



EFFECTS OF SOCIAL CAPITAL ON ECONOMIC ACTIVITIES OF FARMER'S COOPERATIVES: A STUDY OF AWKA NORTH LOCAL GOVERNMENT AREA OF ANAMBRA STATE, NIGERIA

¹Udemadu Frank .C ²Okafor, Ogochukwu Esther, & ³Michael Maureen Chinenye PhD

¹&² Department of Cooperative Economics & Management, NnamdiAzikiwe University, Awka. ³ Federal Polytechnic Nekede Owerri, Imo State

Abstract: This study assessed the effects of social capital on the economic activities of farmer's cooperatives (A study of Awka North LGA). The population of this study comprised of all registered and functional cooperative societies in the area of study. Awka North has approximately 200 cooperatives. Purposive sampling technique was used to select the nine (9) Cooperative societies in Awka North local government area and they have membership strength of 243. sample size of 151 members were selected using Taro Yamene formular. The research objectives were analyzed using percentage and frequency distribution table and regression. A total of one hundred and fiftyone (151) copies of questionnaire were distributed and one hundred and sixteen (116) was recovered. Distribution Based on Sources of social capital available to farmer's cooperatives returned a grand mean of 2.57. The distribution based on benefits of social capital on the economic performance of farmer's cooperatives. The entire item is regarded as accepted with a grand mean score of 3.43 The regression result showed there is significant relationship between the socio-economic characteristics of the members and the effect of social capital on the economic activities of farmer's cooperatives. The sig. value 0.0017 is less than the alpha value 0.05, the researcher therefore concludes that there is significant relationship between the socio-economic characteristics of the members and the effect of social capital on the economic activities of farmer's cooperatives. Based on the findings of the study, the researcher made the following recommendations. Policy should be directed at investment in social capital development that would enhance farmer's cooperative access to productive resources. Cooperative society leaders should organize seminar for farmer's cooperators on how to use social capital in other to yield returns in the investment at end of the agricultural business. among others.

Keywords: Cooperatives, Social Capital, Economic Activities of Farmers Cooperatives

Introduction

The concept of social capital relates to the belief that there is value in our social fabric. Our social capital, like our economic capital, helps us to acquire resources by providing access to information through the members of our networks and supporting the attainment of common goals (Seferiadis, Cummings, Zweekhorstand Bunder. 2015.). This implies that in order for social capital to develop and thrive, it must first have a location where

individuals may meet in a social setting, or what Cilliers and Wepener refer to as a structural opportunity to meet. (Cilliers and Wepener, 2007; Seferiadis et al., 2015)

Social capital is becoming more widely acknowledged as a key component determining economic performance. Many cooperatives have evolved from democratic to capitalistic or economic-oriented groups during the previous two decades. The decrease of social capital in cooperatives is seen as both a cause and a result of the

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transition. Cooperatives have been more geared toward corporate governance as their size and member heterogeneity have grown. 2015 (Liang, Huang, Luc, and Wang) An agricultural cooperative is a cooperative whose members are agricultural producers who participate in related activities. 2015 (Nwaizu and Onyenze) Agricultural cooperatives are regarded as an essential economic and social structure in rural areas. They serve critical roles in agricultural growth by supplying farmers with production inputs such as fertilizers, seeds, and other chemical substances, among other things. They also offer farmers with the information and skills they require. These are agricultural novel approaches aimed at enhancing agricultural productivity and, as a result, promoting rural societies. Cooperatives play an important part in rural communities across the world. They play an important part in the agricultural food industry in a variety of sectors and in the local context of Nigerian rural communities. (2015) (Nnadozie, Oyediran, Njouku, and Okoli) Producer groups can also help smallholders become more resilient; that is, they can help farmers plan for and respond to economic and environmental stresses and shocks in a way that reduces vulnerability and promotes sustainability. (Serfilippi, and Ramnath, 2018).

