

# COOPERATIVE-LED MICROFINANCE BANKING: A CASE STUDY OF AL HAYAT MFB IN IJEBU-ODE, NIGERIA

Salaudeen Jubril Abdulahi PhD\*

Nungu Business School Ikeja - Lagos, Nigeria.

Received: 03/12/2025 | Accepted: 17/01/2026 | Published: 27/02/2026

**Abstract:** The study aimed at analysing the cooperative-led microfinance banking: a case study of Al Hayat MFB in Ijebu-Ode, Nigeria. The study examined the level of financial inclusion of small scale business operators and impact of cooperative oriented microfinance banking on economic participation in the community of the study area. The study was a product of the growing debates on the developmental effectiveness, sustainability, and inclusiveness of cooperative financial institutions in the changing microfinance landscape in Nigeria. The research adopted a quantitative research approach with positivism as the basis that the primary data were collected across a sectional survey from 207 respondents namely cooperative members, customers, staff members and small scale business operators who are affiliated to the institution. Descriptive statistics, simple linear regression analysis and Pearson Product Moment correlation analysis were used to analyze the data. The results showed that cooperative led microfinance banking has a positive and significant influence on financial accessibility, which was indicated by the value of the regression coefficient of 0.684 and the coefficient of determination of 0.412. The study also showed that there was a strong positive correlation between cooperative banking mechanisms and community based economic participation, with a correlation coefficient value of 0.711 at a 0.05 significance level. The study concluded that cooperative microfinance institutions were still relevant financial tools for the development of inclusive finance in the semi urban space of Nigeria, as well as enterprise development at the grassroots and localised economic participation. The study identified the need to enhance the institutional supports in Nigeria, particularly on the aspects of the cooperative financial system, technological modernisation, and regulatory coordination.

**Keywords:** Cooperative banking, Microfinance, Financial accessibility, Community economic participation.

## Introduction

The restructuring of grassroots finance in developing economies has brought focus on the cooperative led financial institutions as a means of inclusive economic participation, local capital mobilization and poverty reduction. Historically, the formal commercial banking systems in many African economies, including Nigeria, had very low penetration in low income and semi urban communities, as the informal entrepreneurs, members of cooperative societies, rural traders, and small scale producers who were unable to provide collateral and related security, proper financial records, and stable credit histories were also excluded from the organised lending process, championed by the banks. This exemption further exacerbated financial disparity and strengthened reliance on the informal credit system, which had an exploitative interest rate and limited institutional safeguards. As a result, the cooperative-oriented microfinance institutions aimed at making credit available to the deprived and democratising access to credit and facilitating local economic transformation (Katundu, 2020).

Cooperative societies increasingly mobilised thrifts collection in Nigeria's emerging financial system and acted as intermediaries for structured financial intermediation, enterprise financing and socioeconomic empowerment. According to Abdulkazem (2025),

cooperative institutions played a vital role in shaping businesses' performance as they involved collective ownership, which enhanced the formation of trust, social accountability, and participatory economic engagement among the marginalised population. This view was in line with that made by Oyasor (2025) who contended that grassroots microcredit was one of the community wealth mechanisms that could be used to enhance local productive capacity through small scale financing. Yet, empirical and theoretical discussion continued on the efficacy, sustainability, and the institutional capability of cooperative led microfinance banking structure in Nigeria, as the cooperative finance concept was gaining momentum in the development literature.

Microfinance banking grew in Nigeria as a result of the constant discontentment with the state controlled rural banking and the failure of the conventional financial institutions to adequately cater for the problems of financial exclusion. However, over time, as many of the microfinance institutions became commercial enterprises, concerns about mission drift, lack of cooperative identity, default rates, and low developmental impact started to emerge. Several MFIs started to take a profit oriented approach and lost their poverty alleviation commitment, which in turn decreased the accessibility of the vulnerable people. This paradox created an intellectual tension in the contemporary development finance

\*Corresponding Author

Salaudeen Jubril Abdulahi PhD\*

Email: [jubrilsalaudeen@gmail.com](mailto:jubrilsalaudeen@gmail.com).

