

Financial Arrangement by Employees in Formal Workplace Environment in Nigeria: Case of Cooperative Societies in Obafemi Awolowo University, Ile-Ife, Nigeria

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doi: <https://doi.org/10.37745/ijbsber.2013/vol12n48092>

Published September 24, 2024

Citation: Moshood, A. A. and Agbaje, Y. T. (2024) Financial Arrangement by Employees in Formal Workplace Environment in Nigeria: Case of Cooperative Societies in Obafemi Awolowo University, Ile-Ife, Nigeria, *International Journal of Small Business and Entrepreneurship Research*, Vol.12, No.2, pp.,80-92

Abstract: *Individual savings in the current day business world and work place have been channelled on a self-arranged/self-managed platform in the nomenclature of cooperatives irrespective of social class and or income group. Cooperatives have become household name in every organisation: its significance is ringing more than bank name now rings. This research analysed the criteria for being a member in cooperatives as well as the extent of satisfaction that members in the cooperatives perceived they had as a result of their membership subscription. Primary data were collected with the aid of structured questionnaire from 396 respondents who are staff of the Obafemi Awolowo University, Ile-Ife. Results indicated that there was no constraint to being a member inasmuch as the potential applicant is on the University payroll and such a potential member has not violated the floor of limit of take home pay. Method of monthly contribution into cooperative purse is deduction from source through the bursary department. It was also indicated that monthly contribution is based on a member's capacity in terms of how much a person cares to contribute. Eight major areas of members' investment horizon were identified as having been promoted by cooperative assistance. Eighteen propositions were raised in terms of members' belief, identification, and satisfaction with their cooperative, six of such propositions had strong support by respondents. Four variables also indicated significant difference among members when tested on t-test scale. Lastly, nine variables were significant in influencing value added for members. In the overall, members were very satisfied with their cooperatives for saving purposes.*

Keywords: Self-residence, cooperative, surplus, saving

INTRODUCTION

The conventional base upon which cooperatives emerged was the initiative to mobilise surplus economic fund to the deficit economic unit. This initiative originated as government schemes with partial-total fund contributions. In this initial arrangement, cooperatives were encouraged to focus on specific sectors of the economy, mostly the agrarian with emphasis production, processing, and/or marketing of agricultural produce (Onyeagocha, 2008). The aim was to guarantee sufficient food for the populace. This strategy could not survive the test of time as cooperatives have grown beyond agrarian arrangement: food sufficiency no longer guarantees a balanced living as evident that members' goals in terms of what they desire from their cooperatives are critically related to why they joined the cooperative in the first place. These goals and the extent of their achievements also affect members' satisfaction with the cooperative, their commitment, and intention to continue being a member. These pictures established the blueprint for a metamorphosis of this institutionalized arrangement in recent time with the nomenclature of cooperative to person-member (personalized) arrangement. Cooperatives have now spread to all areas of life and members have carved out a better way of enhancing their lots through the replica of this arrangement to encompass other facets of life. The major factor that led to the change from institutionalized to personalized orientation was the failure of institutionalized cooperatives to serve more than 10% households of targeted population and lack of clear vision on criteria that favour beneficiaries (Bhatta, 2001). Likewise, the inability of beneficiaries to judiciously use such fund for the purpose for which it was granted were part of the setbacks noticed by the scheme. This came in the form of a dichotomy between the focus of cooperatives and what each member-participant desires (Botomley, 1989). This led in a way to the taking over of the fund contribution strategy, making it a member-financed arrangement so as to achieve member-contributor utilization drive. The need for this arose due to diverse needs by members who are not agrarian in profession especially people in urban setting. Extensive researches on cooperatives have been carried out; emphases have been on the performance of cooperatives in meeting the objective of fund mobilization at the expense of member utilization/satisfaction. Results have indicated that there is high efficiency in the performance of cooperatives because they are locally based and managed with little or no structural rigidity in fund mobilization that are usually imposed by donors (Ashe & Parrot, 2002). On the contrary, the system imposed bias in service delivery due to member-officer preferential relationship with a subset member of cooperative societies can still override members' satisfaction. These are perceived in the way of repeating service delivery by granting loans and facilities to those members who recently enjoyed such and are still on the repayment roll for previously granted requests. This is at the expense of obeying the queue system of application for loans/facilities, thus invalidating the essence of the arrangement for self value/satisfaction creation for all members. Maintaining member commitment, satisfaction and retaining them are a proxy for value creation. Satisfied and highly committed members are more

