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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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EVALUATION OF EQUITY FINANCE OPTION AND PERFORMANCE OF COOPERATIVE BUSINESS ENTERPRISES IN NJIKOKA LOCAL GOVERNMENT AREA OF ANAMBRA STATE

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ABSTRACT

Cooperative societies must be competitive like any other businesses irrespective of its purpose and role. The study examined the possible strategies of financing cooperative business enterprises in Njikoka Local Government Area of Anambra State. The questionnaires were randomly distributed, but it was only 47 questionnaires that were duly filled and returned. The findings from the result revealed that the level (amount in Naira) of equity finance in cooperatives are relatively .inadequate; and there are other equity finance strategies (options) available to cooperatives but these cooperatives societies lack the capacity to access these other strategies of equity finance. In a bid to strengthen cooperative ability in accessing other strategies of equity finance option, the researcher recommend that the management committee members should make their business enterprises to be more attractive which will encourage new member to join the cooperatives society also it will encourage the existing members to invest more in the cooperative society.

KEYWORDS
equity finance, cooperative business enterprises, performance.

INTRODUCTION

Cooperative is a business model where members jointly owned a business and democratically controlled such business for the collective interest and benefits of every member. International Cooperative Alliance cited in Onyima and Okoro 92008) defined cooperative as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly and democratically; enterprise. Lund (2013) agreed that, in cooperative, only participants who have met the requirements for membership are allowed to be owners, and cooperative operates on the principle of one member one vote, as control is allocated evenly among the users of the cooperative without regard to how much money each member have invested. Therefore, member ownership in cooperative in tagged with the equity capital provided or contributed by its members. Cooperative business model is unique, but still subjected to the principles of business finance, business management, and economics. Cooperative must be managed as business that can compete in a capitalistic-market economy (Boland, 2013). So, in order is competitive, cooperative needed capital, to cover operating cost, to acquire necessary assets, for expansion and growth. As such, capital needed can be sourced from through both debt capital sources and equity capital sources. In this context, this study is much concerned with equity sources which are also referred to as risk capital or owner's, fund. In the view of Kenkel (2014), equity is the net worth of the cooperative and it represents the members ownership interest in the total assets of the cooperative society, and this appears on the cooperative balance sheet as; Equity = Total assets - Total liabilities. Kenkel further stated that, equity is the cushion fund that increases or decreases; with-the, profitability of the cooperative which also allows the membership to have more control and flexibility in determining how the cooperative is operated and finance.

The challenges confronting cooperative business enterprise in Njikoka Local Government Area is how to meet up such criteria. 'Such challenges ranging from capital inadequacy, to mismanagement available fund, poor state of business opportunities to low investment, low turnover to poor method of patronage repayment.

The study is necessary because there is need to affirm whether the multipurpose cooperative societies operating in Njikoka. LGA have adequate or inadequate equity fund to carry out their business and this will be done, by obtaining information pertaining amount of equity fund available to them for the past five accounting period (2009 -2013). Meanwhile, it is very necessary to determine how effective the types of strategies in which multipurpose cooperative societies adopted in raising equity fund for the business and the effect of these strategies on the performance of cooperative business enterprises in Njikoka LGA of Anambra State. This is the focus of the study.

OBJECTIVES OF THE STUDY

The broad objective of the study is to evaluate equity finance options of cooperative societies and performance of cooperative business enterprises in Anambra central senatorial zone of Anambra State.

The specific objectives are to:

1. evaluate the level of equity finance in cooperative business enterprises over 5 years [2009 – 2013]
2. assess various strategies/types of equity finance[allocated; unallocated; and preferred stock] that are accessible to finance cooperative enterprises
3. compare equity finance and debt finance options of financing cooperative businesses;
4. examine the role of effective equity finance on cooperative business performance;
5. identify challenges that limit equity finance management of cooperative enterprises and make recommendations that will strengthen effective management of equity finance.

HYPOTHESES

H_{01}: There is no significant difference in the views of various societies on the level of equity financing in their societies.

H_{02}: Challenges with equity financing retard cooperative business enterprise from fulfilling their financial obligations as an entity.

REVIEW OF RELATED LITERATURE

In a cooperative, equity capital is the portion of assets owned by members which is described by Williamson (2000) as the risk capital because all other obligations must be met in case of liquidation before any equity capital is returned to members. According to Patrie (2014), equity is the money members of cooperative invest in cooperative business, which represent the members ownership interest in the assets of the cooperative. Also Rathbone (1997), affirmed that, equity is the net worth, or risk capital of the organization which represent ownership interest in the total assets of the cooperative.