This is an open access article under the [CC BY-NC](https://creativecommons.org/licenses/by-nc/4.0/) license



literature about whether cooperative based MFIs are truly assets for inclusive development or whether they are simply the conventional banking inequalities renamed.

This debate became more relevant in the light of the community banking system, as the Al Hayat Microfinance Bank of Ijebu Ode. The institution was a significant study to assess the extent to which the cooperative constituted a financial system of enterprise performance and socioeconomic participation in a semi-urban Nigerian environment. Cooperative led microfinance institutions (MFIs) were, at least in theory, dependent on collective trust systems, social embeddedness, and community participation to sustain their operations, as opposed to purely investor controlled microfinance banks. Asunto (2026) highlighted the importance of cooperative trust mechanisms in shaping the outcomes of economic empowerment, noting that in some instances, collective ownership of land has led to a decrease in certain financial practices that were found to be opportunistic and increased the accountability systems within the communities. However, economic uncertainty, inflation, digital finance disruption, and inadequate regulatory coordination remained a risk to the operational efficiency of community based financial institutions in Nigeria.

The growing shift in the financial landscape to digitised financial systems added to the challenges of cooperative microfinance institutions. There is growing research that has examined the relationship between technological integration and financial sustainability, market participation, and institutional competitiveness. Fernando et al. (2026) noted that digital innovation has the potential to revolutionise small economic systems by facilitating greater transparency, traceability, and financial access. Likewise, in the research of Cao et al. (2025), the adoption of digital technologies in institutions was greatly influenced by perceived usefulness, training mechanisms, and familiarity with technologies for cooperative actors. However, digital financial transformation in Nigeria remained uneven due to the lack of infrastructure, technological literacy, and scarcity of institutional resources that stifled effective implementation in many grassroots financial institutions. Fabamidu (2026) also posited that the use of digital finance in Nigeria failed to appreciate the indigenous financial realities and tends to replicate financial structures imposed from outside the country's socioeconomic culture. This critique gained a significant resonance in the context of cooperative based microfinance institutions, which traditionally relied on social ties, culture of rotating savings, and localised trust in financial transactions.

Apart from digitalisation issues, another important debate on cooperative microfinance banking was about the developmental effectiveness of the cooperative microfinance bank for small-scale enterprises and the local productive system. Co-operatives, as a means of enhancing agricultural productivity, rural integration, and market access, have been widely described in the existing literature. Cooperative systems have been shown to improve export capability and production coordination among agricultural producers in southeastern Nigeria (Ofondu et al., 2025) and to be linked to sustainable economic participation among smallholders (Judijanto, 2025). However, most of the literature focused on the agricultural cooperative, women empowerment institutions or rural development results, while relatively little academic research was undertaken on the cooperative led MFIs as formal institutions providing financial services in semi urban commercial centres. As a result, there were significant analytical voids in the literature

about the impact of co-operative based microfinance systems on the availability of business financing and community economic participation in localised Nigerian contexts.

In addition, there were questions about the sustainability of cooperative microfinance banks as institutions. Advocates highlighted the benefits of community embeddedness and social capital, but critics raised doubts about the managerial sophistication, technological adaptability, and financial resilience of cooperative governance structures for long term competitiveness. Olagunju (2021) argued that major developmental constraints in Nigerian economic systems were still the inefficiency of the institutions and poor asset management. The criticism led to an overall concern about accountability of governance, capacity to manage risk, and transparency in operations at community oriented financial institutions. The role of the cooperative financial institutions was growing in significance as there were many other cooperative financial institutions, which functioned in the environment of regulatory uncertainty, changing economic conditions, and a lack of financial infrastructure.

With this intellectual and policy background, this study examined the cooperative led microfinance banking critically with the case of Al Hayat Microfinance Bank. The study particularly focused on the financial accessibility of small scale business operators and their relationship to cooperative oriented structures of microfinance, and how cooperative banking structures fostered community based economic participation amongst Ijebu Ode residents. The paper, therefore, proposed that an understanding of the developmental implications of cooperative necessitated a more critical review of the functionality, sustainability, and socioeconomic impact of microfinance in the evolving financial system of Nigeria beyond celebratory narratives of financial inclusion.