likely to support their cooperative by participating in all their cooperative activities. In essence, this research shy away from performance of cooperatives that is independent of its members and concentrate on the value creation of individual members through the assistance that their membership in cooperatives has conferred on them. This study however seeks to examine fund access criteria and utilization potentials of members in cooperatives.

A cooperative may be well managed in the light of its going concern objective through its income generation, yet it may have a poor member-satisfaction index, thus operating at the expense of member satisfaction. This is because the loss to a player represents the benefit to another. In essence, cooperative as a whole may be seen to be performing considering its income generation capacity, but majority of its members may not be satisfied with their membership utilization status in the line of 'denied' access to loans/facilities as at when needed. Once members are not satisfied in the use to which their individual funds are being put, then the core objective of establishment has not been achieved. That is, members subscribed to cooperatives with the motives of being able to raise higher than their worth at the needed time in order to finance personal project or business with higher profitability index compared to the interest being paid for using cooperative fund. Moreover, cooperatives are never established as profit making organisations. The ability of a cooperative to meet its members' expectations depends on whether management effectively evaluates membership needs. Often they do not, and there are several reasons for this. One notion is an assumption of "equal need"; cooperative officials believe that the interests of the general membership must be equal to their own and therefore there is no need to investigate them separately (Le Vay, 1985).

Objectives of the Study

The main objective of this study was to assess the extent of satisfaction that members have for their value in cooperative arrangement. Specifically, the following objectives were analysed:

The socio-economic characteristics of members of cooperative societies in Obafemi Awolowo University, Ile-Ife;

The extent of satisfaction that members in the cooperate perceived they had as a result of their subscription to cooperative arrangement.

LITERATURE REVIEW

Hansen et al (2001), among others have identified key issues relating to member commitment, member satisfaction, principal-agent relationship, the impact of trust on cooperative member retention, and satisfaction on households. This is because households ate potential drivers of economic development in less-developed regions (Machethe, 1990). When they are developed, it translates to overall growth and development of the economy. Delgado (1998) argue that small and medium entrepreneurs are simply too important to employment, human welfare, and political

stability in Sub-Saharan African to be either ignored or treated as just another sector of a market economy. Governments in less developed countries have often promoted the use of cooperatives as organisations that could enhance the development of their small scale businesses. A traditional cooperative is an organisation formed by a group of people who meet voluntarily to fulfil mutual economic and social needs through running a democratically controlled enterprise such that the overall benefits achieved from cooperation are greater than the benefits achieved individually (Chabanda et al, 2009). Some analysts such as Phillip (2003) argue that cooperatives have significant potentials to contribute towards reducing poverty, enhancing empowerment and creating employment

MATERIALS AND METHODS

This study covered the activities of three different cooperative societies in Obafemi Awolowo University, Ile-Ife, Nigeria. By October, 2022 the University had 3,859 members of staff who were on the university payroll. Members have the freedom to subscribe to any one or more of the cooperatives of their choice if they care to. About 2,640 members of staff belong to one more cooperatives representing 68.41% of staff of the University. The arrangement put in place concerning members' contribution is deduction from source. This means that the Salary section of the university nets off member's contribution to cooperates where they belong and credit the balance to their bank salary account on monthly basis. The cumulative deductions of all members of each cooperative (check offs) are then sent to corresponding cooperative

