

## ANALYSIS OF INFLUENCE OF FINANCIAL SOCIAL LEARNING OPPORTUNITIES ON LOAN REPAYMENT BEHAVIOUR OF COOPERATOR BORROWERS IN ABIA STATE, NIGERIA

**Christopher Ogbonna EMEROLE**

Abia State University Uturu, Department of Agricultural Economics and Extension, Umuahia  
Campus E-mail: emerolechriso@gmail.com

**Corresponding author:** emerolechriso@gmail.com

### **Abstract**

*This study on analysis of influence of financial social learning opportunities on loan repayment behavior of cooperator borrowers was carried out in Abia State, Nigeria. It was the objectives of the study to relate social learning financial opportunities in cooperative societies and member borrowers budgeting and timely repayment of loans; and determine demographic, social learning and financial factors that influenced loan repayment by cooperator borrowers. Two-stage random sampling technique was used in selecting first, two of the three agricultural zones; and second two registered farmers' multi-purpose agricultural cooperative societies. This was followed by purposive selection from registers of the chosen cooperative societies sixty cooperators who currently were repaying loans borrowed. Descriptive and inferential statistical techniques were used in analyzing the gathered cross sectional data. Results suggest important relationships between financial social learning opportunities in cooperative societies and borrowers' budgeting and timely loan repayment behaviours. Attendance to meetings, discussions with fellow cooperators and meaningful observation on financial behaviour of members of cooperative societies had significant positive influences on conduct and performance loan beneficiaries. The number of times beneficiaries attended meeting since after loan(s) were received; number of times they discussed loan matters with members before loan(s) were received; and number of times they discussed loan repayment strategies with other cooperators after loans were received had positive influences on loan repayment behaviour of cooperator borrowers. Cooperator(s) should participate in all union activities to truly belong and reap the benefits of being a member.*

**Key words:** cooperative societies, opportunities, social learning, working cash

### **INTRODUCTION**

Cooperative societies are voluntary socioeconomic business units that mutually learn in their groups. Evidences have existed where cooperative societies have promoted socialization and have improved learning and behaviours [11]. Group learning provides opportunities through discussions, demonstrations, and observations. [7] referred to these social learning opportunities as 'acquired behavioural dispositions' that are hinged on direct trial-and-error experiences. Social learning opportunities are provided by circumstances that involve perception, observation, modelling and evaluation [6]. Farmer socialization is that social process by which norms, attitudes, motivation and farming behaviours are transmitted from specific sources called socialization agents to the learner (farmer) [8, 13]. Multipurpose

farmer cooperative societies are one such socialization agent to farmers for effective execution of their business. As people in economic occupation or business, farmers are investors. Investor financial socialization behaviour can be assessed by considering dimensions such as budgeting and timely loan repayment [3, 1, 2]. In Abia State, Nigeria there are learning opportunities provided by cooperative societies to their members in the recent past as they have educated farmer cooperators on latest managerial skills, technologies and profitable investment opportunities. The department of cooperatives has also conducted a series of ten seminars/workshops for cooperators within and outside the state [5]. Social learning financial opportunities arise during management meetings, interactive discussions amongst cooperators, financing lectures by invited resource persons, and observation of

innovative investments of others and shared financial management strategies during informal forum [18, 15].

Social learning theories are important and have been applied in investigating financial behaviours of formal learners (college students) [12], and have contributed in task of tackling formal social progress challenges (personal rights, access to higher education, personal freedom and choice, equity and inclusion) and in designing of social progress model [17]. These are all formal learning situations and opportunities with marked levels of strong state controls. There have rarely been attempts to investigate the influence of social learning financial opportunities on loan repayment behaviour of informal learners operating under mutual trust and internal cohesion such as the case with investment-targeting members of cooperative societies. The amount of loan taken and the current working cash of a small-scale entrepreneur may to a great extent influence propensity of timely repayments of short term loans when finance is properly planned and investors restrict spending to budgets [16]. Working cash often is the liquid aspect of working capital required for daily operational activities of an enterprise. Sequel to fulfilling this need of investigating influence of social learning opportunities on financial behaviours of informal learners, this study therefore has its specific objectives to: (i) relate social learning financial opportunities in cooperative societies to working cash and amount of loan repaid by cooperator borrowers; and (ii) determine demographic, social learning and financial factors that influenced loan repayment by cooperator borrowers.

