to solve their socio-economic and cultural problems accepting to bear the risk together and enjoying the proceeds by themselves (Okechukwu, 2001). Food and Agricultural Organization (FOA) 2003, put it that there is no other globally tested system on the horizon than cooperative. Cooperative society is “a group of persons with at least one economic interest variable member”. The aim of the group is to meet their common economic needs by joint action based on mutual help. The means to achieve this is to establish a common enterprise of which goods and services are made available to the member as customer and employee. (Duelfer, 2006).

According to Ogbu (2007), the word cooperative is a collective noun as well as the cooperative society. Cooperative which means to work together among a group of persons originated from time immemorial. It means more than people working together to achieve commonly felt need. Hence it is as old as man otherwise, instinctive.

Okoli (2006), defined a cooperative as an organization for promoting the economic interest of its members. According to Okoli (2006), it is a free and voluntary business organization jointly owned by the people with identical economic needs and having equal

voices in its management and deriving proportionate benefit and services from it. According to Ibe (2002), cooperatives are one of the possible organizational forms for conducting legitimate business in a market economy where goods are freely bought and sold in the open market. Chilokwu (2006), gives further insight into the nature by stating that, “a cooperative is a formal organization formed by person, usually of limited means, who voluntarily come together, for the achievement of a common economic objectives involving the formation of a democratic controlled business organization, and who have agreed to make equitable contributions to the required capital of the organization as well as to accept a fair share of the risks and benefit of their undertakings”.

2.2. Types of Co-operative Societies

Although all types of co-operative societies work on the same principle, they differ with regard to the nature of activities they perform. Followings are different types of co-operative societies that exist in our country.

- i. **Productive Co-operative society:** These societies are formed to protect the interest of small producers by making available items of their need for production like raw materials, tools, and equipment, machinery etc. According to Olesin (2007:7) opined that producer's co-operative society is the association of producers of similar product who have come together in order to promote the production and sale of their products. Members of this society like farmer and other producers contribute money in order to buy or hire equipment, machinery and raw materials at reduced rates meant for the promotion of their product activities.
- ii. **Services cooperative society:** These societies are formed to protect the interest of general members by making goods available at a reasonable price. They buy goods directly from the producers or manufactures and thereby crminate the middlemen in the process of distribution. Examples of service cooperative societies are the

consumer cooperative society and cooperative marketing society. Consumer cooperative society is an organization which intends to support the economy of member household through acquisition of merchandise from wholesalers for sale to members at a fair price, (Igwe, 2006). The cooperative marketing societies are societies formed by small producers and manufactures who find it difficult to sell their product individually. The society collects the product from the individual members and takes the responsibility of selling those products in the market.

- iii. **Multipurpose cooperative society:** These are societies which are engage in various activities and business such as farming, housing, issuing of loans and production of goods. Members, who belong to this society, derived a lot of benefits. Some of the benefits according to Igwe (2006) are benefit of large scale farming, loans are given at a reasonable rate of interest in times of need to buy land and construct houses, and the issue of collateral security is reduced.

2.3 Benefits of Co-operative Societies

The benefits of co-operative societies according to Johnson Ugogiare:

Encouragement of Savings: the credit and thrift co-operative society encourages its members to save their money.

They are Democratic in Nature: all members have equal rights to say how the society should be organized. Every member has the rights to vote and be voted for, and each member has one voting right.

Results in Low Prices of Goods: this is because, they buy goods directly from the producers and distributed to their members.

They Prevent Price Fluctuation: this is as a result of the fact that their main motive is not to make profit but to promote the welfare of h their members.

Prevention of Hoarding: this is as a result of the fact that they buy directly from the manufacturers and distributed to their members.

They Fight Inflation and Deflation: they do these through their activities of price stabilization, regulation of the quantity of goods needed, etc.

Saving In Advertisement Cost: the money they would spend in advertising is saved because they do not involve in advertising since majority of the goods they purchase from manufacturers are bought by their members.

Education of Their Members: this is done in areas of production, distribution, buying and selling of goods and services.

Encouragement of Hard Work: this is as a result of the fact that they have joint pride of ownership.

They Avoid Cheating: at the end of a given period members are paid dividends calculated on the basis of the capital contributed and total purchases made from the society.

They Encourage Inter-personal Relationship: there exists brotherly, sisterly, friendly etc, relationship among members of co-operative society.

They Encourage Economic Development: this is because; their activities encourage mass production, distribution and consumption. They also encourage savings for further investment.

Increase in Standard of Living: this is as a result of the fact that they make goods available to members at reduced rates, encourage them to save, give the needy ones loans with little or no interest etc.