In summary, social capital is a wide term with special significance to social organizations (such as communities, groups, and collectives), and it is made up of various distinguishing characteristics such as norms, values, trust, networks, and communication. It is a critical component for achieving and sustaining economic success, development, collective action, and governance. In the case of co-operatives, social capital is regarded as critical since it serves as the social basis upon which the co-operative is built. A severe loss of social capital might erode its basis, perhaps leading to its extinction or collapse. This decline in social capital often occurs when the co-operative evolves to become a larger and more complicated

organization. Furthermore, a fall in social capital can have a detrimental impact on cooperative performance by causing a decrease in trust, lower participation, poor governance, increased opportunistic and free riding behavior, low satisfaction, and loss of cohesiveness. Because the existence of social capital is a primary condition for the development of agricultural cooperatives, it is critical to quantify and monitor social capital in co-operatives. However, very little study has been conducted in the domain of social capital and co-operatives, and given the complexities it poses, empirical studies that analyze social capital in agricultural co-operatives are notably deficient (Apparao, Garnevska, & Shadbolt, 2019) Cooperatives are now experiencing a reduction in confidence for a variety of reasons (valentinov 2004), and Anambra farmer's cooperatives are no exception. The elements that contribute to a decrease of confidence in cooperatives are numerous. As cooperatives grow in size, members' relationships with one another and with management become more strained, resulting in a shift in member sentiments regarding cooperatives. (Nilsson, Svendsen, and Svendsen, 2012).

Cooperatives are becoming increasingly comparable to capitalist companies in terms of both internal governance and external activity (Nilsson et al. 2012), implying that they are shifting from a defensive to a more offensive market orientation. Furthermore, members communicate with their cooperative based on economic efficiency. Members place a higher emphasis on economic advantages and transactions involving market activity. Social advantages, which were formerly a major motivator for farmers to join cooperatives, are becoming less important. Furthermore, when the scale of cooperatives grows, the return on economic capital outweighs the return on social capital. Despite the position of farmer cooperatives in markets and their social capital based characteristics, neither the definition nor the role of social capital in farmer



cooperatives has been broadly investigated. Thus, this study seeks to develop a framework for defining and clarifying various aspects of social capital and examines the effects of social capital on economic activities of farmer cooperatives in Awka North LGA, Anambra State.

Objectives of the Study

1. To access the effect of social capital on the of farmer's cooperatives member access to input in Awka North local government area.

2. To investigate the benefits of social capital on the farm produce of members of farmer's cooperatives in Awka North local government area.

Hypotheses of the study

1. H0: there is no significant effect of social capital on the economic activities of farmer's cooperatives in Awka North local government area.

Conceptual Framework

2.1.1 Cooperatives

A cooperative is an independent group of people who have come together voluntarily to achieve their shared economic, social, and cultural needs and ambitions through a jointly owned and democratically run business (ICA 2012). It is a firm that is owned and democratically governed by the people who utilize its services, and its advantages are derived and distributed equally based on usage (Frederick 2017).

According to the Ohio Cooperative Growth Center [OCDG], a cooperative is a group-based, member-owned enterprise that can be founded for economic and social development in any area. The International Labour Organization (ILO) defines a cooperative as an association of people, usually of limited means, who have come together voluntarily to achieve a common economic goal through the formation of a democratically controlled business organization, making an equitable contribution to the capital required and accepting a fair share of the risks and benefits of the undertaking in which members actively

participate. Cooperatives are a stimulant for local entrepreneurial growth because they maintain mobilized capital as well as surplus from outside transactions inside the areas in which they operate, both of which accumulate for future entrepreneurial development. This viewpoint supports Olaleye (2017)'s concept of cooperative societies as a company that is freely owned and managed by its members and run for and by them on a non-profit or cost basis.(Mukaila, et al., 2020).

Cooperative enterprises provide members with the means by which a significant proportion of humanity can take on the tasks of creating productive employment, overcoming poverty, achieving social integration, and continuing to be an important means of acquiring self-help, self-responsibility, democratic voice, equality, equity, and solidarity. Cooperative enterprises provide members with the means by which a significant proportion of humanity can take on the tasks of creating productive employment, overcoming poverty, achieving social integration, and continuing to be an important means of acquiring self-help, self-responsibility, democratic voice, equality, equity, and solidarity. Cooperatives have four basic features, according to the Department for International Development (DFID) (2005): They are formed by groups of people to meet a specific need or problem; they are formed freely by members through the contribution of assets; the formed organization is governed democratically in order to achieve desired objectives; and they are independent enterprises promoted, owned, and controlled by members to meet their needs (Mukaila, et al., 2020).