Next, a list of members was generated from the cooperatives offices where members belonging to different income groups by way of their academic status and career advancement level were identified. This took care of sex, age and other social variables of respondents. From this information, it was not difficult to access these respondents for questionnaire administration. A total of 500 copies of the questionnaire were prepared for this study. Out of the copies returned, members belonging to more than one cooperative were delisted from further analysis. This was so in order to guide against shielding effect that may not be noticed as part of cooperative contribution leading to wrong conclusion about member satisfaction. In all, 396 copies of the questionnaire were available for further analysis. This figure was adjudged sufficient to provide answers to the objectives of the study. While the amount (in terms of naira loan) of utilization obtained from cooperatives is related to a member's contribution, the frequency of access relative to application to such fund can be used as proxy for satisfaction. Other measures of satisfaction can be viewed from the perspective of commodities provision for members that are paid for on instalment basis. These include food items, and household equipment (electronics and electrical). Factors, such as income, size of dependants on a member, stage in career development (new entrant employees, career status), and age are variables that may dictate an individual's solvency which in the long run has influence on subscription amount payable that can be remitted to the general purse on a

previously defined interval. This is then expected to have influence on the amount that can be accessed from the pool. Although these funds are paid back with interest, but interest payment is significantly below the commercial interest rate.

RESULTS AND DISCUSSION

Table 1 presents some socio-economic characteristics of respondents. The results indicated that membership cuts across all age grades with highest proportion around the mean value. Thus, there is no age barrier to being a member. Likewise, monthly contributions ranged from ₦3,000 to ₦150,000 with most members saving between ₦21,000 and ₦50,000 on monthly basis. Saving profile also recorded the same trend exhibited by the other two variables. All of these indicated the variability in social classifications. Table 2 presents the different areas from which members have enjoyed assistance of their membership with their cooperative. Cooperatives have been able to make available to its members other packages to augment members financial standing. Eight socio-economic areas of assistance were identified in this study which include, children education, spouse business etc. The leading area of benefits was commodity provision in terms of food items to members that is being paid for on instalment basis. This has the advantage of a guaranteed food security for members during festive seasons. Next in line was in the purchase of automobiles by members. This recorded a high response to the tune of about 79%, It implies that most members of the University community, about four-fifth had the facility for their "ride" being arranged through cooperative assistance. Cooperative was also adjudged to be a source of arrangement for establishing spouse business. In essence, cooperative has taken over all areas of domestic needs of urban workforce.

Eighteen variables were included on the likert scales on three areas; members' belief, members' identification and members' satisfaction with their cooperatives. In order to be qualified for acceptance, a cut-off point of 4.00 adjudged to be good enough to warrant alliance with the propositions consideration. The reason for this high index of benchmark was to ensure a very low chance of including parameters contesting at the median boarder. From the result, six of the eighteen propositions were considered for further discussion. On members' belief, it was evident that members strongly aligned with proposition that any member of the University workforce who cares to join should be freely accepted. This is in line with the minimum requirement to be member, that is, ability to remit on a regular basis into the common purse. The second proposition on members' belief was that dividends should be in proportion to amount contributed into the cooperative purse. This was also a demonstration of equity to members. Equity measured by wealth is synonymous to equity under trust.

From table 4, we established a significant difference in all the listed variables. It was concluded that all the variables obeyed the a priori expectations with respect to signs of the parameter estimate. Saving profile was taken to mean an up-to-date amount that a member has in his account with the cooperative. There are 2 important variables that contributed to the saving profile of a respondent; both are equally accountable for the significant difference that was noticed. The first was that a member contributes a fixed amount of money on a monthly basis according to what his/her financial stamina can cope with. Thus, a member with ₦200,000 income is expected and would subscribe more naira value into the cooperative than a member with ₦20,000 income. The second important factor was that a member with more years of membership standing would have higher accumulated saving than a member who recently joined the cooperative. The explanation behind the most recent loan obtained derived its explanation from the same analogy as saving profile. The principle of economics has it that human wants are insatiable; at all times there would be at least a need. Since members would always need money for various competing needs, and have decided to save towards such objective, it then implies that loans obtained would always be the highest possible provided the ceiling of application according to cooperative statute was not breached. In essence, loanable amount is just a multiple of saving profile. Hence, the significance as indicated. The third variable; monthly contribution was also significant in our analysis. Its meaning cannot be far-fetched in that higher income members have higher propensity to save more than lower income members. Lastly, dividend received by members was significantly different among members. In consonance to other variables, dividend received in the most recently concluded annual general meeting was also significant since it was earlier postulated that dividend should be in proportion to savings.