TYPES OF EQUITY CAPITAL

Therefore, cooperative equity comes in two forms, allocated and unallocated. In the word of Rathbone (1997), how equity is managed depends largely on what types of equity a cooperative has, how and when it was acquired, and how it is redeemed. In its broadest sense, equity is divided into two categories - allocated and unallocated.

a) Allocated equity is capital recorded on the cooperative's books which is assigned, or allocated, to each member on a proportional basis according to use. It is acquired in three different ways. Allocated equity may come from a direct investment by the member, through patronage refunds, and/or from per-unit capital retains.

b) Unallocated equity is capital not assigned or designated to specific member accounts. It may originate from net income earned on nonmember or non-patronage business, patronage income the board of directors decides not to allocate, or capital obtained from a special event like the profit from the sale of an asset. The mix between allocated and unallocated equity capital in one cooperative compared with another may present a significantly different equity management situation. Unallocated equity is not assigned to a member's account, but usually redeemed only upon liquidation of the cooperative. While it is primarily retained as the after-tax portion of non-patronage net income, some cooperatives specifically designate a portion of patronage income as unallocated. This requirement is usually outlined in the bylaws and may be specified in State statutes. The purpose for the cooperative is to build a tax-paid reserve to cushion allocated equity from operating losses. Unallocated equity also serves as a "permanent" capital base (Rathbone, 1997).

EQUITY CAPITAL SOURCES

Members most commonly provide equity capital to their cooperative by: (1) purchasing capital stock or other types of equities; (2) leaving a portion of the co-op's net savings in the cooperative; and (3} authorizing the co-op to deduct from proceeds made through sales of member's farm products usually called per unit retains.

Equity capital may be divided into two classes; (1) initial capital investments consisting of common stock, preferred stock -and membership fees; and (2) capital obtained through operations that result in member or patron investments. These investments consist of patronage refunds and per unit capital investments made by members in their cooperative, and stock or other types of equity certificates sold to members and patrons (Williamson, 2000).

EQUITY MANAGEMENT AND COOPERATIVE PRINCIPLES

Cooperative principle laid emphasis on democratic member control, whereby ownership and control of cooperative should be collective1 and equal responsibility of every member. In the view of Rathbone (1997), adhering to cooperative principles is a critical aspect of effective equity management. At the heart of equity management are: (1) the owner-user principle; (2) the user-control principle; and (3) the user-benefit principle.

The key element of the owner-user principle is that equity (ownership financing) is supplied by the current users of the cooperative in proportion to use. If the owner-user principle is followed, then the user-control principle is usually being followed. This principle means that voting control in the cooperative is maintained; in the hands of current users. The user-benefit principle means that net income should be distributed or allocated to members on the basis of current use.

METHODOLOGY

The study area was conducted in Njikoka LGA of Anambra State, Nigeria. The area has six autonomous communities with estimated population of 148,394 inhabitants (NPC 2006). Meanwhile, the study population consists of 28 registered and functional multipurpose cooperative societies with membership strength of 537 members (Divisional Cooperative Officer, 2014). Therefore, 47 management committee members from 9 most viable multipurpose cooperative societies were purposively selected based convenience and availability of data. Data gotten from the respondents were analyzed with both descriptive and inferential statistics model. The descriptive statistics used include, simple percentage; frequency table; five point likert scale measure with conventional weighted mean, of 3.0. Meanwhile the study hypotheses were tested with Analysis of Variance and Chi-square. As such the result was presented as follows.

LEVEL (AMOUNT PER ACCOUNTING YEAR IN NAIRA) OF EQUITY FINANCE IN COOPERATIVE

TABLE 1: RESPONSES DISTRIBUTION ON THE LEVEL (amount per Naira) **OF EQUITY FINANCE AVAILABLE IN COOPERATIVE (2009 – 2013)**

S/No	Equity level per accounting of year (N)	2009		2010		2011		2012		2013	
		Frequency n=47	Percentage (%)	Frequency n=47	Percentage (%)	Frequency n=47	Percentage (%)	Frequency n=47	Percentage (%)	Frequency n=47	Percentage (%)
i.	Less than 500,000	19	40.4	6	12.8	10	21.3	2	4.3	11	23.4
ii.	500,000 – 1million	26	55.3	12	25.5	7	14.9	5	10.6	4	8.5
iii.	1million – 2million	2	4.3	19	40.4	15	31.9	20	42.6	7	14.9
iv.	2million – 5million	-	-	8	17.0	9	19.2	17	36.2	10	21.3
v.	5.1million – 20million	-	-	2	4.3	6	12.8	3	64	12	25.5
vi.	20.1million – 50million	-	-	-	-	-	-	-	-	3	6.4
vii.	50.1million – 100million	-	-	-	-	-	-	-	-	-	-
viii.	Above 100 million	-	-	-	-	-	-	-	-	-	-
	Total	**47**	**100**	**47**	**100**	**47**	**100**	**47**	**100**	**47**	**100**

Source: Field Survey, 2014

From the above result table 1 there is enough evidence that the level (amount in naira) of equity finance available for each accounting year is relatively small, as it was shown in the table that the majority of cooperative societies has less than N1million as their equity fund.

