

POVERTY ALLEVIATION THROUGH COOPERATIVE SOCIETIES

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Abstract

Poverty is a major social problem ravaging the entire continent of Africa and other underdeveloped and some partly developing nations across the world. Government of each country in Africa among which Nigeria is noted to have set up programmes to reduce the level of the poverty affecting a major part of the population within their territory. One of the major efforts in this direction is the official recognition given to the formation and establishment of co-operative society. This paper found out that -the adoption of cooperative schemes among the peasant populace in Nigeria will be a more effective means of alleviating the existing level of observed poverty.

Introduction

The problem of poverty in Nigeria is not new. More than half of Nigerians eat two times daily because of the economic situation in the country. Successive governments have made a lot of investments in terms of human and finance resources in alleviating poverty, but much has not been achieved. This paper therefore, examines poverty alleviation through co-operative societies.

Cooperative movement is known to be a tool for national development, but the government has not made use of this movement effectively to facilitate its poverty alleviation programmes.

This paper is divided into seven sections. Section One, defines poverty, briefly states measurement of poverty and causes of poverty. Section two, appraises the government poverty alleviation programmes and their effects on the poor. Section three appraises cooperative as a means of alleviating poverty; section four presents cooperative movement as a tool of national development. Section five discusses limitations of cooperatives as a means of alleviating poverty and section six provides the recommendations on the way forward in poverty alleviation efforts. The last section gives the conclusion.

Definition of Poverty

It is crucial to understand clearly what the concept of 'Poverty means in order to devise strategies that would lead to its reduction. Ravallion and Bidani (1994) define poverty as a lack of command over basic consumption needs, reflected insufficient food, clothing and or shelter, to (1985) defines poverty more broadly as a lack of certain capabilities such as being able to participate with dignity in society.

It is usually not difficult to recognise a poor person when you see him. In the urban areas, he is most likely unemployed or earn low wages if employed, his clothes are worn or torn, he lives in a shanty and focuses on when and how he would have his next meal. Furthermore he finds it difficult to provide medical care for his wife and children and even sending them to school. The rural poor is in a similar situation except that he might be able to meet his food requirements.

In the words of Aboyade (1975) poverty, like an elephant, is more easily recognised than defined. Most economists define poverty simply as a situation of low income or low consumption (Obadan 1997), while some of them adopt a broader definition such as being unable to meet basic material needs, encompassing food, water, clothing, shelter education, health as well as basic non material needs including participation, identity, dignity etc (Blackwood, and Lynch, .1994).

In the past, poverty has been measured solely by per capita income. However, it is now widely recognised that poverty also includes deprivation from health, education, food, liberty and opportunity. The Human Development Index (HDI) measures welfare of people using three factors: Income GDP per capita,

educational attainment and life expectancy at birth (UNDP 2000), A household survey conducted by Central Bank of Nigeria (CBN) in collaboration with the World Bank in 1999 revealed that 96.2% of Nigerians have an annual income below N15,000.00 which was considered as benchmark. About 64% of them were eating twice daily with cassava as a major food item, without much of protein consumption. An average of seven persons as against that minimum standard of six persons live in a room in some communities with attendant health hazard.

Like other countries in the region, poverty in Nigeria is no longer a rural phenomenon. Empirical evidence has also shown that there is a strong relationship between poverty, the age and education of head of household as well as household size. Almost half of the world's population does not have access to basic health care (STEP, 1979).

The prevalence of poverty has serious negative effects on society both at individual and national levels. The lack of access to resources by individuals leads to a state of powerlessness, helplessness and despair, and inability to subsist and protect oneself against economic shocks, social, economic, cultural and political discrimination and marginalisation (Ilori, 1999). This predicament leads to desperation and helplessness, if the society is indifferent to the plight of the poor. This could in turn produce violence, high rate of robbery, theft, thuggery and other deviant behaviours.

Measurement of Poverty

Anyanwu (1997) identified two principal approaches to poverty measurement (absolute and relative)

- (a) **Absolute Poverty:** This is a situation where the income of a person or a household is insufficient to secure the minimum basic human needs required for physiological survival. The minimum acceptable level has been fixed over a time as a global standard for meaningful human existence - known as the poverty line.

- (b) **Relative Poverty:** Relative poverty, as defined by Townsend (1973) is a situation where individuals or families are in command of resources which over time falls seriously short of the resources commanded by the average persons or families in the community in which they live. Clearly, this concept of poverty is quite dynamic in that as the average standards of the relevant community, increases the relative poverty line will increase as well.