2.1.1 Origin of Cooperative Business, Operations and Growth in Nigeria

Cooperatives have been in Nigeria right from the inception of man, known as era of „unofficial cooperation'. In Uchendu (1998), this era experienced more of self-help organizations. Here, one can find what he called rotatory farm work which is very common in Igbo land. In Enejulu and Emejulu (1998), this era spanned till 1935 when a cooperative ordinance was enacted ushering in the „era of official Cooperation'. The origin of cooperatives in Nigeria according to Nwobi (2006) can be linked up to the problems that led to the formation of cooperatives in Britain. Some of which reasons are: hunger, cheating, dependency, indebtedness and deplorable standard of living. She went on to posit that the development of modern cooperatives in Nigeria started when few cocoa individual farmers came together and formed what they called Agege Planters Union (APU). Agege farmers were found to be successful leading to the upspringing of other associations like: Egba farmers Union and Ibadan Agricultural Societies. Nwobi (2006), noted that in the year 1935 an administrative officer in the person of Major E.F. Haig was appointed as the first Registrar of Cooperatives in Nigeria utilizing the report of a cooperative expert from India-Mr. C.F. Strickland. By the year 1936 a small African Staff was transferred from department of agriculture to department of cooperatives. Here the first registered cooperative in Nigeria became the “Gbadun Cooperative Produce – Marketing Society, which was registered on the 19th of August 1937. Seeing that cooperatives came from the Western Nigeria, that of the East were trained on cooperative principles and beliefs in cooperative and the best method by which the masses can take part in their own economic advancement. The Eastern Cooperatives were charged with the duties to make further efforts to develop cooperatives especially in the field of cocoa, coffee, rice, palm produce etc; and to diversify cooperative activities into new fields, such as cooperative group farming,

where land owners could be persuaded to pool their lands. The Northern Nigeria experienced cooperative as a strange movement, so they had thrift and did not form cooperatives that are agro-based then.

In any case, Nigeria was regionalized in 1951 and Western, Eastern, and Northern regions took responsibility of developing their own cooperatives, notwithstanding that Gbadun Cooperatives started in 1937. Cooperatives sprang up from the association of cocoa farmers before other agricultural cooperative practices began. Since then, cooperatives have proved as veritable agencies for solving the many problems besetting rural areas in Nigeria such as, low productivity in agriculture, lack of employment opportunities, lack of skills, weak infrastructure, political powerlessness and dearth of cottage industries, the associated problems notwithstanding (Ijere, 1992).

2.2.2 Business sustainability.

Environmental Protection Agency, EPA (2017) posits that sustainability is based on a simple principle: Everything that we need for our survival and well-being depends, either directly or indirectly, on our natural environment. To pursue sustainability is to create and maintain the conditions under which humans and nature can exist in productive harmony to support present and future generations. EPA (2017) goes on to define “sustainability” as the study of how natural systems function, remain diverse and produce everything it needs for the ecology to remain in balance. It also acknowledges that human civilization takes resources to sustain our modern way of life.

Business sustainability, on the other hand, is defined as managing the triple bottom line - a process by which companies/firms manage their financial, social and environmental risks, obligations and opportunities. These three impacts are sometimes referred to as profits, people and planet (Financial Times, 2017). But Financial Times (2017) notes, this has shortcoming because it relies on an accounting-based perspective and does not fully

capture the time element that is inherent within business sustainability. A more robust definition is therefore suggested: business sustainability represents resiliency over time – businesses that can survive shocks because they are intimately connected to healthy economic, social and environmental systems. These businesses create economic value and contribute to healthy ecosystems and strong communities (Financial Times, 2017). Indeed, in a broader context, social, environmental and economic demands are considered the three pillars of sustainability. Within the corporate world, they are sometimes referred to as the triple bottom line. The concept is a departure from the traditional concept of the bottom line, which evaluates all efforts in terms of their short-term effect on profits.

In traditional corporate cultures, social and environmental concerns have typically been considered to conflict with financial goals. Depletion of non-renewable resources, for example, is obviously not a sustainable practice. However, because alternatives typically require investments in infrastructure, continuing to rely upon fossil fuels is the least expensive short-term option.

Indeed, business sustainability requires firms to adhere to the principles of sustainable development. According to the World Commission on Environment and Development, WCED (1987), sustainable development is development that “meets the needs of the present without compromising the ability of future generations to meet their own needs.” So, for industrial development to be sustainable, it must address important issues at the macro level, such as: economic efficiency (innovation, prosperity and productivity), social equity (poverty, community, health and wellness, human rights) and environmental accountability (climate change, land use, biodiversity).