TEST OF HYPOTHESIS ONE (H_{01})

H_{01}: There is no significant difference in the views of the members on the level of equity finance available in their society.

H_{02}: There is significant difference in the views of the members on the level of equity finance available in their society.

The above hypothesis statement was tested through application of one-way analysis of variance and the summary of the result was presented in the table 2 below:

TABLE 2: SUMMARY TABLE OF TEST STATISTICS

	Squares of mean	df	Mean Square	F	Sig.
Between groups	22.083	4	5.521	30.306	.000
Within groups	7.833	43	.182		
Total	**29.917**	**47**			

DECISION

From the result of test statistics above where F ratio (30.306) is significance at 1% level of significance. Therefore,, there is strong, indication that P-value is less than 0.05. As such, .null hypothesis was rejected while the alternate was accepted. That is, there is significant difference in the view of respondents on the level (amount) of equity finance available to the cooperatives. Meanwhile, this result did not come as a surprise because it was not expected that all the cooperatives should have equal or same amount of equity finance, and variation in their equity finance can be attributed to heir socioeconomic characteristics difference.

EQUITY FINANCE STRATEGIES ACCESSIBLE TO FINANCE COOPERATIVE ENTERPRISES

TABLE 3: DISTRIBUTION RESPONSES ON THE EQUITY FINANCE TYPES AND STRATEGIES

S/N	Equity Finance Strategies	Mean ($\bar{X}$)	Decision
A	**Allocated Equity:**		
i.	Shared capital (common stock)	4.73	Accessible
ii.	Members direct investment	2,74	No accessible
iii.	Members net savings and contributions	3.48	Accessible
iv.	Membership entrance fees	3.86	Accessible
V.	Sales of members products	2.51	Not accessible
vi.	Fines and penalty of default members	3.13	Accessible
vii.	Members retained patronage refund	2.36	Not accessible
B	**Unallocated Equity:**		
viii.	Surplus plough back (re-investment	3.05	Accessible
ix.	Reserve funds	3.88	Accessible
X.	Government and international interventions and grants	2.47	Not accessible
C	**Preferred Stock :**		
xi.	Direct investment by non-members	2.13	Not accessible
xii.	Surplus from sale of non members products	2.64	Not accessible
xiii.	Cooperative partnership (joint venture or alliance)	2.07	Not accessible
	Grand Mean	**3.038**	**Accessible**

Source: Field Survey 2014

The above result table 3 was deduced from 5 point scale analysis with standard rating 3.0. That is, where any variable (strategies) less 3.0 was considered not accessible while variables (strategies greater than 3.0 was confirmed to be accessible. As a result of this, there is evidence (grand mean = 3.038) that some equity finance strategies are accessible for the finance of the cooperative business enterprises. Inspite of the grand mean (3.038) result, some of the equity strategies are not accessible. These include, direct investment from the1 members (2.741); sales if members products (2.51); members retained patronage (2.36) as well as other preferred stocks.

COMPARISON BETWEEN EQUITY FINANCE OPTION AND DEBT FINANCE OPTION

TABLE 4: DISTRIBUTION OF RESPONDENTS' OPINION ON THE DIFFERENCE BETWEEN EQUITY FINANCE AND DEBT FINANCE OPTION

S/N	Comparism indicators	Equity		Debt	
		Mean ($\bar{X}$)	Decision	Mean ($\bar{X}$)	Decision
i.	Risk involved	2.86	Disagree	305	Agree
ii.	Sustaining members' control principle	4.52	Agree	2.64	Disagree
iii.	Effect cooperative surplus	3.74	Agree	3.16	Agree
iv.	Redemption	3.42	Agree	2.66	Disagree
v.	Flexibility	4.03	Agree	2.39	Disagree
vi.	Easy accessibility	4.28	Agree	2.74	Disagree
	Grand Mean	**3.81**	**Agree**	**2.773**	**Disagree**

Source: Filed Survey, 2014

The above result was deductions of respondents opinion from 5 point scale analysis with standard rating of 3.0. The respondents opinion was on difference between debt finance option and equity finance option and it was financing cooperative enterprises as this based on the considerable indicators of compare.

