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Gender, Equity and Corporate Governance in Cooperative Societies

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Abstract: *This study focuses on the application of corporate governance elements to the activities of unlisted entities in Nigeria especially in the area of retirement of members. The cooperative sector was selected as the focus of these unlisted companies. The study made use of survey design. One hundred and sixteen members were purposively selected as sample in a tertiary institution in Oyo state. The result shows that more than 60% were not satisfied with the method used in computing the retirement benefits of members. It was also found out that fewer female members (16%) participate in the administration of cooperative societies in contrast to their numerical strength in these societies. The study recommends a more equitable method of computation of retirement benefits of members to be adopted for more patronage. It further recommends that more female members should be encouraged to participate in the administration of cooperative societies to reduce gender inequality.*

Key words: *governance, equitable, benefits*

INTRODUCTION

Micro financial institutions are primarily established to tackle poverty that is prevalent in the rural areas. The poor have more challenges to settle in improving their economic status than the rich. One of the solutions to settle this apparent problem is the formation of self help associations like *ajo* or *esusu* that is common among the Yorubas in south western Nigeria where members' resources are pooled together. The *esusu* that seems to cut across nations is a contributory financial scheme in which individuals contribute money weekly, or monthly, or at agreed regular intervals and one of the contributors would collect the total sum being contributed (Yebisi, 2014).

Another type of self-help scheme is participation in group work. This one is commonly found in farming activities. Members work together in groups in farm fields of one another, such as, engaging in clearing, weeding, harvesting of crops or other activities. This type of self-help, which is common among the agrarian peasants in the southwest of Nigeria, is known as *aaro* (Yebisi, 2014)

In order to complement the traditional efforts of the self-help schemes of the people and combat poverty, various governments in Nigeria have initiated different types of programmes with particular emphasis on the aims and goals of the government of the day. These programmes target the poor in the rural areas. The channels mostly used to reach them in terms of distributing the funds are through micro financial institutions. One of such institutions is the cooperative society, which is mostly found in both rural and urban areas. Cooperative societies are the modern forms of self-help micro financial institutions that have the backing of the government. Cooperative societies are the modern form of self-help micro financial institutions that have the backing of the government. They are easily formed due to the non-availability of bottlenecks that are required in the formation of corporate business legal entities, which require for instance, huge capital, participation or involvement of experienced shareholders before they are registered to commence business operations. Furthermore, in such corporate entities, members' liabilities are limited to the amount of shares owned; however, this is not the case with cooperative societies.

In recent years, some cooperative societies have passed the level of being micro financial institutions as they engage in various major business ventures like manufacturing, trading, railway transport and agro allied business (Odhiambo, 2012; Tumwine et al., 2015). Attaining the status of good financial performance without losing their cooperative identity, requires such societies to operate on the template of business entrepreneurship where corporate governance goes a long way in improving the performance of the corporate entities.

Corporate governance is concerned with the process and structure by which the businesses and affairs of institutions are managed in order to improve the long-term shareholders' value by enhancing corporate performance and accountability (Acharya et al., 2013). The interests of other stakeholders apart from the owners of the organization are of paramount importance in corporate governance. Larcker, Richardson and Tuna (2008) postulate that the set of mechanisms that influences decisions made by management when ownership and control are not in the hands of a single person is termed to be corporate governance.

The excesses of management in big business corporations that led to business failures coupled with the agency theory shortcomings have led to the increasing interests in corporate governance in recent times. The bankruptcy of Enron Incorporation in 2001 made the shareholders to lose $74 billion and the employees had all their pension entitlements in ruins. In Nigeria, the Cadbury financial scandals where financial statements were cooked through fictitious inventories between 2002 and 2005 adversely affected the share price of the company (Oseni and Sanni, 2016). The need for corporate governance also arises from the potential conflict of interests among the shareholders and the management team. In agency theory, there is the notion that the agents operate the firms in line with their own interests instead of the shareholders' interests (Boshkoska, 2015).

The code of corporate governance highlights the minimum corporate behavior and responsibilities of all the stakeholders in the organization. For example, the composition of the board should be of a sufficient size relative to the scale and complexity of the company's operations in such a way as to ensure diversity of experience without compromising independence, compatibility, integrity and availability of members to attend meetings.

All provisions in the code of corporate governance are to protect the interests of all the stakeholders of an organization. Cooperative societies as corporate limited liability entities have their corporate governance challenges like the composition of the committees that are to discharge oversight functions on the management staff, knowledge and experience of the committee members and the conduct of meetings.