Economic Activities of Farmers Cooperatives

To overcome the problem of high transaction costs, farmers must rely on external rather than internal economies of scale via farmer cooperatives (Kherallah, Kirsten, 2020). To solve the issue of market access, (Hollaway, Nicholson, & Delgado, 2019) proposes



participatory, farmer-led cooperatives that handle output marketing, generally following some type of bulking.

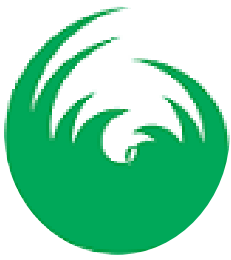
Farmer's cooperatives are several types of organizations that produce and market goods for its members. Farmer cooperatives provide farmers with increased market access and a more equitable price for their products. (Hollaway, Nicholson, & Delgado, 2019). They assist members by aggregating the volume of produce across the number of producers, locating a trader interested in purchasing, negotiating the price and quality specifications, assembling the product for the agreed-upon delivery date and quantity, collecting payment, paying farmers, and retaining a small margin to cover the cooperative's operating expenses. Farmers cooperatives fulfill their valuable role through three mechanisms: information exchange among members, decrease of opportunistic behavior, and facilitation of collective decision-making (Grootaert, 2017).

Several studies emphasize the relevance of collective action in enhancing farmer welfare (Hellin, Lundy, & Meijer, 2017). According to Hellin et al., farmer cooperatives offer better access to commodities markets, technical skills, and market intelligence. Farmer's cooperatives can provide low-cost access to information, encouraging technology adoption, commercialization, and even contract compliance. These groups are also crucial in controlling market access, input supply, savings and credit, and informal insurance. Furthermore, rural producer groups reduce the transaction costs of marketing goods by removing some of the intermediaries, allowing farmers to benefit from the economies of scale that come with marketing their produce collectively. Farmers' cooperatives assist members in lowering screening expenses by sharing information on unscrupulous actors in a decentralized manner. The cost of looking for market information is also reduced when information is shared. The transaction costs of beginning exchange are decreased in both circumstances (Fafchamps, 2018). Farmers

working together to negotiate pricing with dealers has two advantages. It lowers the cost of negotiations and strengthens their negotiating power, allowing them to have greater control over price setting while also lowering the time and expense of marketing. Farmers' cooperatives like this one reduce the expenses of monitoring the terms of trade. As a result, farmer's cooperatives can reduce poverty by boosting farmers' earnings, some of which can subsequently be invested in agriculture, so promoting commercialization (Shiferaw, Obare, Muricho, 2018). The success of farmer's cooperatives and the underlying collective action in lowering transaction costs is dependent on social capital, among other factors (i.e. the level of cooperation or networking between its members). The capacity of the farmer's cooperative to satisfy its interests is determined by the social structures inside the organization, which organize the formulation and enforcement of norms, as well as the making and implementation of collective decisions and actions. These inherent mechanisms are what make up social capital. As a result, social capital may be considered as an input into a farmer's productivity. (Shiferaw, Obare, Muricho, 2018).

The Concept of Social Capital

Social capital refers to the connections between individuals—social networks—as well as the standards of reciprocity and trustworthiness that emerge as a result of them. It is a social organization element, such as trust, conventions, and networks, that can increase society's efficiency by encouraging coordinated activities (Coffé, 2019). Social capital is described as the existence of a common set of informal values or standards among members of a group that allow them to cooperate with one another. (Fukuyama, 2015). It is an investment in social interactions with projected market rewards. They are operationally resources inherent in social networks that actors access and employ for activities (Lin, 2020).



The Organization for Economic Cooperation and Development (OECD) and the World Bank have each chosen their own definition. According to the OECD (2001), social capital is "networks of shared norms, attitudes, and understandings that allow collaboration within or among groups."

According to the World Bank, social capital is defined as "the institutions, connections, and norms that affect the quality and quantity of a society's social interactions." "Social capital is more than the sum of a society's institutions; it is the glue that ties them together" (World Bank, 2007).