## MATERIALS AND METHODS

This study was carried out in Abia State, Nigeria. Abia is one of the five southeastern States of Nigeria, with its administrative headquarters in Umuahia. Geographically, Abia state is located between latitudes  $07^{\circ} 00'$  N and  $08^{\circ} 10'$  North of the Equator and Longitudes  $04^{\circ} 45'$  E and  $06^{\circ} 17'$  East of the Greenwich Meridian. The state hosts a

population of 2,833,999 made up of 1,434,193 males and 1,399,806 females [10] in seventeen (17) local Government Areas (LGAs). It is a typical agricultural area in delineated three agricultural zones of Aba, Umuahia and Ohafia. Notable tree crops grown in the state are oil palm, Cashew, Cocoa, and Rubber. Food crops cultivated among others include cassava, yam, maize, plantain, banana, melon, cowpea, and rice. Livestock reared include cattle, sheep, goats, pigs, poultry and rabbits.

Two-stage random sampling technique was used in selecting first, two of the three agricultural zones. The selected were Umuahia and Aba agricultural zones. Second, two multipurpose cooperative societies were randomly chosen from each of the selected agricultural zones. This gave four Multi-purpose Cooperative Societies (MPCS) chosen. The chosen MPCS were from Umuahia Zone (Oganihu Cassava farmers MPCS, Itu Olokoro, and Ulonna South Micro irrigation MPCS Aforugiri); and from Aba zone were ( Progressive Farmers MPCS Umuara Isiala Okpu, and Solace Farmers MPCS Mgboko Umuete). Then purposively, sixty cooperators who were repaying loans from registers of the chosen cooperative societies were selected and interviewed with a semi-structured questionnaire. Data collected included demographic information on age, gender, level of formal education, and marital status. Financial data included amount of borrowed fund, working cash, amount of loan repaid, and information on promptness of loan repayment. Descriptive and inferential statistical techniques were used in analyzing the gathered cross sectional data. Descriptively, means, standard deviations, frequencies and percentages were computed on relevant variables. Financial social learning opportunities were based on the following three dimensions: (i) attendance to cooperative meetings/seminars/workshops (ii) discussions with fellow cooperators, and (iii) observing investment and loan repayment timing of fellow cooperators. Indices of financial social learning opportunities were computed with number of times each learning

opportunity was enjoyed by the beneficiary. The indices on observations made by respondents on investment and loan repayment activities of colleagues were computed based on data gathered on questions based on a 5-point Likert scale on which the most frequently observed activity scored 5.0 and the least scored 1.0. Inferentially, the Ordinary Least Square (OLS) multiple regression model tried on Linear, Semi-logarithmic, double logarithmic, and exponential functional forms was used to analyze factors that influenced loan repayment by cooperator borrowers. Loan repayment model was expressed implicitly and defined as follows:

$$Y=f(X_1, X_2, X_3, X_4, X_5, X_6, X_7, X_8, X_9, X_{10}, e_i)$$

Where:

Y= Amount of loan repaid (₦'000);

X1= Number of times attended cooperative meetings/seminar/workshop before taking the loan;

X2= Number of times attended cooperative meetings/seminars/workshops since taken the loan;

X3=Number of times discussed loan matters with cooperative member(s) before taking the loan;

X4= Number of times discussed loan repayment strategies with cooperative members;

X5= Gender of borrower (female=1; male=2);

X5= Marital status (married and living with spouse =1; Single –divorced, widowed, widower, spinster, bachelor =2);

X6=Household size (Number);

X7=Years of formal Education;

X8= Working cash (cash at hand + cash savings at bank or anywhere) (₦'000);

X9= Manages cooperative loan with written budget (yes =1; No=2);

X10=Observed other cooperators invest and repay their loans (yes=1; No=2);

$e_i$ = Error term.