Regression and Likert Scale Analyses

The result of the regression analysis was shown in table 5. Only significant variables were included in our result. This measure helped us to establish whether variables were related to one another by chance or randomness or as a result of systematic relationships. All variables as presented in table were significantly related to the value added parameter. The analysis indicates the direction of movement between variables, either in the same direction or opposite direction. Its coefficients explained its significance and direction of these movements.

Value Added for Members

Nine variables were statistically related to value added for the members in cooperative societies. From this result, we observed that six out of the nine variables included in this model were positively related to the dependent variable. With the exclusion of household size, all the other five variables agreed with a priori expectations based on empirical evidence in the literature. Time since being a member in the cooperative was positively related to the dependent variable in this analysis. The higher the length of time since a person has subscribed to membership in a voluntary association as in this case (Cooperative), the pointer it is to value added to members. This borrows

from the idea that satisfaction and retention have positive correlation (Van Knippenberg, 2000). This is to say that members who have beefed up their accounts over length of time have higher economic value relative to their counterparts who recently joined, all things being equal. An uninterrupted denial of immediate consumption through lowering of marginal propensity to consume resulted in increased saving profile. This is so because of the anticipated resultant value. The negative sign of saving profile is a bit difficult to explain. It might draw its justification from the direct relationship between monthly contribution and worth of a member at any time. Logical reasoning would support the argument that a high saving profile will command a high naira value at point of loan application since a member is entitled to apply for loan to the tune of three times his worth. Since emphasis in the modern day cooperative arrangement is member satisfaction, it suffices to conclude that large sum application may suffer little delay in the hands of management of cooperative before its approval. This is because approval of one large sum would have eroded cooperative purse leading to denial of tens of applicants with little sums thereby invalidating the principle of equity of members. In resource management, 'the sum of little for many' is better than a whole lot of value for one. The principle of opportunity cost expresses what was forgone because of choice made. Each time an application for loan is channelled to cooperative by its members, there is an objective behind it in the face of applicant with its attendant value; be it monetary or non monetary. As members have their applications rejected or delayed beyond their tolerant lead time. automatically value expected on decision made is lost in the face of applicants. This then implies that members will have a regret matrix and assume that their fund is locked-up, resulting in value destruction rather than value creation. In terms of the sign for home-owner occupier member, the rationale behind our inference is that privilege to owning a home was borne out of being able to pool a lump sum out of cooperative to be able to embark on such project. For non members, it may be difficult to embark on personal savings to finance huge projects such as building. This is because there are unlimited needs of man that compete with one another. Any of these will erode savings before a target base rate for building project is attained. In terms of member-officer respondent, the expectation is that the position of influence occupied would automatically be used to enhanced self value creation. While it is conventional to queue for service delivery on the basis of some fundamental rules such as first come first served or to totally offset previously granted facility before being qualified to apply for a fresh facility, a member-officer may not queue to apply for such. It may not be unimagined that while the need for loan or other facilities of a member-officer is running, such may pay off by raising money from other sources for the short run and reapply for loan which will be approved instantaneously. It is not unlikely that previously granted loan may not have been fully repaid before another application is also channelled with some traces of instant approval. A member-officer may also raise money from other sources to increase his savings so as to apply for loan to the tune of three times the ledger balance provided the ceiling for application has not been reached. All of these, whether ethical or unethical would be taken to mean value added in the face of such respondents. Household size has always been taken to mean the number of dependents who feed from one purse. The higher this number, the more they sap the common purse. One would expect that the sign should be negative since savings meant for value creation which can be seen in the line of investments and capital