Social capital is a multifaceted notion that encompasses a wide range of cultural and social value systems. The basic idea behind social capital is to use socio-cultural elements to explain development results. According to the World Bank, social capital is defined as "the institutions, connections, and norms that affect the quality and quantity of a society's social interactions." "Social capital is more than the sum of a society's institutions; it is the glue that ties them together." (World Bank, 2007).

Social capital is a multifaceted notion that encompasses a wide range of cultural and social value systems. The basic idea behind social capital is to use socio-cultural elements to explain development results. The total of real or potential resources associated to the existence of a persistent network of more or less formalized ties of mutual acquaintance and recognition—in other words, membership in a group—is referred to as social capital (Bourdieu, 2016). This concept highlights the significance of social networks, i.e., the possibilities and benefits accessible to group members. Social capital is regarded as a jointly held asset that provides credits to members, i.e., individual good. The concept emphasizes the instrumental utility of social capital in obtaining economic and social advantages from group participation, as well as the drive

for individual investment in such membership (Quibria, 2020).

The advantages of participation in a group are the foundation of the solidarity that allows them to exist. The quantity of capital (economic or cultural) in the ownership of these ties determines the richness of social capital. As long as members continue to invest in the connections, the capital is preserved and reinforced.

The Effect of Social Capital on the Economic Activities of Farmers Cooperatives

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Theoretical Framework

This research is based on the New Institutional Economics (NIE) Theory of Uncertainty Behavior.

The NIE arose as a result of the limits of neoclassical economic assumptions (Doward, Omamo, Vink, 2015). Neoclassical economics, on the other hand, is founded on the premise of perfect competition. It sees trading as a frictionless and costless process, and claims that when costs do exist, they are passive and so irrelevant. Institutions are also assumed to be exogenous, or provided, in neoclassical economics. On the contrary, the neoclassical conclusion of efficient markets can only be attained when doing business or exchanging goods and services is free of charge. When the cost of trade is high, institutions become important. A set of formal (laws, constitutions, contracts, political systems, organizations, and markets) and informal (norms, traditions, customs, value systems, religions, and sociological trends) rules of conduct that facilitates or governs relationships between individuals or groups is referred to as an institution. These institutions, along with the conventional economic restrictions (capital, land, labor, and technology), define the decision set and hence determine transaction and transformation costs, as well as the profitability and feasibility of engaging in an economic activity. (North, 2019).

As a result, the NIE recognizes the importance of institutions in economic trade and relaxes some neoclassical economic assumptions, such as the assumption of perfect information, zero transaction costs, and total rationality. Producers use techniques such as collective action in the setting of NIE to overcome the restrictions of expensive trade and hence maximize profits. The restrictions to frictionless exchange are caused by a number of exchange conditioning elements known as



transaction costs. These are exchange-related expenses that comprise search and screening costs, negotiating costs, monitoring costs, and maladjustment costs. (Williamson, 2015; Coase, 2017; Okello, & Swinton, 2017).

Empirical Review

Chidozie (2015) investigated the role of social capital on rural farming households' access to microcredit in Abia State, Nigeria. A four-stage random selection strategy was used to collect data from 204 rural farm households in local institutions using a structured questionnaire. Descriptive statistics, likert scale analysis, and a binary probit regression model were used to examine the data. According to the findings of the study, rural farming households have access to microcredit from religious, village, farmers, age-grade, gender-based, trading organizations, cooperative societies, and self-help groups. The study also revealed that rural farming families were denied microcredit from NGOs, dance groups, fadama groups, and Parents'/Teachers' associations since the crucial midpoint access score was higher than their estimated mean values. The mean amount of credit required by rural farm households against distribution by their local institutions revealed that religious associations gave the most credit (N91,950.0) to its members than any other local institution in the research region, whereas the mean amount demanded was N128,491.3. The Probit regression estimate of the effect of social capital and demographic factors on rural household access to micro credit revealed that the critical and significant social capital variables that influenced access to micro credit were membership density, cash and labor contributions of households to associations, and age, occupation, and history of household access to micro credit, while the demographic factors that influenced rural household access to micro credit were age, occupation, and history of household access to micro credit. Because social capital affects access to microcredit, policymakers interested in

improving the living conditions of rural families should consider developing social capital as one relevant element to achieving the Millennium Development Goals of halving poverty.