EQUITY FINANCE STRATEGIES EFFECTS ON COOPERATIVE PERFORMANCE

TABLE 5: DISTRIBUTION RESPONSES ON THE EFFECTS OF EQUITY FINANCE OF THE IMPROVEMENT COOPERATIVE BUSINESS PERFORMANCE

S/N	Comparism indicators	Mean ($\bar{X}$)	Decision
i.	Helping independence and autonomous principle	3.47	Agree
ii.	Improves members' ownership control	3.61	Agree
iii.	Increases credit worthiness of cooperative	3.83	Agree
iv.	Enhances cooperative competitiveness	3.08	Agree
v.	Facilities cooperative business growth and expansion	4.02	Agree
vi.	Facilities cooperative ability in attending to members needs and being	3.54	Agree
	Grand mean	**3.592**	**Agree**

Source: Field Survey, 2014

With 3.0 standard rating from 5 point scale analysis, there is strong indication from the above table result table 5 as it shows that there is unanimous agreement on the opinion of the respondents on the effects of equity finance on cooperative performance. As such, the grand mean (3.592) also consolidate the fact that equity finance strategies have positive effects on the performance of cooperative business enterprises.

TABLE 6: DISTRIBUTION RESPONSES ON THE CHALLENGES CONFRONTING EFFECT MANAGEMENT OF EQUITY FINANCE OPTION AMONG COOPERATIVE SOCIETIES

S/N	Challenges	Frequency n=47	Percentage (%)
i.	Equity are not transferable	47*	100
ii.	Equity does not increase in value with market trend	42*	98.4
iii.	Fix value of equity (common stock)	44*	93.6
iv.	Fluctuates with membership strength	39*	82.9
v.	Members bad attitude to contributions and savings	46*	97.9
vii.	Relative small amount attached to share capital (value)	32*	68.1
viii.	Unattractive cooperative investment	47*	100
ix.	Ownership control not attached to member of share capital	45*	95.7
	Grand Mean	**3.592**	**Agree**

Source: Field Survey, 2014)

* Multiple response

The above table 6 shows multiple responses of the respondents on the challenges that are confronting equity finance option in cooperatives, and majority of the variables presented in the table are possible challenges which include; equity are not transferrable (1005); fix value of equity (share capital) (93.6%); members bad attitude to contributions and savings (97.9%); unattractive cooperative investment (100%) as well as ownership and control of cooperative not attached to number of share capital (100%).

TEST OF HYPOTHESIS TWO (H_{02})

H_{02}: Challenges confronting equity finance option do not significant limits cooperative business enterprise from fulfilling their financial obligation as business entity.

H_{A2}: Challenges confronting equity finance option significant limits cooperative business enterprise from fulfilling their financial obligation as business entity.

The hypothesis was subjected to test statistics with chi-square (X^2) and the summary result of the test is presented in the table below:

TABLE 7: SUMMARY TABLE OF TEST STATISTICS OF X^2

Chi-square	23.250a
df	5
asymp.sg	.000

Significance at 5% level of significance.

DECISION

From the above result table of the X^2 shows that p-value is less 0.05 which is significance at 5% level of significance. Therefore, the null hypothesis is rejected while the alternate is accepted. The implication is that, challenges confronting equity finance option significantly limits cooperative business enterprises from fulfilling their financial obligation as business entity.

CONCLUSION AND RECOMMENDATIONS

CONCLUSION

The cooperative business enterprises are supposed to play a key role to economic development but due to their inability 'to command adequate equity fund they are unable to compete favourably in the1 competitive environment. The challenges associated with equity finance option should be tackle by the management committees and leaders of the cooperatives if they really want to thrive and succeed as viable business investment.

RECOMMENDATIONS

Though the benefits associated with adequate equity finance option are numerous, as such, the researcher therefore made the following robust recommendations that will enhance and strengthen cooperatives capability in effective management of equity finance option for the sustenance of their business performance. Thus, the following recommendations are made necessary:

- The cooperative should make their business to be more attractive. This will encourage new members to join the cooperative while it will also encourage the existing members to invest more money into the cooperative, as such more equity will be raised.
- The cooperative management committees and the leaders of the cooperative societies should adopt others equity strategies like unallocated equity and preferred stock equity finance to finance their businesses. This will enable them to source for more equity that will be enough to finance their investment.
- Since the result showed that equity finance option has some positive effect on cooperative performance, therefore, the cooperative should try as much they could to diversify-their business. This will also help them to generate more income that might use as equity.

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