2.2.3 Sustainability of Cooperative Business

Cooperatives as value-based and principle-driven organizations are by nature sustainable and participatory form of businesses (Wayama, 2014). It places emphasis on job security and improved working conditions, pay competitive wages, promote additional income through profit-sharing and distribution of dividends, and support community facilities and services such as health clinics and schools. Cooperatives foster democratic knowledge and practices and social inclusion, making them well-placed to support the achievement of sustainable development. Cooperatives have also shown resilience in the face of the economic crises. Hence, cooperatives are well-placed to contribute to sustainable development's triple bottom line of economic, social and environmental objectives, plus the governance agenda, not least because they are enterprises that endeavour to meet the economic progress of members, while satisfying their socio-cultural interests and protecting the environment. They offer an alternative model for enterprise, with contributions to sustainable development well beyond job creation. Since cooperatives' share in GDP and total enterprises is relatively small in most countries at present, the promotion and expansion of cooperatives could be an important instrument for achieving the Sustainable Development Goals (SDGs) (Wayama, 2014).

2.2.4 Sustainability Indicators in Cooperatives

(a) Profitability

Profitability is the ability of a business to earn a profit. A profit is what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product, and other expenses related to the conduct of the business activities.

Clearly, one factor that is essential for cooperative survival and sustainability is sound financial performance (Fulton, Popp, and Gray, 1996; Vandeburg, Fulton, Hine, and

McNamara, 2000). Given the importance of this factor, it is particularly important for a system of profitability benchmarks to be used on various cooperative types to help cooperative committees and managers better position themselves in the ever challenging business environment (Pritchett and Hine, 2007). Financial benchmarks such as the gross margin are particularly useful for diagnosing opportunities for improving business performance, although they are not well suited to describing the unique characteristics or all of the advantages of cooperatives relative to other organizational forms.

(b) Cooperative membership

A cooperative member is a person who belongs to a cooperative society. Cooperatives rely heavily on their members, needing strong engagement in order to understand community needs, know how to address them, and make informed decisions. Gray, Kraenzle and USDA (1998) highlight the importance of complete member participation and the direct link between member participation and a cooperative's success. Also an analysis of cooperatives worldwide found a low number (1-5%) of members participating in democratic activities (Spear, 2004). Where members are not appropriately and maximally engaged, cooperatives become less representative of their communities and cannot properly address needs, placing disproportionate weight and control on the shoulders of managers and diminishing the collaborative nature of their organizations.

Low levels of engagement also lead to a lack of economic participation, with members who only occasionally use the cooperative's services. This undermines the feasibility for cooperatives to derive their financial support from members. A final complication of poor member engagement is the diminished expansion of cooperatives.

Individuals who are more involved in a cooperative seek to include others in the group, aiding in the continued expansion of the cooperative and renewing its membership base (Grauvilardell, 2013). But, members' loyalty and commitment depend on cooperatives'

ability to meet members' needs and demands. For instance, satisfied members tend to be loyal and committed to their respective cooperatives (Birchall, 2012; Munkner, 2012). Trust and reciprocity between members are also conducive to loyalty. Trust is particularly needed when co-operatives experience financial instability (i.e. insufficient market demand, low prices). Trust also reinforces norms of generalized reciprocity, which is important in monitoring and sanctioning members who do not participate or do not willingly contribute to the development of the co-operative (Pelling and High, 2005). Nevertheless, cooperative membership growth is an important indicator of member satisfaction on the services of the cooperative.

(c) Cooperative Resilience

Resilience is the capacity to absorb stresses and shocks and maintain core functions. More specifically, it is the ability of actors and organisations to cope with shocks and crises and adapt to new circumstances (Innes and Booher, 2010), while simultaneously taking advantage of opportunities that emerge from shocks and crises (Mamouni Limnios and Mazzarol, 2011; McManus, 2008; Seville, 2009). Resilience is largely rooted in adaptive capacity, which is the organisation's ability to learn and respond to shocks and crises.

Borda-Rodriguez and Vicari (2015) argues that cooperative enterprises displayed a degree of resilience during the most recent economic crises, pointing out that there are many examples where cooperatives from different sectors have proven to be more resilient than conventional companies. Anchored in local communities and guided by their core values and principles, cooperatives have continued to provide livelihoods for communities around the world.

Despite challenges and limitations, co-operatives around the world are gradually growing in number and serving individuals and communities in need of basic services. Some co-

operatives perform better than others and those that do could provide key insights for co-operative resilience. They can also shed light on what might be needed to develop a resilient organizational structure.

