IMPACT OF SAVINGS MOBILIZATION AND LOAN DISTRIBUTION ON MEMBERS OF INVESTMENT AND CREDIT COOPERATIVE SOCIETIES IN KADUNA STATE

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Abstract
This study was informed by the lack of savings or inadequate savings mobilization as well as loan disbursement among members of Investment and Credit Cooperative Societies in Kaduna State. The study specifically examined the rate of savings mobilized among members of Investment and Credit Cooperative Society and the amount of loans granted to members of Investment and Credit Cooperative Society. The study was anchored on Financial Intermediation theory. The study adopted a survey research design with a population of 4,334 of members of Investment and Credit cooperative in Kaduna State. *Questionnaire was developed by the researcher, based on the Likert 5 -point and was used to gather the data. Multi-stage sampling technique was adopted. Frequencies and simple percentages were used to analyze the respondent bio data while mean score was used based on the research questions. Findings revealed that majority of the members of investment and credit cooperative society save within N20, 000.00 to N50, 000.00 every month with a mean rating of (X =* ***4.20)****. Findings also revealed that that members received short-term loan between the range of N20, 000.00 to N50, 000.00 with a mean rating of (****X = 4.00).*** *It was recommended among others that members should be encouraged to save more so as to provide more loans for needy members. Also, the bureaucratic process of getting cooperative loan should be reduced so as not to discourage members from collecting loans.*
Keywords: *Savings Mobilization, Loan Distribution, Investment and Credit Cooperative***.**

Introduction

Investment and credit cooperative societies (ICCS) are the saving and lending institutions in Nigeria. In cooperative business, especially in Investment and Credit Societies or Thrift and Loan societies, members save money into a common purse and collect loans on qualification to satisfy their needs. In other words, Investment and credit societies are basically mutual enterprise which mobilize savings from the members and use the funds to give loans to members for productive or personal purpose (Nwobi, 2006). Promotion of savings and loan culture is the main feature of cooperative Investment and credit societies. Members of Investment and credit cooperatives, regardless of their level of income, are capable of setting apart small amounts of their earnings as their savings in their cooperative society. Investment and Credit cooperative business is a safe and profitable saving institution. It encourages savings by making members realize the economic and social benefit of thrift and the disadvantages of excessive and unproductive expenditure (Akerele & Adekumbi, 2018).

The majority of cooperative organizations include members who constantly work to maximize their assets and money in one way or another because of the increase in the rate investment of members which is made possible by way of proportionate rise in the rate of benefits derivable from the cooperative society. The magnitude of members' savings and the rate of loans granted to members is therefore the key factor in assessing the performance of the cooperative Investment and credit societies. The performance of any business organization is judged in relation to its stated objectives. Subsidiary goals and their ranking vary, but this primary goal is upheld in practice. Therefore, cooperative performance can be judged in relation to the total present value of benefits it transfers to members and their performance in savings mobilization which depends to a large extent on the members. The savings behavior of the cooperative members depends primarily on the level of their income according to some authorities but should not be seen as a major determining factor for savings. It is expected that as members save with their cooperative society, they should equally be granted loans commensurate to their savings and as stipulated by their bye-laws.

The relevance of Investment and credit societies in the economic development to find individual member cannot be overemphasized. For instance, Cooperative investment and credit societies contribute immensely to the financial stability of the members if well managed. Among others, members are helped to develop savings habit into a common purse that they can fall back on in time of financial need without unreachable collaterals and unnecessary bureaucratic bottlenecks found in commercial banks. Unfortunately, despite the lofty socio-economic benefits derivable from cooperatives particularly investment and credit cooperatives, it is apparent that members' rate of savings vary. In Investment and Credit Cooperative Society some rate of savings is relatively low; others are medium while others are large. Even when there are some who may have large savings, they sometimes complain of not having access to loan facilities. Some complain of getting the loan but not up to what they applied for. Furthermore, others complain about long bureaucratic processes involved in accessing the loans. This is an unfortunate situation that is detrimental to the survival of this type of cooperative society. It is based on this that this study is being conducted to remedy the situation.

Hence the broad objective of this study is to ascertain the savings and loan rates among members of Investment and Credit Cooperative Societies in Kaduna State, Nigeria. Specifically, the study seeks to investigate:

i. Determine the savings rate among members of Investment and Credit Cooperative Societies in Kaduna State.
ii. To assess the amount of loans granted to members of Investment and Credit Cooperative Societies in Kaduna State.