In achieving this central goal, the study addressed the following research questions:

- i. To what extent did cooperative led microfinance banking improve financial accessibility for small scale business operators in Ijebu Ode, Nigeria?
- ii. How did cooperative banking mechanisms influence community based economic participation within the operational environment of Al Hayat Microfinance Bank?

## **Literature Review**

### **Conceptual Review**

#### **Cooperative Led Microfinance Banking**

The cooperative microfinance banking is an offshoot of the overall changes in development finance and grass roots economic organisation in the developing economies. Co-operative finance has traditionally been linked to collective savings institutions that have been developed to ensure against financial exclusion and usurious credit arrangements that are detrimental to the economically vulnerable. In contrast to the traditional banking system, in which investors controlled the institution, cooperative financial institutions typically had a participatory ownership model in which borrowers, depositors, and members were all institutional stakeholders. It was believed that this facilitated social responsibility, trust, and fair distribution of resources in local economies (Katundu, 2020).

Microfinance banking, however, is a historical product of the interventionist approach to financial exclusion of low income

populations. The fundamental concept of microfinance was to provide a small amount of financial services to individuals and enterprises that were shut out of formal financial institutions. But over time, the commercialisation of the microfinance institutions led to many becoming profit-seeking organisations with less social mandate. Cooperative led microfinance banking, as an alternative institutional model, thus emerged, with the aim of bringing together financial sustainability and social inclusion goals.

Cooperative institutions were conceptualised as a tool in driving business performance as their operational architecture was geared towards supporting the setup of mutual support systems, a sense of collective responsibility, and localised mobilization of capital (Abdulkazeem, 2025). This notion suggested that cooperatives may produce better developmental impact than financial institutions following a purely commercial banking system, because of their embeddedness in community socioeconomic realities. In a similar way, Oyasor (2025) proposed that grassroots microcredit arrangements served as tools to build community wealth by shifting financial opportunities to the underserved. However, these conceptual stances tended to take for granted that cooperative institutions delivered equity without critically examining how cooperative organisations in practice were restricted by the limitations of these institutions and how they were rendered inefficient by the governance structures.

The idea of cooperative also overlapped with the discussions about financial inclusion and developmental participation in the context of microfinance banking. Financial inclusion broadly defined as the availability of and access to financial services at affordable costs to people who do not have access to formal financial services. However, more recent scholars have questioned the narrow definition of financial inclusion, which only looked at the distribution of accounts or loans, and neglected the structural impacts of dependency on debt, financial vulnerability, and institutional exclusion. Fabamidu (2026) posited that the prevailing financial modernisation finance models tend to replicate financial structures of the colonisers which are not aligned with indigenous financial models. This critique said that the cooperative banking systems should not be a mere extension of conventional banking systems in local communities, but they should also be a part of local financial culture, trust system, and community based economy.

In the Nigerian context, cooperative led microfinance banking was especially significant as the informal sector was a significant part of the Nigerian economy. The absence of a formal financial system was widespread among many small-scale enterprises because of poor collateral capacity, erratic income patterns, and reduced institutional trust. Co-operative oriented MFIs, theoretically, therefore, offered culturally shaped financial alternatives that were able to foster local entrepreneurship and economic activities. However, despite this theoretical promise, the issue of institutional effectiveness, governance capacity and the long term sustainability remained.

### **Financial Accessibility and Small-Scale Enterprise development**

One of the fundamental ideas in cooperative microfinance banking was financial accessibility. It did not only mean financial institutions were present in the physical area but also that individuals and enterprises had access to financial services that were affordable and reliable, and met their productive needs.

Often, in developing economies, financial access is still limited due to structural disadvantages such as poverty, low financial literacy, poor documentation systems, and being geographically out of reach.

Financial accessibility enterprise development nexus was given significant attention due to the fact that many times the survival of micro/small enterprises, expansion of stocks, adoption of new technology, and participation in the market were heavily reliant on external financing. Oyasor (2025) argued that CBMCs boosted the productive potential of the community by facilitating access to credit facilities for the economically marginalised people. Likewise, Abdulkazeem (2025) pointed out that cooperative structures improved the performance of businesses by developing financial support systems and mobilising resources.