Borda-Rodriguez and Vicari (2016) identify five overlapping and interconnected factors or dimensions that could serve as measures of co-operative resilience: co-operative values, networks, collective skills, innovation, and government support. These factors or dimensions may be present in different degrees and they do not exclude other aspects which might enhance resilience in particular circumstances. However, together they are seen to enhance cooperatives' adaptive capacities.

- **Cooperative values:** Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others (ICA, 1995). Trained cooperative membership inspired by co-operative values is crucial for co-operative resilience because a co-operative organizational structure depends on members' sense of identity, commitment, and cohesion.
- **Collective skills:** Collective skills are the abilities and capacities developed by members who learn from each other through participation in the activities of the cooperative and from external actors (Busemeyer and Trampusch, 2012). Social learning and collective skills are seen as necessary for cooperative resilience because they provide members with a common background with respect to processes and activities within the cooperative.
- **Networks:** The ability to establish networks both among cooperatives themselves and with external actors is a crucial factor for cooperatives' success (Gouet and Van Paassen, 2012; Menzani and Zamagni, 2010). Here, the proactive agency of

cooperative leaders is important as they are the agents who can facilitate access to resources and knowledge (Munkner, 2012; Simmons and Birchall, 2008).

- **Innovation:** Resilient co-operatives are innovative enterprises, able to improve their technological and economic performance. They are equally able to develop social innovations which are based on new combinations or new configurations of social practices that aim to better satisfy and meet the needs and problems co-operative members (Howaldt *et al.*, 2010).

Government Support: Cooperatives require adequate government support in order to flourish. Government support can assume the form of small grants, enabling policy frameworks, and policy regulation. It is broadly acknowledged (Birchall, 2013) that governments in developing countries have struggled to empower cooperative members and support cooperative enterprises

2.2 Theoretical Framework

2.2.1 Cooperative Business Theories

Theories are developed to explain reasons for the cooperative business form's existence and different aspects of cooperative business management. The most relevant theories corresponding to the purpose of this study are presented. The following theories and line of arguments are based on an individual-economic perspective. That is, an individual is recognized to act from his or her own best economic perspective, trying to maximize his or her own utility. Hakelius (1996) shows in an empirical study that differences between younger and older member categories prevail. Young members primarily value economic factors higher than solidarity and loyalty, but differing patterns in choice of trade partners and involvement in Boards are also recognized.

Some theories explain why cooperatives exist. Others handle factors facilitating cooperative business success and sustainability, and some portray the relationships between

the membership and the cooperative business operations it owns. According to Nilsson and Björklund (2003), advantages and problems with different types of cooperatives to a large extent can be explained by scrutinizing what organizational model it has, since with different models follows different characteristics. Table 2.1 illustrates such theories and they are categorized and organized in terms of what area they are applicable.

2.2.2 Cooperative Business Existence

Neoclassical theory holds that when production and activities are standardized and similar, large volumes are handled cheaper with increasing size. This is possible when processes can be standardized, mechanized and automated. Hence, in the first levels of the value-chain, consisting of collecting and marketing homogenized and standardized commodities, economies of scale can prevail, given that companies are run as efficient as possible. Economies of scale in collecting and marketing commodities imply that competitors within the same type of market will face difficulties when trying to compete with the largest actor in the market. No one can possibly have the same cost efficiency as the largest actor, given similar cost structure among competitors. Competitors can, therefore, not rely on economies of scale and the overall cost leadership strategy when facing a large market actor. They must rely on other competitive advantages to stay competitive.

Transaction cost theory explains how costs associated with making transactions can become high enough for economic actors to consider forming cooperatives. Besides the cost for the actual product, costs also occur for all activities of gathering and processing information, negotiating contracts, administrating issues, monitoring the actual exchange of service or products and solving possible disputes. Hence, a group of actors can form a cooperative for purchases, marketing, capital acquirement and other tasks to lower such transaction costs. Forming a cooperative is also a type of forward or backward vertical integration for decreasing distorting costs in the value chain. The integration of economic

activities into a corporate form in one way or the other should continue until products can be sold without disturbing market failures. This holds in a host of markets; when purchasing inputs, marketing outputs, capital acquiring etc. In essence, to lower the transaction costs, a group creates some kind of partial vertical integration at one or more levels in the value chain of a good or service.

As transaction costs diminish due to farms being run as larger entities, technology innovations lowering transportation costs, and information technology transferring market information more easily – the chances of finding well-functioning markets increase. The reasons for having cooperatives providing farmers a secure marketing channel then decreases; there is less of a need for cooperatives acting in the interest of farmer members.