Research Hypothesis

i. The rate of savings mobilization by Investment and Credit Societies do not have significant effect on members in Kaduna State.
ii. The amount of loans granted by Investment and Credit Cooperatives do not have significant effect on members in Kaduna State.

Review of Related Literature

Concept of Savings

Savings are resources which one decides to put aside for investment purposes and not for luxury (Imegi & Okanta, 2015). What people save, avoiding consuming all their income, is called "personal savings". These savings can remain on the bank accounts for future use or be actively invested in houses, real estate, bonds, shares and other financial instruments. According to EFINA (2011) found both savers and non-savers agreeing that personal savings plays an important role in people's lives. Savings ensures the continuity of a business as it provides fresh funds to grow the business. It helps in the attainment of set goals, and at the same time encourages financial discipline. Savings also act as a means of insurance, so that emergencies can be dealt with as they arise. National savings are personal savings plus the business savings and public savings. Business savings can be measured by the value of undistributed corporate profits. Public savings are basically tax revenues less public expenditure. The present study however is concerned with only personal savings.

Savings Mobilization

Savings mobilization in cooperative societies involves the collection of savings from members, who are both the owners and customers of these societies. The primary purpose is to pool resources, which can be used to provide loans, invest in community projects, and ensure the financial sustainability of the cooperative. This collective financial approach helps members achieve personal and collective economic goals. These societies mobilize savings and extend credit to their members, aiming to enhance their financial stability and economic growth. This paper explores the impact of these activities on members in Kaduna State, Nigeria, focusing on the rate of savings mobilization Armendariz, B., & Morduch, J. (2010)
Savings mobilization ensures that cooperative societies have a steady inflow of funds, contributing to their financial stability. This stability is crucial for the societies to meet their operational costs, provide loans, and invest in growth opportunities. Cooperative societies employ various mechanisms to mobilize savings from their

members. These mechanisms are designed to accommodate the diverse needs and financial capacities of the members.

Concept of Loan

In finance, a loan is the lending of money by one or more individuals, organizations, or other entities to other individuals, organizations etc (Adeniyi 2013). The recipient (i.e. the borrower) incurs a debt, and is usually liable to pay interest on that debt until it is repaid, and also to repay the principal amount borrowed. The document evidencing the debt, e.g. a promissory note, will normally specify, among other things, the principal amount of money borrowed, the interest rate the lender is charging, and date of repayment. A loan entails the reallocation of the subject asset(s) for a period of time, between the lender and the borrower. The interest provides an incentive for the lender to engage in the loan. In all of these obligations and restrictions is enforced by contract, which can also place the borrower under additional restrictions known as loan covenants. Although this article focuses on monetary loans, in practice any material object might be lent. Acting as a provider of loans is one of the main activities of financial institutions such as banks and credit card companies. For other institutions, issuing of debt contracts such as bonds is a typical source of funding. A secured loan is a loan in which the borrower pledges some asset (e.g. a car or house) as collateral (Kane & Hill, 2023).

Other forms of secured loans include loans against securities such as shares, mutual funds, bonds, etc. This particular instrument issues customers a line of credit based on the quality of the securities pledged. Gold loans are issued to customers after evaluating the quantity and quality of gold in the items pledged. Corporate entities can also take out secured lending by pledging the company's assets, including the company itself. The interest rates for secured loans are usually lower than that of unsecured loans. Usually, the lending institution employs people (on roll or on contract basis) to evaluate the quality of pledged collateral before giving out the loan.

Loan Distribution

Loan distribution in cooperative societies is a fundamental function that enables members to access credit for various purposes, such as starting or expanding a business, education, healthcare, and other personal needs. This process is critical for promoting financial inclusion, economic empowerment, and the overall development of members. This paper explores the concept of loan distribution within cooperative societies, highlighting its mechanisms, importance, benefits, and challenges (ICA (International Cooperative Alliance 2018) Loan distribution in cooperative societies involves the allocation of pooled funds to members who need credit. Members apply for loans, and the cooperative evaluates these applications based on predefined criteria before disbursing the funds. The cooperative society acts as both the lender and the institution that oversees the repayment process. This system ensures that members have access to necessary funds while maintaining the financial health of the cooperative.