Financial performance of a firm involves measuring the outcomes of its operations monetary terms (Lakew, Meniga & Gebru (2014). Various stakeholders in business organizations make use of financial statements to measure the performance of the firms. The ratio analysis derived from the financial statements can throw more light on liquidity, profitability and solvency of the concerned firms. The financial performance measures of the firms will be the yardsticks to determine the amount of dividends to be paid to the investors and the rewards to be given to the employees (Sathyamoorthi et al., 2016). The financial performance in a cooperative society, according to Mirtini (2014), can be measured by the society's ability to meet the demands of the members taking into consideration the economic and financial status of such members.

Membership of the committees in cooperative societies (board of directors) is determined by one man, one vote procedure. This is opposite to what usually takes place in regular business enterprises where the composition of the board is determined by the number of shares each member possesses. Various interest groups are represented in the composition of the board of directors and their interests are to be taken care of. Resolutions and decisions are made using the weight of shares of members.

The primary goal or objective of any business entity according to Ighofomily (2013) is to make and maximize profit while other secondary objectives include going concern, growth, corporate social responsibility, benefits to employees and so on. Though other objectives as listed above are also considered very important, profit maximization is usually the ultimate because it maximizes the shareholders' wealth which is the ultimate aim of investing in a business.

The global research efforts identified the failure or absence of corporate governance as the bedrock of corporate failure (Crosswell and Clark, 2011). This led to a debate in Nigeria on the need to improve the good corporate governance principles which aimed at improving the performance of the stock market, as well as protecting shareholders' rights (Ademulegun, 2003; Babatunde and Salam, 2012).

In the operations of cooperative societies, some fundamental elements of corporate governance are lacking. Representation on the board is not according to the numbers of shares held; knowledge of the business of the society is not a prerequisite to board membership; mandatory gender representation is not compulsory and tenure for directorship are not clearly defined. In listed companies, these elements are enshrined in their corporate guidelines in order to cater for the welfare of the members. Corporate governance is mandatory in listed entities. However, non listed entities are being encouraged to imbibe the culture of good corporate governance in order to maximize the wealth of shareholders in these non-listed companies.

Members of cooperative societies who disengage from the societies are paid off only the book value of their savings and shares without any addition as share of assets possessed by the societies, which must have been acquired over time from the societies' surpluses. In the light of the above stated problems, the focus of this paper centres on the perception of members of cooperative societies on the application of corporate governance practices to their societies in an attempt to answer the following questions. How adequate is the representation of female gender members in the leadership of these societies? How adequate are the final returns paid to retiring members? The rest of the paper is then divided into four sections: conceptual review of literature; research methodology; results and discussion; conclusion and recommendations.

Literature Review

Conceptual Review

This section reviews the concepts and constructs that are of relevance to cooperative societies, corporate governance and performance of cooperative societies.

- **Cooperative society**

A cooperative society comprises a group of people faced with common needs and deciding that the solution to their problems is their coming together to form a business enterprise by supplying directly to themselves goods and services produced by this business enterprise (Yamusa and Adefila, 2014). A cooperative society can exist in any sphere of the economy as long as there is need for it. It is also a voluntary association of persons coming together to achieve a common end through the formation of a democratically controlled organization by contributing equitably to the capital required and accepting a fair share of the risks and benefits of the society. Uzonwanne (2015) defines cooperative society as a business organization in which various entrepreneur cooperators pool their resources together with a view to making profit for themselves so as to sustain their economic survival.

- **Corporate governance**

Corporate governance refers to the set of rules, controls, policies and resolutions put in place to dictate corporate behavior in order to improve the long-term shareholders' value by enhancing corporate performance and accountability while taking into account the interest of other stakeholders (Aganga, 2014; Oyerogba, 2016). It essentially involves balancing the interest of a company's stakeholders, such as shareholders, management, customers, suppliers, financiers, government, and the community (Larcker and Tayan, 2011). The principles of corporate governance therefore include respect for the rights of shareholders, equitable treatment of all stakeholders, responsibilities of the board, transparency, and disclosure (Azim, 2012).

- **Financial performance**

Financial performance refers to the process of measuring the results of a firm's policies and operations in monetary terms over a given period. It can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. It also refers to the degree to which financial objectives of the organization have been accomplished. It involves the process of measuring the results of a firm's policies and operations in monetary terms. It is the result of processing the financial transactions of an entity in the form of a report prepared at the end of a period, and made available to the shareholders showing increase or decrease in the net worth of the business (Cohen, 2002). This will be of use to the shareholders to find out if his or her investment has increased in net worth or not.