projects are spent on consumption. On the contrary, the sign was positively related to value creation. One major inference that was deduced from this study was that most of the respondents have dependents (children) who are out of school, with a job of their own but not living independently on their own. Incomes from such children possibly trickle down to their parents for assistance on any area of investment of value of the parents' choice to complement what was generated from their cooperatives. The more the naira amount contributed by a member to his/her cooperative on previously agreed intervals, the higher will be the ledger balance of such member at any point in time relative to any other member with a lower contribution. The propensity for huge investment of respondent in the high saving category will also become high. It may also command high and frequent applications for loan. All of these relationships may raise a high tendency for disappointments during time of need for loan. This corroborates the argument presented under saving profile above. A good board/management of cooperative will not serve a respondent with say ₦2m application and deny 40 respondents with average of fifty thousand naira each even if either category served will generate the same profit to the cooperative. This would rather be tagged financial erosion of the joint resources. On the intentions to quit cooperative, we conclude that there is a negative relationship. This simply implies that members do not consider the option to quit. This is to say that quitting will not enhance value of their wealth. Quit intention from membership of any voluntary association signals the non-benefit from such association. Lastly, we modelled the hire of professionals for the management of the affairs of the association; our results indicated that there was a negative relation to the dependent variable. This means hiring of professionals will lead to reducing the value of members. This can come in the way of huge amount that would have to be paid to them, or the misplacement of priority between the priority of hired non-members and the priorities of those who have committed their money.

Cooperative and Bank Savings Compared

One major observation during data collection exercise that most respondents frown at that stood as a sign of preference for bank savings over cooperative was the deduction of interest payment upfront. Instead, respondents prefer to have the interest paid in addition to the amount borrowed. Another area of worry that sent a signal of low preference of cooperative was the use of another member of the cooperative as a guarantor for the loan/facilities of another person unlike the bank loan where borrower's asset would be pledge as collateral. In all, four out of six variables in consideration were in favour of cooperative.

CONCLUSION

This research result indicated that cooperative has significantly helped members to achieve some set goals which otherwise would not have been realized through self managed savings in banks. There was the evidence that no restriction was placed on membership. From the descriptive statistics, it was clear that there was also no imposition on what a member contributes on the previously defined interval (monthly) as in this study. There was the freedom for a member to

adjust amount contributed from time to time as the need for such arises. Value added for members was measured using the regression analysis and nine variables were significantly responsible in our analysis with four of the variables having positive correlation with value-added. Likert scale analysis had 6 out the 18 variables included being considered high enough based on our benchmark criterion to warrant acceptance with the proposition. In order for an enhanced value for members in cooperatives, it was recommended that cooperatives should departmentalize its membership records. This hopefully will give access to clear financial status of members and will erase the possibility of financial erosion or lock-up that led to disappointments and value destruction recorded by some members. It is also recommended that ceiling should be removed from loan granted. Rather, emphasis should be on ability and tenure of repayment as a means of granting loans so as to increase value creation to members

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Table 1: Socio-economic classifications of cooperative members under study

| Age of respondents (years) | Interval | Frequency |
|---|-------------|-----------|
| Minimum = 22 Maximum = 64 | 21-30 | 71 |
| | 31-40 | 136 |
| | 41-50 | 114 |
| | 51-60 | 62 |
| | 61-70 | 13 |
| | | |
| Monthly contribution (₦ '000) | Interval | |
| Minimum = ₦3000 Maximum = ₦150,000 | 3-5 | 44 |
| | 6-10 | 59 |
| | 11-20 | 85 |
| | 21-50 | 109 |
| | 51-100 | 56 |
| | 101-150 | 43 |
| | | |
| Current savings profile | | |
| Minimum = ₦75,000 Maximum = ₦2,975,000 | 50-100 | 33 |
| | 101-200 | 61 |
| | 201-300 | 96 |
| | 301-500 | 110 |
| | 501-1,000 | 49 |
| | 1,001-2,000 | 39 |
| 2,001-3,000 | 8 | |