Concept of Cooperatives

Cooperative comes from the verb “operate” meaning to work and a prefix “Co” meaning together and merging the two gives the word “Cooperative” In its broadest sense it means any two or more persons working together to achieve some aims. Cooperative societies are institutions within whose framework cooperative or joint activities by people take place, in a formalized deliberate social and economic sphere of human endeavor. A cooperative is a business that is owned and democratically controlled by the members who use its services (University of Wisconsin, Centre for Cooperatives, 2023). There are several types of cooperatives viz-a-viz: consumer, workers, producers, multipurpose, health etc. Cooperatives exist among all sectors of the country. Members who use the cooperative own their cooperatives because they finance it in variety of ways. They share in both the business risks and business profits. Each cooperative determines the level of financial participation that is required to establish membership status in the cooperative. Cooperative is based on the value of self-help, democracy, quality and solidarity.

Cooperative Society as a group of persons, who have pooled themselves and their resources on self-help, mutual, equitable and democratic basis to form a business enterprise, which seeks to solve the socio-economic problems of its members by directly providing them with goods and services in their double capacity as either owners/customers or owner/workers of the cooperative enterprises (Umebali, 2004). Ma & Abdullahi (2016) opined that Cooperative societies are democratic organizations governed by its members, who actively participate in the organizations’ policy and decision-making; men and women functioning as elected representatives are held accountable to the members. Cooperative societies assist smallholder farmers in increasing their negotiating power and becoming more competitive. This is why Kumar, Wankhede & Gena (2015) defines a cooperative society as an independent organization of people who have come together voluntarily to achieve their common economic, social, and cultural needs and ambitions through a jointly owned and democratically run firm. Cooperative societies are found throughout the world. They are found in capitalist countries, in socialist countries as well as mixed economies. They are also found in developed as well as developing countries. Cooperative exists and functions as an integral part of the whole economy.

Rate of Savings in Investment and Credit Cooperatives

Investment and credit cooperatives is an organization which encourages its members to save money within their capacity and enables them to obtain loans they may require for various purposes from their accumulated savings (Simon-Oke &

Jolaosho, 2013). This definition provides an indication of the two main tasks of the cooperative. The first task is to enable members to save their money on a regular basis, or according to their needs. The member saves his/her money within the framework of the cooperative, knowing that he or she will receive a suitable return for his effort, in the form of interest on his savings. Accordingly, in order to encourage savings, it is desirable to pay members interest at a higher rate than that obtainable at any other type of financial institution. The member will then realize that it is preferable to save with his/her own cooperative. Cooperatives in many countries make the mistake of paying interest on their members' savings at a lower rate than that offered elsewhere.

Amount of Loans in Investment and Credit Cooperatives

The main objective of every cooperative investment and credit societies includes: to cultivate the habit of investment among members and to provide credit facilities to the members for productive purposes and for handling emergency situations. Every registered member of the cooperative investment and credit society is qualified for loan from the society. The thrift and credit societies give loans to its members in order to encourage them. Getting loans from the society save members from the risks of usurious money lenders and other financial institutions that requires collaterals. The Nigeria Cooperative Society Degree № 90 of 1993 regulations № 44 recognizes such (Okechukwu, 2003). In a society whose objectives includes making of loans to members. A member who desires to obtain a loan shall submit an application in writing to the committee members stating the amount and the purpose for which the loan is required, the terms for which it is asked, the mode of repayment, the names of sureties. At the committee meeting, the committee shall consider the applicant, the sufficiency of the security offered, the advantages to the borrower in the way of increased production, economy or otherwise, may approve the loan. The purpose of each loan must be approved by the committee and the loan must be applied to that purpose only. The committee may refuse to grant a loan on the ground that the applicant is in arrears with compulsory savings or share installments or other dues or payments. The maximum interest on each loan shall be fixed by the general meeting depending on the rate of interest charged by the source of the fund. Except where loan amount is below applicant's share capital or savings, two sureties are required.