Causes of Poverty

The causes of poverty have been traced to bad economic policies, under development of human resources and lack of effective social safety nets. Given the magnitude and spread of poverty and the desire to reduce its size and curb the spread, there is need to identify the causes of poverty. Identifying the causes of poverty will facilitate the processes of poverty management and planning. Four theories of poverty discussed by Akeredolu-Ale (1975) and Telia (1997) are considered relevant in the Nigerian situation.

The power theory of poverty posits that the structure of political power in a given society accounts for the extent and distribution of poverty, if the ruling class establishes and legitimises an exploitative poverty system through which it determines the allocation of opportunities, incomes and wealth, relying on the use of state power to its advantage (Ajakaiye, 1999). The World Bank's Poverty Task Force, as documented by its report on sub-Saharan Africa, identifies the following factors as the root causes of poverty in the sub-region:

- (i) Inadequate access to employment opportunities;
- (ii) Inadequate physical assets, such as land and capital and minimal access by the poor to credit even on a small scale;
- (iii) Inadequate access to the means of supporting rural development in poor regions;
- (iv) Inadequate access to markets where the poor can sell goods and services;
- (v) Low endowment of human capital;
- (vi) Destruction of natural resources, lending to environmental degradation and reduced productivity;
- (vii) Inadequate access to assistance for those living at the margin and those victimized by transitory poverty; and
- (viii) Lack of participation, failure to draw the poor into the design of development programmes.

In addition to the above factors, rapid population growth, the use of poor or inappropriate technology, low growth rate of the economy, prevalence of allocative inefficiency particularly in the public sector and low rate of investment are critical factors.

Past Efforts in Poverty Alleviation in Nigeria

The need to fight poverty in Nigeria has long been recognised. For instance, the 1962-1968 National Development Plan aspired to develop opportunities in health, education and employment for balanced development and equity in income distribution. The 1970-1974 Development Plan and indeed all other subsequent plans have had as principal objective, the building of a 'just, prosperous and egalitarian society'. The problem of poverty has however, apparently defied this concerted thrust of public policy.

No doubt, poverty in Nigeria represents a big challenge to successive governments and this is no less so for this present government. The challenge becomes even greater in the light of the United Nations Millennium Development Goals (MOG) which now specifically targets the reduction of poverty by half by the year 2015.

The whole purpose of poverty alleviation programme is to improve the standard of living anywhere especially the rural areas- Since poverty is a global phenomenon, there are both international and local efforts at alleviating poverty in the world. This informed the United Nations to declare 1996 as the 'International Year for the Eradication of Poverty' worldwide. Similarly, the decade (1997-2006) has been declared United Nations 'Decade for Eradication of Poverty.' In line with the spirit of these declarations, fresh initiatives are being taken, especially by government to alleviate poverty in the country. These are discussed below:

(i) **Domestic Initiatives:** A cardinal objective of Nigeria's macro-economic plans/policies, is to improve the standard of living through the application of monetary, fiscal and income policies. There are lots of programmes of Federal and State governments focused at alleviating poverty in Nigeria. These include Operation Feed the Nation, Directorate of Foods, Roads and Rural Infrastructure, Family Support Programme, Petroleum Trust Fund, National Directorate of Employment and Family Economic Advancement Programme, Other areas of involvement of governments to alleviate poverty include introduction of Nomadic Education programme, Primary Health Care, National Agricultural Land Development Programme, Rural Banking Scheme, and Rural Electrification Programmes.

The programmes and projects have been seen as a means of lifting the poor out of poverty and contributing to growth and development since the programmes had specific areas of focus (Carney, 1999). Apart from the efforts of government, indigenous non-governmental organisations such as the National Council for Women Societies have also provided shelter to the poor and needy.

(ii) **International Assisted Programmes of Poverty Alleviation:** International agencies and institutions which have been assisting the country in different aspects of poverty issue include the World Bank, United Nations Development Programme (UNDP), United Nations Children Fund (UNICEF), Food and Agricultural Organisation (FAO), International Fund for Agricultural Development (IFAD), International Institute for Tropical Agriculture (IITA), African Regional Credit Association (AFRACA) and World Health Organisation (WHO). They are involved in various poverty alleviation programmes in the areas of agriculture, health, education, transport and population activities, among others.

Over the years, the United Nations Development Programme (UNDP) has been involved in several poverty alleviation projects in states and local governments in Nigeria. These include the provision of textbooks, motorcycles, and other equipment. "Other key activities of the UNDP with strong implications for poverty alleviation include Women in Development Programme, NGO Capacity Building, Sustainable livelihood and Agriculture and Mass Literacy programme.