Yesim, Yaprak, Murat, and Batuhan (2020) investigate a model of agricultural development that is primarily focused on the function of cooperatives in enhancing social capital. The study's goal is to look at the influence of agricultural cooperatives on social capital building and better lifestyles in eight villages in Turkey's Aegean Region (Bademler, Baaras, Börezli, Gödençe, Karakuzu, Kzkl, Kuyumcu, and Tire). Face-to-face semi-structured questionnaires were used to obtain data. The findings of frequency tables and social network analysis (SNA) support the notion that participation in an agricultural development cooperative is a crucial element that impacts not only trust and social capital but also improves livelihoods in terms of income perception and eating habits. Ogunleye (2019) investigated the effects of social capital on cassava farmers' adoption of improved technology, profitability, and productivity in Osun state. To collect information from 100 cassava growers, a multistage sampling approach was adopted, and the data acquired was analyzed using descriptive statistics, tobit, budgetary analysis, and stochastic production function models. According to the study's findings, the average cassava farmer is young, very active, and a smallholder. Cassava farmers who joined a social capital network benefited greatly from their group because they made more money and were more efficient than those who did not join any social network. According to the findings of the study, cassava farmers who engaged in social capital networks were more efficient than those who did not join in any social network. As a result, the study suggested that cassava farmers in the study region be encouraged to join in social capital networks in order to increase their profit and productivity. In addition, social capital and group



networks should be regarded as acceptable channels to introduce and teach farmers for maximum impact in order to increase and facilitate the rate and intensity of adoption of better technologies among farmers.

Research Methodology

The descriptive survey design was adopted for the study. The area of study is Awka North local government Area. The population of the study consists of all cooperatives in the study area. For this study, the primary source of data was employed.

Purposive sampling technique was used to select the nine (9) Cooperative societies out of the total cooperative societies operating in Awka North local government area and they have membership strength of 243. They were selected for accessibility and functionality.

To determine the sample size, the Taro Yamani formular (1967) formula was used. (According to 243 members). The calculation formula of Taro Yamane is presented as follows.

$$n = \frac{N}{1+N(e)^2}$$

Where:

n= sample size required

N = number of people in the population

e = allowable error (%)

Substituting number 64 into the formula:

$$n = \frac{243}{1+253(0.05)^2}$$

$$n = \frac{243}{1+243(0.0025)}$$

$$n = \frac{243}{1+0.6075}$$

$$n = \frac{243}{1.6075}$$

$$n = 151$$

Hence, the sample is made up of 151 members

The data analysis was made using mean score from a 5-point scale thus:

$$\text{Mean } X = \frac{\sum fx}{\sum f}$$

$$\sum f$$

DECISION RULE

An item is accepted when the mean is equal to or greater than 2.5, but rejected if below 2.5 cut off point. 2.5 was gotten by adding the points of each response, which is rated from 4-1 and divided by the total number of possible response option.

$$\frac{N+S+O+A}{4} = \frac{4+3+2+1}{4} = 2.5$$

$$4 \quad 4 \quad 4 \quad = 2.5$$

Using SPSS package, regression analysis was run at significance level of 0.05 with the degree of freedom (df) = (n-1)

Data Presentation

Effect of social capital on the economic activities of farmer's cooperatives

Table 5: Distribution based on effect of social capital on the economic activities of farmer's cooperatives

S/N	Items	(4) SA	(3) A	(2) D	(1) SD	Mean	Decision
i.	Farmer's cooperatives plays a significant role in providing access to agricultural credit	70 (280)	46 (138)	-	-	3.6	Accepted



ii.	Farmer's cooperatives serves as sources of production resources	55 (220)	42 (126)	15 (30)	4 (4)	3.3	Accepted
iii.	Farmer's cooperatives helps in creation of market channel for its members	61 (244)	47 (141)	6 (12)	2 (2)	3.4	Accepted
Iv	Farmer's cooperatives help their members in obtaining of agricultural inputs	99 (396)	15 (45)	1 (2)	1 (1)	3.8	Accepted

Grand Mean

3.53

Source: Research study June, 2021

Table (4) shows the distribution based on effect of social capital on the economic activities of farmer's cooperatives with adoption of a five-point likert scale. The entire item is regarded as accepted with a grand mean score of 3.53. While item iv has the highest mean score of 3.8, item i has a mean score of 3.6, item iii has a mean score of 3.4 and

item ii has mean score of 3.3 which all are above the threshold of 3.00. This result indicates that cooperative have the perceived effect of social capital on the economic activities of farmer's as presented in the distribution table.