Loans issued to members could be repaid in two ways: in installments; where the loan amount and the interests are paid in piece meal within a stipulated period of time, full payment; here members are allowed to take loan for a period of agreed upon and refund fully when it is due for repayment with all the interests as accrued. Maximum credit limits are the upper limit of an amount of loan that may be approved for a member during the financial year. The section 5 of the Nigerian Cooperative Degree № 90 of 1993, regulation 45 states that, "in every registered society whose objective includes and whose bye-laws permit the making of loans to members in excess of member's shares of interest or savings in the- society, a maximum credits shall be fixed for each members by the general meeting". Maximum credit limits is usually a multiple of a members total paid up share capital plus total savings. It could be double, triple etc. On approval of a loan, the applicant must sign records to show that he or she has received the loan. The records are: loan application form, loan bond, loan register and payment voucher. According to Nwobi (2006), there are several reasons why investment and credit society is needed particularly in the developing world. They are - difficulties in getting loans from commercial banks, the collateral being demanded by the banks, the high interest rate charged by the banks, people find it difficult to save for all their needs. They may at times need extra money to settle some pressing needs like hospital bills, rents, school fees etc. Investment and credit societies are seen as the body that promotes thrift from people's point of view and it is also a very effective way by which workers can democratically pool and control their financial resources. According to Berko (2018), investment and credit societies in rural areas fill the gap created by the non-availability of banks in the rural areas. The problems of most people in the under-developed nations are how to inculcate the habit of saving to avoid indebtedness and money lenders exploitation.

Theoretical Framework

This study is anchored on Financial Intermediation theory. The theory of financial intermediation was propounded by Allen Franklin and Santomero Anthony in 1996. This is an economic and financial theory that focuses on the role and functions of financial intermediaries in the economy. It addresses how these intermediaries, such as banks, credit unions, Cooperative investment and Credit Societies, and other financial institutions, facilitate the flow of funds from savers to borrowers.

- The theory of Financial Intermediation include the following: **Intermediation role**: Financial intermediaries act as middle men between those with surplus funds (savers) and those in need of funds (borrowers). They accept deposits from savers and make loans available to borrowers.
- **Risk Transformation:** One of the primary functions of financial intermediaries is to transform and manage different types of risks. They take on certain risks associated with lending and invest in a diversified portfolio of assets to spread and reduce risk.
- **Interest rate Determination:** Financial intermediaries play a role in determining interest rates for both savers and borrowers. The rates they offer for savings accounts and charge for loan are influenced by market conditions, risk assessment and their own operational costs.
- **Liquidity Transformation:** Financial Intermediaries provide liquidity to depositors by allowing them to withdraw their funds on short notice. This is a key function of financial intermediaries

These theory of Financial Intermediation are relevant to this study because it shows how Cooperative Investment and Credit Societies (CICS) plays the role of a financial intermediary, facilitating the flow of funds through mobilizing savings from members and then, making loans available to those in need at different interest rates; though the interest rate on savings are higher than rates charged on loans. CICS also accept deposits from members and make loans available to borrowers' thus encouraging financial intermediation.

Investment and credit societies also play the role of making funds (loans) available to members at a very short notice with little or no difficulty in the credit process.

Empirical Review

Saber (2022) examined the factors influencing savings behavior among SMEs Employees in Saudi Arabia, with a focus on attitude towards saving, financial self-efficacy, social influence and financial literacy. The variables influencing savings behavior were investigated using a comprehensive survey methodology. Data was analyzed using PLS-SEM approach. Findings revealed that saving attitudes and financial self-efficiency toward saving behavior have a substantial and positive relationship while social influence and financial literacy have no significant effect on employee saving behavior.

Ikue, Denwi, Ariolu, Musa & Ikemenjima (2022) assessed the impact of financial literacy and socio-economic factors on Nigerians saving behavior using linear probability and probit estimators. Findings revealed that Nigerians knowledge about finance and financial services fostered Nigerians saving behaviour. Findings also observed also that households with 1 – 4 persons have tendency to put away more money as savings while households with 5-6 persons beyond fostered dissaving, among others.