Cooperative as a Means of Alleviating Poverty

What are Cooperatives? The International Labour Organisation defines Co-operative societies as follows: "An association of persons who have voluntarily joined together to achieve-a common end and through the formation of democratically controlled organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the

understanding in which the members actively participate."

The philosophy behind the co-operative society is:

- To make fund - raising for developmental purposes by members less cumbersome;
- To play down the substantial, serious and adequate collateral securities which usually stand between individuals and bank loans;
- To offer loans to members at a low interest rate;
- To make loan repayment more convenient; and
- To inculcate the sense of belonging in members through the adoption of democratic principles which give members a say in the election of officers of the society.

Modern cooperatives began with a group of poor workers and weavers in Rochdale, England in 1844. It was started to remove or fight against the evils of capitalism. The poor worked hard but received low wages. They produced handicrafts for which low prices were offered. They paid high prices for inferior consumer goods. All these tended to worsen their poverty status. They then decided to set up a trading unit which would follow a set of guidelines to prevent all the vices perpetuated by the capitalist exploiters of their time. Thus, they de-emphasised profits while encouraging services. They ensured high quality goods and at reasonable prices. Members patronised the society's business and each member gained from this. At the end of the business year, they returned all profits to all members in proportion to each person's business volume which had made the profit possible.

The first co-operative society was able to use the collective efforts of its members to bargain with sellers of consumer goods thus receiving high quality products at generous discount. Its methods have been studied and adopted all over the world, It is interesting to note that the poorer people generally find it more convenient to cooperate since they have common causes.

Whenever an individual, working alone, cannot effectively achieve an objective, the need for cooperation manifests. Cooperatives help to reduce the input procurement costs, minimise the marketing costs through collective handling, storage, processing and transportation. They permit higher sales prices for producer members' products through negotiation from a position of collective strength. The dissemination of information about new technologies and better ways of doing particular jobs is made easier and cheaper.

The overall effects of these is an increase in the income of the cooperators and through increasing the quantities and qualities of goods purchased, the standard of living of the members can be raised. Thus, the level of poverty can be reduced or alleviated. The poor can be given hope through exchange of ideas and willingness to work with others.

Cooperatives have been employed to solve problems of land distribution. A good example is Mexican Ejido system in which land was allocated to members of a cooperative society according to their capacity to farm (Birchall, 1998). Membership of cooperative is often required for the acquisition of loans which are sometimes subsidized by government. The idea behind such policies is that the generally poorer people could have access to productive inputs and thus improve their standards of living and alleviate poverty.

The government itself is aware of the frictions that inequality and poverty bring and is often anxious to mobilise these in order to ensure peace and orderly governance. There are many important goals that can be achieved through cooperation. The poor are often unable to educate their children in a competitive system. Yet education is one of the major avenues for improving a person's standard of living and escaping poverty. Where there is cooperation, the cost of education can be considerably reduced. Teachers can be paid through such contributions thus making education available to otherwise poor and destitute children. A group of parents recently employed good teachers to prepare their children for the NECO examinations especially in English language and Mathematics.

According to the International Labour Organisation (1988) rural savings and credit systems (such as Nigerian Agricultural, Co-operative and Rural Development Bank (NACRDB), Community Banks and other related schemes such as NERFUND in Nigeria) bring saving mechanics to the; poorest, the illiterate and low income groups and enable them to accumulate small sums and therefore, to have access to

credit which is not provided by the orthodox banking system.

Farmers who join cooperatives have enjoyed the benefits of farm inputs like fertilizer,-herbicides/improved seeds, delivered to their doorsteps at prices far below what non members pay. Through collective action, some farmers groups have purchased and used tractors in rotation to ensure proper and timely operation on their farms. In this way, inputs that would have been out of reach of poorer small- scale farmers have been made available to them.

Thus whenever the activities are well organised and managed, the cooperatives' collective action reduces the costs to each member and helps to increase the income as well as standards of living. This, according to our definition is poverty alleviation.

Cooperative Organisation: A Tool for National Development

How does a country or society establish institutions that are conducive to development and growth? The interests of the poor are the starting points for designing a strategy for institutional development. They should be involved in programmes that affect their well being as agents of change, rather than being simply passive receivers of government services.

The missing link of non accessibility to resources by the poor can be filled with the active participation of cooperative societies in government programmes (Rownaiye, 2000). It therefore means that rather than setting up different agencies in implementing poverty alleviation programmes, there should be an organizational reform whereby the cooperative societies are the key players for this purpose.

According to international Co-operative Alliance (ICA), cooperative behaviour should be based on the following principles:

- (i) Open and voluntary membership,
- (ii) Democratic control,
- (ii) Limited interests on shares.
- (iii) Return of surplus to members.
- (iv) Cooperative education,
- (v) Cooperation among cooperatives.