## RESULTS AND DISCUSSIONS

This section showcases description of cooperators who borrowed from their

cooperative societies in Abia state, Nigeria. Table 1.0 describes financial behaviours/characteristics and socio-economic characteristics of cooperative loan beneficiaries in the study area.

### *Financial Behaviours and Socio-Economic Characteristics of Cooperators*

Table 1.0 showed that half (50.0%) of the loan beneficiaries received at most one hundred thousand naira (₦100, 000.00). This was a confirmation of fact that these farmers are of smallholder status and were on the average able to repay sixty-two thousand naira (₦62, 000.00) to the lending cooperative societies. In terms of financial behaviour, a good proportion of the loan beneficiaries (63.3%) practiced some form budgeting in implementing the use of their loans and quite a very good proportion (87.4%) keenly observed their colleagues used and repaid their loans and despite these behaviours only slightly more than half of them (52.7%) promptly paid back their loans as it fell due. These phenomena are not on grounds of unwillingness to pay back but possibly due to slow rate and low volume of incomes generated. This was evident on observed low volume of working cash that prevailed among them. The table showed that cumulatively more than half of them (56.6%) had at most a working cash of fifty thousand naira (₦50,000.00). Low working capital as an asset in a business suggests poor cash flows from enterprises in which such loans were invested. Working cash as an essential part of working capital shows business liquidity and permits an entrepreneur take advantage of those business opportunities which help generate additional income [4].

Demographically, majority (85.0%) of the loan beneficiaries were married with 65.0% of them being females. More females borrowing from informal loan sources were expected because women in the study area have restricted access to formal credit [9].

The mean household size of these loan beneficiaries was six persons all of who were literate with a mean of 11 years of formal education.

Table 1. Description of Socio-Economic Characteristics of Cooperative loan Beneficiaries in Abia State, Nigeria 2013 (n=60).

Variable	Frequency	Percentage (%)	Mean	Std. Deviation
<b>Financial Characteristics</b>				
<b>Loan Received (N'000):</b>				
< 50	9	15.0	46.2	38.1
50-100	30	50.0		
101-150	15	25.0		
151 and above	6	10.0		
<b>Loan Repaid (N'000):</b>				
< 50	14	23.3	62.0	41.2
50-80	36	60.0		
81-110	10	16.7		
<b>Working Cash (N'000):</b>				
< 30	8	13.3	50.0	36.0
30-50	26	43.3		
51-70	15	25.0		
71 and above	11	18.4		
<b>Financial Behaviour:</b>				
• <b>Budgeting:</b>				
Yes	38	63.3		
No	22	36.7		
• <b>Prompt repayment of loan(s):</b>				
Yes	29	47.3		
No	31	52.7		
• <b>Observed others managed their loan(s):</b>				
Yes		87.4		
No		12.6		
<b>Demographics</b>				
• <b>Marital Status:</b>				
Single (as in model)	9	15.0		
Married (as in model)	41	85.0		
• <b>Gender:</b>				
Male	27	45.0		
Female	33	65.0		
• <b>Household Size:</b>				
1-4	16	26.7	6.2	4.2
5-9	33	65.0		
> 9	11	18.3		
• <b>Years of formal Education:</b>				
1 - 6	13	21.7	11.7	9.1
7-12	36	60.0		
> 12	11	18.3		

Note: Categorical/discrete variables are reported in frequencies and percentages; Continuous variables are also reported in same measures plus standard deviations. (1 US\$ = ₦156.00)

High literacy level suggests great potential of loan beneficiaries taking advantage of social learning opportunities in the cooperative societies.