Onwumelu, Ogundipe & Anunobi (2020) examined the determinants of savings behaviour of members of savings and credit cooperative society in Anambra State, Nigeria. Three hypotheses were formulated which were tailored to align with the three specific objectives stated in the study. The study employed the use of survey research design. The population of the study was made up of 300 members of twenty (20) Savings and Credit Cooperative societies in Anambra State selected randomly from ten Local Government Areas (LGAs). The study used multiple regression analysis at 5% level of significance. The analysis showed that socio-economic, institutional and cultural characteristics have statistically significant relationship with savings behaviour of the members of the cooperative society in Anambra State. Nwofor, Agu & Umebali (2018) examined the loan repayment behavior of farmers multipurpose cooperative societies in Anambra State. The study specifically examined the range of amount of loan applied for, amount approved, amount disbursed and repaid by the cooperative farmers. It investigated the socioeconomic factors affecting the farmers' credit repayment ability and ascertained major problems affecting the farmers in loan repayment using t-test statistics and a multiple econometric model of the Ordinary Least Square (OLS). Findings revealed that there is a significant difference between the amount of loan received and amount repaid by the cooperative farmers. The joint effect of the explanatory variable in the model account for 91.9% of the variations in the factors affecting the farmers' credit repayment ability. Four coefficients (educational qualification, farm size, loan application cost, and collateral value) were significant. Age, membership duration and income of the farmers are not significant but they show a positive relationship with loan repayment.

Methodology

Descriptive research survey design was adopted for this study. The area of the study was in Kaduna State. Kaduna State is located at the center of Northern Guinea savannah. It has a total area of about 67,000 square kilometers with a population of 6,066,562 (Six million and sixty-six thousand, five hundred and sixty-two) people comprising of 3,112,028 (Three million, one hundred and twelve thousand, and twenty-eight) males and 2,954,534 (Two million, nine hundred and fifty-four thousand, five hundred and thirty-four) females, the estimated population of Kaduna State as at 2021would be 8,252,366 people with annual population change (+1.4% per year) (NPC 2006). The population of the study is made up all the members of Investment and Credit Cooperative in Kaduna State giving a total of ninety six (96) registered Investment and Credit Cooperative Societies with membership strength of four thousand three hundred and thirty four (4,334). (Cooperative Department Ministry of Agriculture, Kaduna State, 2023).

Sample Size Determination and Sampling Technique

To determine the sample size, for the purpose of questionnaire distribution, multi-staged sampling technique was adopted. In the first stage, the state was divided into three senatorial zones. The three zones were selected. In the second stage, a sub-sampling also called at two-stage sampling was carried out by judgmentally selecting two Local Governments each from the senatorial zones making a total of six local government areas so as to help achieve the main objectives. According to Michael, Oparaku & Oparaku (2012), judgment sampling makes use of typical cases among the population to be studied, which the researcher believes will provide the result needed. In the third stage otherwise called the three-stage sampling, simple random sampling technique was used to select two investment and credit Cooperative each from each of the two selected local governments in the senatorial zone making a total of twelve cooperative societies. The sample size was determined using the Krejcie and Morgan (1970) sample size determination table @ 95% level of confidence, giving a total of 201 members (N = 201).

Research Hypothesis 1: Savings mobilization by Investment and Credit Societies do not have significant effect on members in Kaduna State.

Table 1: Distribution according to the rate of savings among the members of Investment and Credit Cooperative Society

S/N	ITEM	SA	A	U	D	SD	Mean (X)	Remarks
1	As members of my cooperative society, I save between the range of N5,000.00 to N10,000.00 every month.	111	71	-	5	14	4.00	Agree
2	I save between the range of N10,000.00 to N20,000.00 every month with my Cooperative society.	91	100	-	3	7	3.78	Agree
3	My savings every month is between the rate of N20,000.00 to N50,000.00 every month	130	74	-	-	2	4.20	Agree
4	I save between N50,000.00 to N70, 000.00 every month.	95	81	-	1	24	3.18	Agree
5	My savings is between N80,000.00 and above every month.	95	96	-	2	8	3.78	Agree

Source: *Field Survey (2023)*

The data on the table 1 above shows the rate of savings among members of Investment and Credit Cooperative Society. In item 1, result shows that a number of the respondents (N= 201; X = 4.00) agree that as a members of cooperative society they save between the rate of N5, 000.00 to N10, 000.00 every month. In item 2, result shows that a number of the respondents (N = 201; X = 3.78) agree that they save between the range of N10, 000.00 to N20, 000.00 every month with their Cooperative society. In item 3, result shows that a larger number of the respondent (N=201, X = 4.20) agree that their savings every month is between the rate of N20, 000.00to N50, 000.00 every month. In item 4, result shows that number of the respondents (N = 201; X =3.18) agree that they save between N50, 000.00 to N70, 000.00 every month. Finally, in item 5, result shows that a number of respondents (N= 201; X = 3.78) agree that their savings is between N80, 000.00 and above every month.