Cooperative organizations bring various interests together and create opportunities for such groups to acquire basic skills, organise direct marketing, which eliminate the middlemen, realise high incomes and raise their standard of living. Cooperatives see themselves as an alternative, part way between private businesses and state owned enterprises in Western countries, while in developing countries, they are often instruments for securing local ownership of industries and as a means of involving people in new economic activities.

There are benefits that can be derived from well planned cooperative societies, the resultant effect of which is the economic growth. Three of these are basically economic benefits: greater market competition, economy of scale and schooling in democratic methods. The other two are meeting the need for new services and providing local services after external assistance had ended. '.

In as much as cooperative society provides sufficient fund for members to embark on entrepreneurial ventures, if the ventures are run maximally, unemployment will be removed, productivity will increase and income will increase, as well, hence, welfare will improve and poverty will be eradicated.

Limitations of Cooperatives as Means of Alleviating Poverty

All the activities of cooperatives presented to illustrate their capacity to minimize poverty depend heavily on their organisational efficiency, the dedication of management committees and workers, the honesty and integrity of managers and the willingness of members to participate or patronise their cooperative society.

The other major force that may reduce the achievement of cooperatives is the capitalist business world. Whenever cooperatives succeed and expand they tend to reduce the profits and exploitation by capitalist merchants. These merchants are never prepared to permit cooperatives to succeed. They would influence policy makers to work against cooperatives in very subtle ways. They would prevent

cooperators from having access to inputs and consumer goods at reasonable prices. Cases have been reported in which these merchants joined cooperatives so as to cause confusion. They would borrow money and refuse to pay.

Another great problem of many cooperative societies in Nigeria is the unwillingness of most members to repay loans granted, especially where members are self employed (Olalusi, 2000). Apart from such enemies of the poor cooperators, the government sometimes stifles the initiatives of cooperatives through excessive involvement and supervision. Decisions of the cooperative body have been known to be cancelled by a Registrar or his assistant. Thus, the fact that people come together to cooperate cannot guarantee automatic success and poverty alleviation.

Finally, there is very little that the cooperative activity can do to substantially uplift the very poor. By their opposition, the poor have very little resources with which to contribute to cooperatives. Yet, true cooperative rewards members according to their patronage. Those who contribute little receive little in turn. The cheering message is that cooperative membership if seriously pursued, can expose a poor person to opportunities and access to resources. From some previous studies (Olalusi, 2000) it has been found that cooperating farmers used the knowledge acquired on collective farms to greatly improve their own individual farm production.

Recommendations

The following are therefore recommended for efficient cooperative schemes in Nigeria.

1. Government should continue to support and monitor cooperative societies in their formative years. They should provide material support and develop policies that would ensure that the poor participate in and gain from cooperation.
2. Non government organisations (NGOs) also have a role to play in the development and building up of cooperative managerial capacity.
3. Most of the poverty alleviation policies that warrant distribution of loans and equipment should be done through cooperative societies.
4. There must be a close monitoring of members by management team on who'soever obtains a loan and how the loan is being utilised.
5. The accounts of every society must be audited every year.
6. The sponsoring of research into cooperative matters will greatly enhance cooperative development. Both government and NGOs have important roles to play in this.

Summary and Conclusion

Poverty, a state of having little or no means of livelihood results in pitifully low levels of living. Poor people tend to get poorer due to lack of access to productive resources and outlets for remunerative sale of their products.

The traditional rural credit schemes have helped many poor people to obtain funds that would never have been available through the formal banking systems. The cooperative consumer societies have helped their members to obtain high quality consumer items at greatly reduced prices. The use of collective efforts has often reduced the unit cost of procurement, all helping to improve the standard of living of the poor and to alleviate poverty.

It is however, necessary to caution that setting up a cooperative society is not an automatic cure for poverty. Some societies are badly run, others are deliberately used to exploit the poor for the benefits of a few who take over the management for their own selfish end. Furthermore, poorer people tend to contribute very little to cooperative business and, therefore, gain very little since the returns are usually in proportion to patronage.

It is hoped that governments will continue to support cooperatives without excessive controls. Government should assist cooperatives in their formative years but ensure that they are formed on sound economic principles and are efficiently operated. Whatever then that would alleviate poverty must be directed towards meeting the right people at the right place and at a particular period of time. Cooperatives have great appeal because of their role in uplifting the poor and downtrodden. To make the impact of the Poverty Alleviation Programme felt both in urban and rural centres, there is the need to reach the grassroots

people through grassroots organisations.

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