But the conceptual connection between financial accessibility and enterprise development was still controversial. However, critics pointed out that the availability of finance was not sufficient to create enterprise development, as the structural economy, infrastructural gaps, and market volatility regularly restricted productive results. Additionally, several scholars doubted that microfinance institutions directly tackled poverty or simply acted as a means to create a vicious circle of indebtedness for the poor and needy. This critique became very pertinent in situations where the loans from microfinance institutions were associated with high interest, and borrowers did not get proper entrepreneurial training.

There was also a debate about financial accessibility, which included a debate about digital financial transformation. Increasingly, the new financial systems incorporated technological platforms to mobilise savings, manage loans and coordinate markets. According to Fernando et al. (2026), digital innovation has the potential to revolutionise localised economies by increasing transparency and the efficiency of institutions. Similarly, Cao et al. (2025) discovered that technological adoption in cooperative institutions was greatly influenced by institutional training and users' familiarisation. However, technological inequalities continued to be a concern in economies where technological development was still weak, such as developing economies. Thus, digitalisation could have exacerbated financial inequality if the respective vulnerable groups were not technologically literate or had access to infrastructure.

### **Community Economic Participation**

The other key conceptual aspect of cooperative led financial systems was community economic participation. In general, the idea was a call for the active participation of local populations in productive economic activities, financial decision making and distribution processes. Cooperative institutions traditionally asserted that they increased the participation of communities through the fostering of collective ownership, democratic governance, and local economic involvement.

According to Katundu (2020), cooperatives were important in fostering rural development and social inclusion as they enabled participatory economic structures that could enhance the marginalised populations. Likewise, Asunto (2026) noted that cooperative trust systems also played a major role in the empowerment of people to improve their accountability and mutual responsibility with the members. These views proposed that cooperative led MFIs might produce wider development impacts, beyond lending, in the form of community bonding and social capital.

However, there were significant conceptual tensions. It was said that some cooperative organizations were slowly and steadily drifting towards elite dominance and internal inequalities despite its democratic claims. In other instances, powerful individuals managed to gain institutional gains, while other groups were not able to participate in an effective way. Furthermore, institutional failures and poor governance often challenged the legitimacy of the cooperatives in local communities. Olagunju (2021) identified other inefficiency issues in Nigerian economic systems, including limited developmental effectiveness due to weak asset management and governance.

Also, there was a growing association between the idea of community participation and sustainability and local resilience. Agricultural cooperatives, value chains and rural enterprises have been a focus of study of those interested in the potential for localised economic stability and adaptive capacity. On the other hand, Ofondu et al. (2025) posited that cooperative systems helped in productive coordination among agricultural producers, with Judijanto (2025) linking cooperative empowerment to sustainable participation among smallholders. However, much of this literature dealt mainly with the agricultural output and not the cooperative banking system in semi urban commercial settings. As a result, there were analytical shortcomings relating to the way in which 'cooperative-led' MFIs influenced wider patterns of economic engagement in localised Nigerian financial systems.

## **Theoretical Review**

### **Social Capital Theory**

The Social Capital Theory was important as an analytical framework for cooperative-led microfinance banking, as it points to the importance of trust, networks, and social relationships in development and in economic relationships. The theory builds on the ideas of others, including Pierre Bourdieu, James Coleman, and Robert Putnam, who suggested that social relationships can be thought of as resources that can help to enable cooperation and collective action.

Social capital was evident in cooperative financial systems in the form of mutual trust, shared norms, and collective accountability. Cooperative institutions often relied on interpersonal relationships and community embeddedness in order to mitigate information asymmetry and credit risks. However, borrowers in cooperative systems sometimes had greater repayment pressures since social ties created reputational pressures that weren't present in formal banking systems. Thus, Social Capital Theory accounted for the possible greater community penetration and participation by cooperative microfinance institutions compared to formal commercial banks.