- **Board's size and composition**

The size and composition of the board should be related to the scale and complexity of the company's operations and be made up in such a way as to ensure diversity and richness of experience without compromising independence, compatibility, integrity and availability of members to attend meetings. Membership of the board should not be less than five and should comprise a mix of executive and non-executive directors, headed by a chairman. The board should be independent of management to enable it carry out its oversight functions in an objective and effective manner. Corporate governance provides that age and gender are to be considered when constituting the Board of Directors. The size of the board has to be robust by considering nationality, diversity, religion and experience.

Corporate Governance and Cooperative Societies

Various scholars, policy makers and writers perceive cooperative society in different perspectives. The International Labour Organization (ILO), (ILO, 1978) defines cooperative society as an association of persons who voluntarily come together to achieve a common end through the formation of a democratically controlled business organization, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking (ILO, 1978). According to Kumar, Wankhede and Gena (2015), it is an organization of a group of people with collective responsibilities and thoughts for the development of the needy, especially the under-privileged. It is an organization often controlled by workers, producers or other less economically endowed members of the society for themselves in order to surmount the hurdles often associated with dealing with business ventures (Mwangi, 2015).

There are different types of cooperative societies as there are in existence the needs of the members. The needs of the members would dictate the types of societies to be formed.

In the cooperative system, the following are the common types of societies that are available (Hussain, 2014; Ogbeide, 2015; Nwagbara, 2018). The establishment and development of cooperative societies are mainly based on the local initiative of the founders and local economic strength of the members (Nwankwo et al., 2016).

The hierarchical structure of modern-day cooperative movement, according to Otto & Ukpere (2011), is a three-tier system that involves the local, state and national activities.

In the study carried out by Vo and Phan (2013), empirical evidence showed that corporate governance elements such as the presence of female board members and duality of the CEO have positive effects on the performance of firms.

Hafizah, Mahazril 'Aini, Hussin and Siti (2016) propounded that a model for cooperative performance should be based on its intangible asset rather than its tangible assets. This will offer equitable opportunity to members who retire from the societies as their final returns will not be based purely on the book value of their assets.

The principles of corporate governance according to Azim (2012) include respect for the rights of shareholders, equitable treatment of all stakeholders, responsibilities of the board, transparency, and disclosure (Azim, 2012). Siyanbola, Adedeji and Sobande (2014) are also of the opinion that corporate governance is an all-encompassing concept as it entails relationships among different stakeholders of the company. Aggarwal (2013) is of the opinion that corporate governance is not only on how a set of processes, customs, policies, laws and institutions affect the way companies are directed, administered or controlled but also includes the relationship among various important stakeholders who are mainly members / shareholders, management and board of directors. For the activities of cooperative societies to be in line with the expectations of the various stakeholders, corporate governance principles and practices need to be applied to ensure fair treatment of all members. In our opinion, for instance, members disengaging from a society should have a fair share of the assets of the society as at the time of disengagement. This is to cater for any shortfall in earlier dividends received in previous years as a result of the acquisition of the assets.

Research Methodology

Research Methodology

This study adopted the survey research design. The motivation for this research work stems from the observations on comments made by some retiring members of the cooperative societies visited in Ibadan, Oyo State, Nigeria. One hundred and eighty copies of questionnaire were randomly distributed to members of the cooperative societies. One hundred and sixteen were returned on time for analysis. This represents 64.4 %. Simple descriptive statistics was used for analysis of the data collected.

Findings and Discussions

The participation of female gender in the running and administration of cooperative societies were not in proportion to their membership structure in the societies. Despite the fact that membership of cooperative societies is open to both gender without any discrimination, fewer female cooperators are involved in cooperative administration. In the study, out of the sample of one hundred and sixteen members, ninety-eight members (84%) were male while eighteen were female (16%) (See Figure 1). This may be due to other family commitments on the part of women. Respondents also confirm that the entitlements of retiring members were based on the net book value of their assets (savings and shares) without taking into consideration the growth of the society since they became members. This was equally observed as the practice in all the cooperative societies visited. This marks a significant difference in the current practices of cooperative societies when compared to listed companies where current market prices of shares are used to determine the final entitlements of disengaging shareholders, albeit indirectly, through sale of shares at current market prices. With the sample selected, about 60% were not satisfied with the present system of using the net book value in determining the retiring benefits of members while only 26% were satisfied. 14% were undecided. (See Figure 2)