Source: Field survey, 2022

Table 2: Areas of needs where members enjoyed the intervention of Cooperatives

| Areas of needs | Frequency* | Percentage |
|--|------------|------------|
| Children school fees | 41 | 10.35 |
| Spouse business establishment | 73 | 18.43 |
| Purchase of automobiles | 312 | 78.79 |
| Self-residence construction | 59 | 14.90 |
| Career advancement | 23 | 5.81 |
| Commodity provision | 363 | 91.67 |
| Home appliances | 61 | 15.40 |
| Establishment of small scale business to supplement salary | 33 | 7.58 |

Source: Field survey, 2022 * = multiple response

Table 3: Members' belief, identification, and satisfaction with their cooperatives

| Belief statements | Figures in cells are absolute (n = 396) | | | | | |
|--|---|-----|-----|-----|-----|------|
| | SA | A | N | D | SD | Mean |
| My cooperative accepts anyone that is a staff of the university | 100 | 155 | 50 | 22 | 9 | 4.10 |
| My cooperative allows every member to belong to more than one cooperative if one desires | 158 | 174 | 35 | 23 | 6 | 3.16 |
| In my cooperative, dividend payment is proportional to contribution made | 172 | 151 | 48 | 16 | 9 | 4.58 |
| In my cooperative, it is one man one vote during AGM | 118 | 142 | 86 | 34 | 16 | 3.78 |
| I prefer that my cooperative hires professional to manage our records | 12 | 30 | 71 | 171 | 112 | 2.13 |
| My cooperative favours members with large sums | 14 | 35 | 83 | 151 | 113 | 2.30 |
| | | | | | | |
| Identification statements | | | | | | |
| I feel that I am part owner of my cooperative | 210 | 109 | 45 | 19 | 13 | 4.22 |
| I will always respond if called for service by my cooperative even without any reward | 61 | 23 | 113 | 82 | 117 | 2.57 |
| My membership in my cooperative is important to me | 39 | 25 | 219 | 84 | 29 | 2.89 |
| I will continue to maintain my membership until retirement | 279 | 48 | 11 | 27 | 31 | 4.30 |

| | | | | | | |
|--|-----|-----|-----|-----|----|------|
| At the face of being denied or delayed in meeting my request by my cooperative, I will continue to be a member | 191 | 63 | 75 | 20 | 59 | 3.87 |
| Satisfaction statements | | | | | | |
| I will volunteer myself to visit and contribute to the smooth running of my cooperative | 50 | 63 | 132 | 61 | 90 | 2.81 |
| I feel there is equity in the way my cooperative treats members | 49 | 41 | 171 | 121 | 14 | 2.97 |
| It is important for me to encourage other staff to join my cooperative | 108 | 91 | 114 | 37 | 46 | 3.45 |
| My cooperative has greatly contributed to my achievement so far | 191 | 105 | 47 | 33 | 20 | 4.05 |
| I will continue to being a member of my cooperative as long as I remain in the employment of the university | 179 | 120 | 41 | 43 | 13 | 4.03 |

Source: Field survey, 2022

Table 4: t-test comparison on members' variables

| Variables | t-values |
|-------------------------------|----------|
| Savings profile | 21.495 |
| Most recent loan obtained | 6.218 |
| Monthly contribution | 16.881 |
| Most recent dividend received | 4.238 |

Source: data analysis

Table 5: Regression analyses on the determinants of value added for members

| Variables | t-values |
|--|----------|
| Time since being member | 2.17 |
| Saving profile | 4.30 |
| Number of times applications were rejected | 3.21 |
| Home owner-occupier | 2.96 |
| Member-officer | 2.00 |
| Household size | 2.30 |
| Monthly contributions | 6.14 |
| Intention to withdraw membership | 3.75 |
| Hire professionals to manage affairs | 2.01 |

Source: Data analysis

Table 6: Cooperatives and banks compared

| Comparison | Banks | Cooperatives |
|----------------------|-----------------|---------------------|
| Operational template | Corporate | Social |
| Collateral | Self-asset | Members |
| Accessibility | Almost everyone | Only members |
| Interest on loan | High | Low |
| Arrangement | Rigid | Flexible |

Source: Field survey, 2022