The theory also offered some understanding of financial access since there was a tendency for social trust mechanisms to replace traditional collateral mechanisms. Cooperative institutions in such settings tended to be very dependent on social verification mechanisms and community reputation, which are common in contexts where there is pervasive poverty and a limited formal documentation system. This, in theory, broadened the availability of credit to those who were out of reach of traditional financial institutions.

Nevertheless, Social Capital Theory had significant drawbacks. Overdependence on social networks and institutions may have promoted favoritism, exclusionary practices, and elite capture in

cooperative institutions. Good social cohesion within the community can both push against outsiders or exacerbate already existing inequalities within the community. Moreover, the theory tended to underestimate the importance of structural economic factors and institutional arrangements in determining development outcomes. Thus, social capital was still significant in cooperative finance but could not, alone, ensure either institutional sustainability or equitable participation.

### **Financial Intermediation Theory**

Financial Intermediation Theory also gave an important framework for the cooperative led microfinance banking. The theory accounted for the role played by financial institutions in mobilizing savings, allocating credit, and lowering transaction costs in financial systems in a way that spurred economic growth. Traditional financial intermediation was a financial mechanism for reallocating resources from surplus units to deficit units via organized financial intermediaries that were able to handle risk and information asymmetries.

In the context of cooperative microfinance banking, financial intermediation entailed the pooling of local savings resources and reallocating financial resources to small scale enterprises and to populations that were underserved. Community embeddedness of the cooperative institutions, in theory, alleviates informational barriers by allowing a better evaluation of borrower credibility and economic conditions. This type of structure may have helped to reduce the inefficiency of credit allocation in localised economies. The theory also addressed the role of cooperative banking in enterprise financing and economic participation as a developmental tool. Cooperative microfinance institutions were supposed to encourage local entrepreneurship and job creation by directing savings into productive investment, thereby fostering the flow of money. This argument was consistent with development views expressed by Abdulkazeem (2025) and Oyasor (2025), who highlighted the productive potentials of the cooperative financial system.

However, Financial Intermediation Theory often assumes the rational behavior of institutions and efficient governance structures, which were not always present in developing economies. Financial intermediaries were often not effective due to weak regulations, corrupt institutions, and managerial inefficiencies. Furthermore, traditionally, the theory has been more focused on efficiency issues than on social justice, integration, and power dynamics in financial systems. Thus, the theory continued to be relevant in the understanding of the functions of the cooperative microfinance institutions in operation, but it needed to be complemented with other wide sociopolitical analyses.

## **Empirical Review**

Within the realm of empirical research on cooperative finance and microfinance banking, there was a significant diversity of institutional outcomes, operational effectiveness, and developmental implications. While some studies recognized the cooperative's role in the economic participation of people, many studies varied in the sustainability and inclusiveness of the cooperative.

Abdulkazeem (2025) reviewed the role of cooperative societies in improving business performance in Nigeria and found that cooperative societies boosted enterprise productivity through collective financing and mutual support systems. The study

highlighted the importance of cooperative organizations to boost entrepreneurship in the area and to mitigate the economic vulnerability of the members through capital accessibility. But the analysis was mainly conceptual with little attention to institutional weaknesses or governance failures in cooperative financial systems. In line with this, Oyasor (2025) reviewed grassroots micro credit programmes in Nigeria and concluded that the community based financial arrangement played a significant role in the wealth creation and participation in local economic activities. The study pointed out the importance of Micro credit for small scale businesses and for promoting localized productive systems. However, the analysis was mainly on potential for development with little attention to debt sustainability and institutional performance constraints.

Katundu (2020) investigated the importance of cooperatives in the processes of rural development and social inclusion in East Africa. Overall, the study found that cooperative organizations led to better social inclusion and economic integration of marginalized populations. But the study focused on rural farming systems and not necessarily formalized banking systems of microfinance. Thus, the applicability of the findings for a semi urban cooperative banking environment was limited. In Siquijor, Asunto (2026) examined cooperative trust systems and economic empowerment and concluded that institutional trust had an impact on participation outcomes and collective economic involvement. The research revealed that robust internal accountability mechanisms contributed to the sustainability of the organization and member confidence. However, the research was carried out in a setting that is not a direct part of the socioeconomic context in Nigeria, which might limit direct contextual generalization.