**Social Learning Financial Opportunities in Cooperative Societies and Member borrowers Financial Behaviours**

Table 2.0 revealed that farmers, who attended meetings for relatively a larger number of times before and after taking the cooperative society’s loan, were more involved in budgeting and prompt repayment of their loans. Also, farmer borrowers who made more frequent observations on financial behaviours of their colleagues did practiced budgeting and made prompt repayments of their loans than those who did not. However, there was no significant difference on loan repayment behaviour between farmer borrowers who had relatively fewer numbers of discussions with their colleagues and those who did not. Attendance to meetings, discussions with fellow cooperators and meaningful observation on financial behaviour of members of cooperative societies had significant positive influences on conduct and performance loan beneficiaries in the area.

**Social Learning Financial Opportunities in Cooperative Societies as Co-determinants of Cooperator’s Loan Repayment Performance**

Table 3.0 showed OLS estimates of factors that influenced loan repayment of cooperator

borrowers in Abia State, Nigeria. Four tried functional forms fitted the data well as their F-ratios and coefficients of multiple determinations (R-Squares) were all highly significant (P<0.01). However, on basis of conformation of signs of the coefficients to *a priori* expectations, and number of variables that were significant at critical alpha levels of probabilities, the semi-logarithmic functional form was chosen as lead equation. Using the semi-logarithmic functional form as lead equation therefore, ten variables significantly influenced repayment of loans by cooperative member borrowers to the lending unions. Within dimensions of social learning opportunities, three variables very highly (p<0.01) determined their loan repayments. These were number of times attended meeting since after loan(s) were received; number of times discussed loan matters with members before loan(s) were received; and number of times discussed loan repayment strategies with other cooperators after loans were received. All three factors had positive influences on loan repayment behaviour of cooperator borrowers. Other moderately significant (p<0.05) factors that influenced beneficiaries loan repayments were number of times meetings were attended before loan(s) were received; gender (with being a woman assured of better loan repayment). However, household size and working cash had negative moderate influences on loan repayments conforming to earlier findings [14].

Table 2. Mean (and SD) of Social Learning Financial Opportunities in Cooperative Societies by Budgeting, and Prompt Repayment of Member Borrowers’ in Abia Sate, Nigeria 2013.

Financial Social learning Opportunities	Total Mean (SD)	Budgeting Mean (SD)		Prompt Repayment Mean (SD)	
		Yes	No	Yes	No
Number of times attended cooperative meetings/seminars/workshops before loan(s)	9 (2.11)	9(2.32)	6(2.10) <sup>a</sup>	8(2.11)	7(2.41) <sup>b</sup>
Number of times discussions held with fellow cooperators before loan(s)	7 (1.81)	7(1.51)	7(1.81) <sup>a</sup>	7(1.71)	7(1.72)
Number of times attended cooperative meetings/seminars/workshops since after loan(s)	7 (0.71)	8(2.45)	8(2.59) <sup>a</sup>	8(2.31)	9(2.72) <sup>b</sup>
Number of times discussions held with fellow cooperators since after loan(s)	4(0.32)	7(2.04)	8(2.19) <sup>a</sup>	5(2.32)	5(2.32)
*Observed investment and loan repayment activities of fellow cooperators	3.36 (1.10)	3.45(1.03)	3.37(1.01) <sup>a</sup>	3.44(1.05)	3.27(0.98) <sup>b</sup>

Statistical differences were tested with t-ratios. \*Used a 5-point Likert Scale with higher values indicating more observed responses.

a= differences between Yes and No responses for budgeting response are statistically significant (p<0.01)

b= differences between Yes and No responses for prompt repayment response are statistically significant (p<0.01)

Practicing of budgeting also moderately helped them to repay these loans. Observation of financial activities of colleagues also had

positive influence but least influenced loan repayment by cooperators.

Table 3. OLS Estimates of Multiple Regression Models of Variables Influencing Loan Repayment by Cooperators in Abia State Nigeria, 2013.