From the above analysis, the data indicates that savings mobilization among members of Investment and Credit Cooperative Societies in Kaduna State is generally strong, with members actively saving across various ranges. The highest average mean is observed in the N20, 000.00 to N50, 000.00 range with a mean rate of (X= 4.20), suggesting this is the most common saving level among members. Overall, the responses reflect positive engagement in savings activities, supporting the view that savings mobilization has a significant effect on members.

This analysis was aligns with the hypothesis that savings mobilization by Investment and Credit Societies has a notable impact on members, reinforcing their financial stability and capacity for economic growth.

Research Hypothesis 2: The amount of loans granted by Investment and Credit Cooperatives do not have significant effect on members in Kaduna State.

Table 2: Distribution according to the range of loan Granted to Members of Investment and Credit Cooperative Society

S/N	Item	SA	A	U	D	SD	X	Remarks
6	I receive between N20, 000.00 to N50, 000.00 short-term loans from cooperative society.	155	40	-	-	6	4.00	Agree
7	My cooperative society grant me loan between the ranges of N50, 000.00 to N100, 000.00 as at when needed.	100	91	9	1	10	3.96	Agree
8	I applied and get loan of N100,000.00 to N200, 000.00 from my cooperative society.	86	95	-	-	10	3.89	Agree
9	I receive loan of N200, 000.00 to N300, 000.00 from my Cooperative society.	75	10 6	-	10	10	3.03	Agree
10	My cooperative society gives out loan between the range of N400,000.00 and Above	101	83	-	7	10	3.55	Agree

Source: *Field Survey (2023)*

The data on the table 2 above shows the amount of loans granted to members Investment and Credit Cooperative Society. In Item 6, results indicate that a number of respondents (N=201; X=4.00) agree that they receive between N20, 000.00 to N50, 000.00 short term loan from their cooperative society. In item 7, a number of the respondents (N = 201; X = 3.96) agree that their cooperative society grant them loan between the range of N50, 000.00 to N100, 000.00 as at when needed. In item 8, a number of respondents (N = 201, X =3.89) agree that they applied and get loan of N100, 000.00 to N200, 000.00 from their cooperative society. In item 9, a number of respondent (N = 201 X = 3.03) agree that they receive loan of N200, 000.00 to N300, 000.00 from cooperative society. Item 10, shows that a number of respondents (N = 201 X = 3.55) agree that their cooperative society gives out loan between the range of N400, 000.00 and above.

From the above analysis, the data indicates that the amount of loans granted by Investment and Credit Cooperative Societies in Kaduna State is generally high across various loan ranges. The highest average mean is observed for loans between N20, 000.00 and N50, 000.00 with a mean rate of (X=4.00), indicating this is the most common loan amount among members. Overall, the responses reflect active loan distribution practices, supporting the hypothesis that the rate of loans granted by these cooperatives has a significant effect on members. This implies that loan distribution by cooperative societies positively impacts members' financial stability and economic growth, helping them meet various financial needs.

Summary of Findings

The following findings are made in the course of the study:

1) From the rate of savings among the members of Investment and Credit Cooperative Society, results shows that majority of the members of investment and credit cooperative society save within N20,000.00 to N50,000.00 every month with a mean rating of (X = **4.20)**.
2) The amount of loans granted to members of Investment and Credit Cooperative Society, shows that members received short-term loan between the range of N20, 000.00 to N50, 000.00 with a mean rating of (**X = 4.00).**

Conclusion

The study concludes that there is fair savings mobilization by the Investment and Credit Society in Kaduna State on their members.

Regarding loan disbursement, the study concludes that Investment and Credit cooperative grant loans to the needy members.

Recommendations

Based on the analysis and findings of this study, the following recommendations were made:

i. Cooperative societies should encourage members to save more with them, since it attracts high interest rates and facilitates disbursement of loans to members.

ii. The bureaucratic process of getting cooperative loan should be reduced so as not to discourage members from collecting loans.

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