2.3.3 Cooperative Business Performance/Effectiveness

Principal-Agent theory handles problems that occur when an owner contracts an agent to perform activities on the owner's behalf. All contracts are unavoidably incomplete. It is impossible to outline exactly all responsibilities and possible outcomes of decision making when managing a corporation. Applied in a corporate context, the problem gets intriguing, since a company can be perceived as an organization built up as a network of contracts (Jensen and Meckling, 1979).

2.3 Empirical Review

Gepp and Kumar (2008), in an empirical study on Australian firms, specified key predictors of firm survival as: financial leverage; long-term loan to total asset, profitability; operating income to total asset, managerial efficiency; receivables to current asset, liquidity; current asset to current liability, business size; natural log of sales growth, liquidity; quick asset to current asset, market structure; market value of equity to total value of the firm, and lastly, business size; natural log of total number of employees.

The duration of survival was measured for each of the MSEs in the study using the past

five year's records and financing method as treatment control. The model employed in Kauffman and Wang (2003), Bekele and Zeleke (2008) and (Babajide, 2011) were adapted where survival analysis were explored. Ajah, Itam and Asuquo (2014) analyzed the effectiveness of cooperative societies in credit delivery to agricultural enterprises in Calabar Municipality of Cross River State. The specific objectives were to analyze the institutional characteristics of the cooperatives, analyze number of loan applied and approved over a period of time, the effectiveness and constraints of cooperatives. The study used a multi-stage random sampling technique to select 30 agricultural cooperative societies in the municipality. Primary data for the study were collected in 2013, using well-structured questionnaire. The data collected were analyzed using descriptive statistics and Queue model. The result revealed that the mean age of the cooperative societies was 5.7 years and 70% of them were more than 5 years in operation. The cooperative societies had an average approval rate of 94.5%, with an average traffic intensity of 1.06 and an idle time of -0.14. This showed that cooperative societies were not very efficient in the Queue management. The major constraints militating against cooperative society's effectiveness were low loan repayment and embezzlement of funds (poor management of funds). Any policy that will improve proper management of funds and higher loan repayment will improve the managerial ability of the cooperative management, and increase the approval rate to 100 percent, and the idle time to zero.

Weerawardena, McDonald and Gllian (2010) examined how non-profit organizations (NPOs) contribute to society through their social value creation. They opined that NPOs and similar organizations like cooperatives operate in an increasingly turbulent context where building sustainable organizations has emerged as a critical need. Past authors have discussed this important issue in a fragmented manner. Using multiple case studies of social entrepreneurial NPOs, they in their paper examined how the need for building a

sustainable organization has impacted on the strategy focus of the non-profit organizations. The findings suggest that in response to an increased competitive environment, NPOs have been forced to adopt an organizational sustainability focus in both strategic and operational levels of management. The study makes a strong contribution to current debate in social entrepreneurship, and to a broader agenda concerned with developing sustainable organizations.

Ndifon, Agube and Odok (2012) looked at the sustainability of agricultural cooperative societies in the south-south geo-political zone of Nigeria. Out of six States of the zone, Cross River, Rivers and Edo were randomly selected for the study. The study identified the socio-economic characteristics of cooperative societies, analyzed loan advanced to cooperative members, focused on the scope for sustainability of cooperative societies, women empowerment, and analyzed the loan utilization by the cooperative members. Secondary data was sourced from the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB), Calabar Branch. The information was analyzed using descriptive statistics. The result showed that out of the total loan advances made, more than 50% went for consumption purposes. Rough estimate shows that about 50% of the cooperative members fell below poverty line which shows that the cooperative groups of the zone comprised mostly of the economically poor.

In a baseline study carried out in the Eastern Cape (2009), on cooperatives struggling for survival and sustainability, the most striking finding in this study is that the majority of cooperatives that participated were operating at the level of survival and the sustainability of their operations was an ongoing struggle. Only a few of the cooperatives participating were an exception to this rule. It is possible that there were some well functioning and independent cooperatives that operated in the Eastern Cape that did not take part in this study. However, it is believed that the participation of these would not have changed the general picture

significantly. Key indicators for what we call the struggle for survival and sustainability is the lack of markets or limited access to markets to sell goods or services produced. This is a strong indication that the strategy to be implemented by SEDA and other institutions should have a greater focus on marketing. Marketing support should not be limited to training, but to market analysis, information banks, product development and improvement. There should also be strides to negotiate and facilitate access to local markets and, where relevant, international markets. Perhaps more striking is the finding that there is very limited trading or cooperation between cooperatives. Where support to marketing and product development is provided, cooperation between cooperatives and the creation and control of entire production chains should be promoted.