Variable	Functional Forms			
	Linear	+Semi-log	Double-log	Exponential
Constant	1976*** (6.32)	87.123*** (4.71)	14.452*** (21.63)	12.132*** (10.53)
Times attended meeting before loan(s)	1.566*** (3.47)	31113** (2.14)	-0.1546** (-2.64)	0.00065** (2.47)
Times attended meeting since after loan(s)	-27346 (-0.43)	1723.7*** (18.74)	0.6642*** (9.47)	0.1064 (0.41)
Times discussed loan matters with members Before loan(s)	-19.641* (-1.72)	2967.6*** (3.36)	-0.0967** (-2.85)	0.00567* (1.64)
Times discussed loan repayment strategies with other cooperators	-19.841* (-1.83)	2777.6*** (3.762)	296.76** (2.96)	-19.641* (-1.72)
Gender of borrower	15.422* (1.97)	12.422** (2.97)	11.126* (1.99)	18.412* (1.97)
Marital Status of borrower	10.114 (1.16)	11.175 (1.27)	12.192 (1.15)	10.123 (1.27)
Household size	-17243* (-1.84)	-132.43** (-2.80)	-154.42* (-1.99)	-1924.3* (-1.94)
Years of formal education	747.34 (0741)	14267.6** (2.76)	1527.6* (1.96)	843.44 (0.954)
Working Cash	-170.76 (-0.453)	-076.79** (-2.853)	-199.46* (-1.853)	-280.71 (-0.213)
Practiced Budgeting	0.0934** (2.91)	0.0967** (2.85)	0.0972** (2.93)	0.0981** (2.84)
Observe financial activities of others	18.614* (1.93)	19.362* (1.99)	18.591* (1.92)	18.616* (1.94)
R <sup>2</sup>	0.6781	0.7342	0.6974	0.6708
Adjusted R <sup>2</sup>	0.5993	0.6211	0.5627	0.6631
F-Ratio	48.04	121.11	79.64	56.06

+ = Lead equation; Figures in parentheses are t-ratios; \* significant at 10.0%; \*\* significant at 5.0%; \*\*\* significant at 1.0% alpha level of probabilities; Dependent Variable = Amount of loan repaid (₦'000). (1 US\$ = ₦156.00).

## CONCLUSIONS

The following conclusions are made based on this study:

-Social learning opportunities in cooperative societies included attendance to meetings, attendance to trainings/seminars/workshops, discussions with members and observations made on financial and production behaviours of other cooperators.

-In terms of financial behaviour, a good proportion of the loan beneficiaries (63.3%) practiced some form budgeting in implementation of their use of loans and quite a very good proportion (87.4%) keenly observed their colleagues used and repaid their loans;

-Despite these behaviours only slightly more than half of them (52.7%) promptly paid back their loans as it fell due. This suggested that borrowers from informal sources made frantic efforts to repay their loans;

-Farmer borrowers who made more frequent observations on financial behaviours of their colleagues practiced budgeting and made prompt repayments of their loans compared to those who did not.

-There was no significant difference on loan repayment behaviour between farmer borrowers who had relatively fewer numbers of discussions with their colleagues and those who did not. Attendance to meetings, discussions with fellow cooperators and meaningful observation on financial behaviour of members of cooperative

societies had significant positive influences on conduct and performance loan beneficiaries;

-Within dimensions of social learning opportunities, three variables very highly ( $p < 0.01$ ) determined loan repayment by cooperative loan beneficiaries. These were number of times attended meeting since after loan(s) were received; number of times discussed loan matters with members before loan(s) were received; and number of times discussed loan repayment strategies with other cooperators after loans were received. All three factors had positive influences on loan repayment behaviour of cooperator borrowers. Other moderately significant ( $p < 0.05$ ) factors that influenced beneficiaries loan repayments were number of times meetings were attended before loan(s) were received; gender (with being a woman assured better loan repayment). However, household size and working cash had negative moderate influences on loan repayments; Observation of financial activities of colleagues also had positive influence but least influenced loan repayment by cooperators;

-On basis of the above, we recommend that cooperator(s) should participate in all union activities to truly belong and reap all the benefits of being a member.

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