

MANAGEMENT AND CHALLENGES OF OPERATING COOPERATIVE SMALL BUSINESS IN IMO STATE

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ABSTRACT

The success of any business endeavour lies greatly on efficient management, as well as addressing challenges that emanate with its operations. The study examined these issues amongst small-scale businesses run by cooperative societies in Imo State. In carrying out the study, 45 of such businesses were investigated. Data bordering on the types of the business, sources of raising capital and raw materials for the businesses, as well as the scope of marketing of their products were sought. Also, data was sought on their application of management – activities and challenges inherent. Adopting group-focused interview sessions and physical observations, data were collected from the president and secretaries of the cooperatives societies, as well as managers of the business. Frequencies, relative and multiple response percentages were the statistical tools, used in analyzing data. The findings revealed four mostly patronized types of small-scale businesses run by the cooperators. It was found that the operators failed to employ key management activities in running the business and that numerous challenges face them. Suggestions were made on how to address them.

Key words: cooperative, business

INTRODUCTION

In recent times, the development of small-scale business has been a subject of discourse amongst scholars and policy makers in most developing nations. In Nigeria, the interest has been raised and nurtured on the point of view of new perspective of business development which factors in issues as the abundance and use of natural resources, a large population of unemployed human capital, equitable distribution of income, the general idea of self-reliance and poverty alleviation (Onuoha, 1984; Osuala, 1995). A small-scale business has been variously defined. The Nigerian monetary policy guidelines defines small-scale business as that in which total investment does not exceed five hundred thousand naira (₦500,000) including land and working capital (CBN, 1990). The Central Industrial Research and Development (CIRD) defines small-scale business as that with total assets in capital, equipment, plant and working capital not exceeding two hundred and fifty thousand naira (₦250, 000) and with not more than fifty full-time staff (Masha, 1986). From these definitions, it could be deduced that the degree of smallness of any business depends on the size of invested capital, value of annual turnover, number of paid employees or combination of these. However, what is most common is that most people see the neighbouring beer parlours, grocery stores, road side vulcanizer, mechanic workshops as small scale businesses, while the Nigerian Brewery limited, Julius Berger construction company, Nigerian Bottling Company and the likes as large scale businesses (Obinanwa et al. 2006). Perhaps the most functional definition of small scale business according to Boswell (1978) is the one given by the United Nations Industrial Development Organization (UNDO), which suggests that a small-scale business is one that possesses at least two the following features:

- Ownership and management are usually vested in the same individuals; that is the management is not independent and managers are usually also the owners.
- The business controls a small share of the market and therefore constitutes a little quota in the large size market.

- Capital is made available by the owner and policy decisions are in the hands of the individuals or small group of entrepreneurs.
- The area of operation is localized and workers concentrate on the local community; of course some do have branches in other towns but most of such branches serve as their depots.
- The owner participates very actively in all decision making on a day to day operational basis with a high degree of rigid control.

From the foregoing, it will suffice to define cooperative small-scale business as those small business:

- Whose operations and practices are largely dependent on the fundamental cooperative principle and aimed towards the improvement of the living conditions of the members.
- Operated at small-scale level
- In which there is active participation of members
- Whose sources of capital to financial growth is largely internal
- Whose areas of operations is localized
- In which the capital is made available by the owners and policy decisions are taken by the members.
- Whose ownership and management are vested in the same individuals, that is owners, managers and users.

Through cooperative actions, this individual who could not operate alone, pull their resources together so as to carry out those small-scale businesses cooperative is indeed a useful too towards improving people's social, cultural and economic conditions. But in most cases, the promoters of cooperative small scale businesses are lacking in managerial as well as technical skills. Equally, because of financial constraints, they are unable to hire the services of experts. As a result, efficiency and productivity are low, leading to poor achievement (Berman, 1987, Nwankwo, 1992). This paper focuses on the managerial activities of operating cooperative small-scale businesses and it challenges amongs cooperators in Imo state. Towards this, it raises some pertinent questions to help unravel the issues of discourse. What are the types of small-scale industries in Imo State?, How did they raise capital for the business?, Are raw materials needed for their business within reach?, What is the scope of consumption/marketing of their products?, To what extent are their efforts to incorporate ideal management activities in running their businesses?, To what extent are challenges such as: funding staffing availability of raw materials and power, marketing and competition, location, government policies, and production cost a hindrance in their operations?