Benefits of social capital on the economic performance of farmer's cooperatives

Table 6: Distribution based benefits of social capital on the economic performance of farmer's cooperatives

S/N	Items	(4) SA	(3) A	(2) D	(1) SD	Mean	Decision
i.	Farmer's cooperatives enable farmers to have improved access to market	60 (240)	51 (153)	-	5 (5)	3.4	Accepted
ii.	Farmer's cooperatives enable farmers to get their products at a fairer price	55 (220)	52 (156)	5 (10)	4 (4)	3.4	Accepted
iii.	Farmer's cooperatives help members by aggregating the volume of produce over the number of producers	61 (224)	47 (141)	6 (12)	2 (2)	3.3	Accepted
iv	Farmer's cooperatives help members in finding a trader interested in buying	69 (276)	46 (138)	1 (2)	-	3.6	Accepted
Grand Mean						3.43	



Source: Research study June, 2021

Table (5) shows the distribution based on benefits of social capital on the economic performance of farmer's cooperatives with adoption of a five-point likert scale. The entire item is regarded as accepted with a grand mean score of 3.43. Items iv has the highest mean score of 3.6, items i and ii has mean scores of 3.4 respectively and item iii have

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	45.633	10.487		4.351	.001
	Effect of social capital on the economic activities of farmer's cooperatives	-.348	.246	-.353	-1.414	.0017

Source: Researcher's computation

. Dependent Variable: economic activities of the members
The table above presents the regression result to test the hypothesis, there is no significant effect of social capital on the economic activities of members of farmer's cooperatives

. From the result, the coefficient of determination (R) was .353^a representing 35.3%; the adjusted R-square .125 which implies that the variables were nicely fitted and Std. Error of the Estimate is 30.11902

Decision

Since the sig. value 0.0017 is less than the alpha value 0.05, the researcher therefore accepts the H₁ and concludes that there is significant effect of Social capital on the economic activities of the farmers' cooperative members.

Discussion of Findings

Findings based on perceived effect of social capital on the economic activities of farmer's cooperatives, the assertion that farmer's cooperatives help their members in obtaining of agricultural inputs has the highest frequency followed

mean score of 3.3, which all is above the threshold of 3.00. This result indicates that cooperative have the perceived benefits of social capital on the economic performance of farmer's cooperatives as presented in the distribution table.
Test of Hypotheses

Ho: There is no significant effect of social capital on the economic activities of members of farmer's cooperatives

by farmer's cooperatives plays a significant role in providing access to agricultural credit.

From the findings of the study, the benefits of social capital on the economic performance of farmer's cooperatives includes the following; farmer's cooperatives help members in finding a trader interested in buying; farmer's cooperatives help members by aggregating the volume of produce over the number of producers; Farmer's cooperatives enable farmers to have improved access to market and farmer's cooperatives enable farmers to get their products at a fairer price

The result of hypothesis testing shows a significant relationship between the economic activities of the cooperative members and social capital.

Conclusion

From the research findings the researcher concluded, that cooperative have the perceived benefits of social capital on the economic performance of farmer's cooperatives as presented in the distribution table. Similarly, social capital is of benefit to the economic performance of farmer's



cooperatives. Also the researcher concluded that there is a significant relationship between social capital and the economic activities of members of farmer's cooperatives.

5.3 Recommendations

Based on the findings of the study, the researcher made the following recommendations.

- Policy should be directed at investment in social capital development that would enhance farmer's cooperative access to productive resources, especially credit and thus achieve financial leverage that would further boost farm production through the revolution agenda of the Federal Government of Nigeria.
- Also, Farmers should participate more actively in group activities, not just for what they can get but for what they can give; as effective participation in association's decision making will facilitate access and sharing of information that enhance access to productive resources like credit and labor among others.
- Cooperative society leaders should organize seminar for farmer's cooperators on how to use social capital in order to yield returns in the investment at end of the agricultural business.

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