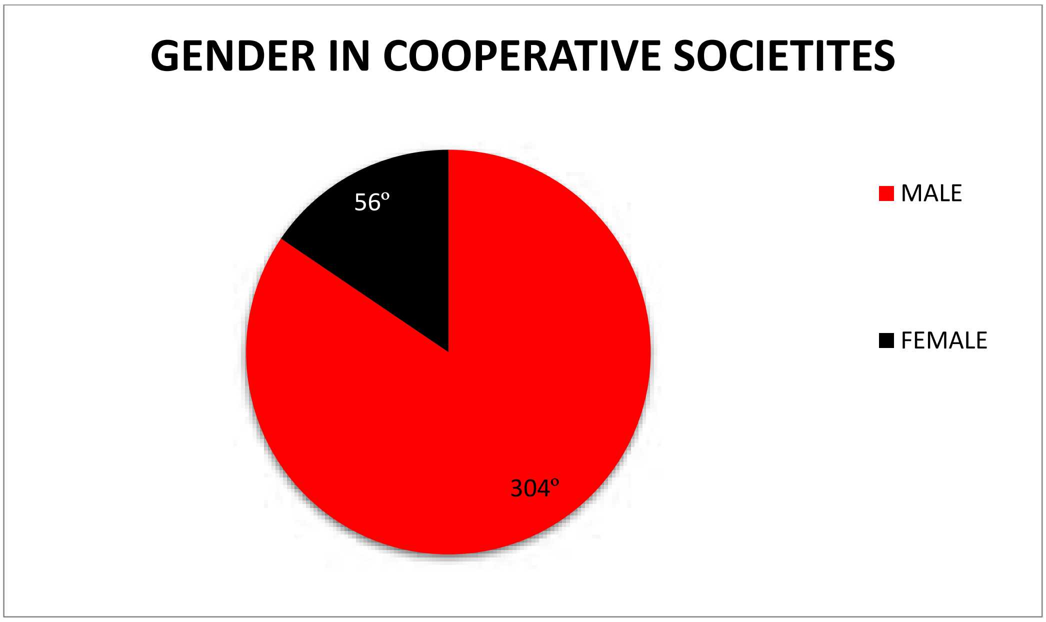

Figure 1: Gender Spread in administration of Cooperative Societies

Source: Research Survey, 2019

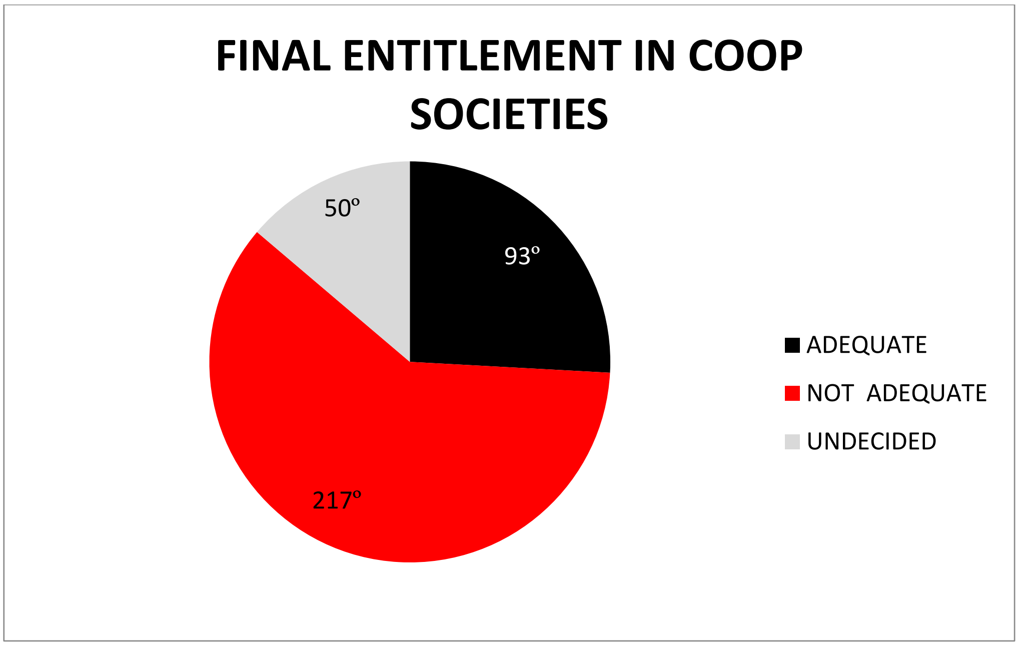

Figure 2: Payment of Final Entitlements in Cooperative Societies
Source: Research Survey, 2019.

Summary, Conclusions and Recommendation

This paper is on the study of corporate governance as it is being applied in non-listed companies like cooperative societies where elements of corporate governance were not yet being practiced or were ineffectively practiced. From the analysis of the responses obtained to the questions raised in the questionnaire administered, the study concluded that inclusion of adequate numbers of female members in running the affairs of cooperative societies, and payment of fair retirement benefits to retiring members were not yet in place. It is therefore suggested that cooperative societies should begin to apply the spirit of good corporate governance to the activities of cooperative societies by applying the elements of good corporate governance

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