The major objective of this study is to examine the managerial activities of cooperative small-scale businesses and its challenges among cooperators in Imo state, Nigeria. Specifically, the study was designed to

- identify the type of cooperative small-scale businesses in operation in Imo State.
- determine the sources of capital for the management of cooperative small-scale businesses in Imo State.
- ascertain the sources of raw materials for the servicing of cooperative small-scale businesses in Imo state.
- appraise the scope of consumption/ marketing of the products of cooperative small-scale businesses in Imo State.

- assess the application of management-activities such as: policy making/objective-setting, budgeting, accounting/record-keeping, auditing, training, advertisement, consultations and evaluation, in the operations of cooperative small scale businesses in Imo State.
- examine challenges facing cooperative small-scale businesses operators in Imo State.

METHODOLOGY

The study focused on Imo state. The state is one of the thirty-six states in Nigeria and located in the south eastern region of Nigeria. Three, out of the twenty seven Local Government Areas (LGAs) in the state were the area of study. There is high level of small-scale business activities in the LGA's. Other major economic activities in the LGA's include farming and trading. Fifteen, small-scale businesses run by cooperative societies, were selected from each of the 3 LGAs, giving a sampling size of forty five. Group-focused interview sessions and physical observation of the businesses were used in collecting data. The president and secretaries of the cooperatives as well as the manager of the small-scale business were interviewed to source group data. Three trained enumerators were employed in carrying-out the task. Data was analysis through the use of descriptive statistical tools such as frequencies, relative and multiple parentages.

RESULTS AND DISCUSSION

Types of Cooperative small-scale business

The study (table 1) showed that ten small-scale businesses were mostly operated by cooperative societies in the Imo State. Five of the business where observed in course of the study to be more patronized by the societies. These are palm oil Mill (17.7%), Produce marketing (15.5%), Agro-processing (11.1%) and pure water business (11.1%).

Table 1: Distribution of Respondents According to Small Scale business operated.

Types of Business	Frequency	Percentage (%)
Palm oil mill	8	17.7
Block moulding	3	6.7
Piggery	3	6.7
Crop farming	3	6.7
Transport	3	6.7
Agro-processing	5	11.1
Saving loans (credit scheme)	5	11.1
Produce marketing	7	15.5
Tooth pick making	3	6.7
Pure water production	5	1.1
Total	45	100

Source: field survey, June 2006.

Raising Capital for the Business

Applying a multiple response statistics (tables 2) the sources of raising capital for the cooperative small-scale business were analyzed. There were nine possible sources of sourcing capital. The result showed that two were quite prominent. These are share payment (91%), contribution from members (86.7%) and personal savings of members (73.3%).

Table 2: Distribution of Respondents According to sources of Raising Business capital Business

Sources	Frequencies	*Percentage (N=45)
Share contributions	41	91%
Through bank loan	7	15.6%
Contribution from members	39	86.7%
Personal saving of members	33	73.3%
Government grant	-	-
Development bodies (NGOs, UNDP, USAID etc)	-	-
Borrowing from friends	13	28%
Borrowing from members	11	24.4%
Cooperative finance Agencies	-	-

*Multiple Response

Source: Field Survey June, 2006.

Sources of Raw Materials

Table 3 revealed the sources of raw materials for the businesses undertaken by the cooperative societies. The multiple response analysis indicated, that their sources are within the community (31%) the business is being operated and the local government are (96%). This means that their source of raw materials was largely within reach.

Table 3: Distribution of respondents according to sources of raw materials

Sources	Frequency	*Percentage (N=45)
Within the community	31	89%
Within the Local Government Area	43	96%
Outside the Local Government Area	19	42%
Within the state	23	51
Outside the state	-	-

*Multiple Responses

Source: Field Survey, June 2006

Scope of Consumption/Marketing of Products

The scope of the consumption/marketing of products from the small-scale business of the cooperative societies was examined. Five possible locations or area were listed. Their multiple responses (table 4) showed that the products were mostly consumed or marketed within the business community (82%) and within the Local Government Area (64%). This means that their products target the immediate needs of their business communities.

Table 4: Distribution of Respondents According to scope of Consumption/ Marketing of products.

Sources	Frequency	*Percentage (N=45)
Within the business community	37	82%
Within the local government area	29	64%
Outside the local government area	17	38%
Within the state	5	11%
Outside the state	-	-

*Multiple Responses

Source: Field Survey, June 2006

Application of Management-Activities

The application of notable management-activities in the operations of the small-scale businesses of the cooperative societies was appraised. Through the use of multiple responses (table 5), eight management activities were presented to the cooperators and asked to indicate if they apply them. From the result, only two were largely applied. These are accounting, record keeping (73%) and Auditing (69%). However, about half (51%) of them, indicated that they are involved in policy-making as well as objective setting in course of their operations. The implication of this is that key management activities for the effective operations of their business are largely unemployed.

Table 5: Distribution of Respondents According to Application of Management-Activities

Sources	Frequency	*Percentage (N=45)
Policy making objective setting	23	51%
Budgeting	9	20%
Accounting/ record-keeping	33	73%
Auditing	31	69%
Training	15	33%
Advertisement	9	20%
Consultation of experts	7	16%
Evaluation	4	9%

*Multiple Responses

Sources: field survey, June, 2006

Challenges of Operating Cooperative Small Scale Businesses

An examination of challenges facing cooperative small-scale operators was made. Using the multiple response analysis (table 6) a list of fifteen possible challenges was presented to the respondents to react to whether it effects their operations. The result showed that majority of them indicated nine of the challenges as prevalent. These are: unstable power from power Holdings company of Nigeria (100%); high cost of providing alternative power (100%); Rising cost of raw materials (73%); high cost of loans (87%); high cost of transportation (*2%); high cost of equipments and maintenance (78%); high level of competition (82%); high taxation, rates and incessant LGA harassment (91%); and, dishonesty/ difficulty in managing staff (76%).

Table 6: Distribution of Respondents According to challenges of operating Cooperative Small Scale Business

Sources	Frequency	*Percentage (N=45)
Difficulty in accessing funds	31	69%
Unstable power from PHCN	45	100%
High cost of providing alternative power	45	100%
Difficulty in obtaining raw materials	-	-
Rising cost of raw materials	33	73%
Bad location of business	17	38%
High cost of funds (loans	39	87%
High cost of transportation	37	82%
High cost of equipment and maintenance	35	78%
High level of competition	37	82%
Unfavourable government and institutional policies	23	51%
High taxation, rates and incessant LGA harassment	41	91%
National Hazards	21	47%
Difficulty in marketing products	5	11%
Dishonesty/ difficulty in managing staff.	34	76%

*Multiple responses

Source: field survey, June 2006

CONCLUSION

This paper focused on the management and challenges of operating small-scale businesses by cooperative societies in Imo State. From the findings, ten cooperative businesses were identified to be run by the societies. However, of the ten, palm oil mill, produce marketing, agro-processing and pure water business were the most common. Share payment, contributions from members and personal savings were the major sources of raising capital for their business. It was also found that raw materials for their operations were mostly procured within their businesses communities and the local governments are located. The scope of consumption/ marketing of their products were also within the location of their business communities and local government areas. Only two, out of eight key management-activities, were applied in course of running their businesses, while numerous challenges face their operations. These challenges include: power related problems; high cost of raw materials, loan, transportation, procurement and maintenance of equipments. Others are; high level of competition, taxes, rates and incessant harassment from local government are officials as well difficulty in managing staff.

The cooperative societies failed to employ key management-activities in the operations of their businesses. This calls for entrepreneurial education to imbibe the culture of application of policy making/objective-setting, sustained training, advertisement, consultation of experts and routine evaluation as normal management-activities in their operations. Internal and external efforts should be made to address the numerous challenges facing them. Internally, they should look inwards and brace up in confronting their problems, particularly, raising funds and managing staff. Externally, government should through such agencies and programmes as: Small and Medium Enterprises Development Agency and Nigeria (SMEDAN). National Poverty Eradication programme (NAPEP), Agricultural credit Guarantee Scheme Fund (ACGSF) and Small and Medium Enterprises Equity Investment

Scheme (SMEEIS) fund and technically raises their operational capacity as well as standards. Non- governmental organizations and international development agencies such as: Growing Business Foundation (CDF), United states Agency for International Development (USAID), United National Development Agency (UNDP) can equally intermediate in funding and their entrepreneurial skill acquisitions.

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