The study by Cao et al. (2025) examined the adoption of digital technologies by farmer cooperatives and identified perceived usefulness, internet accessibility, and institutional training as key factors influencing the integration of digital technologies into cooperative systems. The results indicated that there was a need for technological modernization for better operational efficiency and market involvement. But this study was limited to agricultural cooperatives and not to MFIs within the financially vulnerable communities.

Fernando et al. (2026) studied digital transformation in agri food systems and concluded that technological innovation contributed to improved transparency, market accessibility, and institutional coordination. The study has shown the transformative power of digital systems, but it failed to sufficiently highlight infrastructural inequalities and technological exclusion in developing economies.

In the study of cooperative farming and agricultural export in southeastern Nigeria, Onofdu et al. (2025) identified that the cooperative system bolstered productive coordination and export participation by the agricultural producers. But the focus was limited to agricultural output and not on the wider aspects of financial involvement and community banking.

The current empirical literature showed that, as a whole, cooperative institutions were a possible facilitator of increased financial access, productive participation, and localized economic involvement. However, there were notable shortcomings in the analysis. First, there was far too much literature focused on the agricultural cooperative and not a cooperative functioning in the semi urban commercial setting as a microfinance bank. Second, many studies focused on development potentials, without critically

questioning institutional inefficiencies, governance weaknesses, and sustainability problems. Thirdly, little empirical attention was given to localized case studies of the effects of cooperative microfinance institutions in altering financial access and community economic engagement in Nigeria's changing financial environment. (Salaudeen 2026)

This study, therefore, sought to fill these gaps by critically looking at the operations of Al Hayat Microfinance Bank with reference to access to finance for Small Scale Enterprises as well as community based economic participation in Ijebu Ode.

## **Methodology**

According to the criteria of the research approach, this study adopted a quantitative research approach as the study is guided by the positivist research paradigm. The study was to measure the relationship between cooperative led microfinance banking, financial accessibility, and community based economic participation in the operational environment of Al Hayat Microfinance Bank, Ijebu Ode. The quantitative approach was found to be apt owing to the aim of the study, which was to provide statistically measurable evidence that can explain the developmental implications of the cooperative oriented microfinance system in a localized financial context in Nigeria. The study specifically focused on the degree of achievement of cooperative banking mechanisms on the financial accessibility of small scale business operators and its impact on the participation of economic activities in the community.

The cross-sectional survey design was used in this study because it allowed for obtaining numerical data from respondents at one point in time and statistical analysis of the relationship between the variables being studied. The design was deemed appropriate in evaluating perceptions, institutional experiences, and operational results of cooperative microfinance banking. The target group included customers who were registered with Al Hayat Microfinance Bank, members of the cooperatives, small scale business operators, and staff members working in Al Hayat Microfinance Bank. These categories were chosen because they had firsthand operational and experiential insight into the bank's financial products, cooperative models, and community engagement strategies.

A multistage sampling technique was used. Purposive sampling was the first sampling technique engaged to select respondents who are actively involved in the cooperative and financial activities of the bank, and simple random sampling was later used to get a fair representation of customers and business operators. Based on Cochran's Sample size determination formula for a finite population with a 95 percent confidence level and a 5 percent margin of error, a total of 220 respondents was generated. This Sample size was determined statistically sufficient to conduct inferential analysis and generalize the findings in the study area.

The main data were gathered using a structured questionnaire that was developed based on the study goals and the literature on cooperative finance, financial accessibility, and community economic participation. It was a closed ended instrument with a five point Likert scale (Strongly disagree, Disagree, Neither agree nor disagree, Agree, and Strongly agree). The questionnaire was split into five sections: Demographic information, cooperative banking practices, accessibility of financial services, enterprise financing experiences, and indicators of community economic

participation. The items measured were derived from earlier empirical studies with some modifications that take into account the operational peculiarities of cooperatives in the Nigerian microfinance banking sector.

The instrument was content and construct validated by experts, including finance scholars, cooperative economics scholars, and development studies scholars, to ensure validity. They were able to make observations that helped clarify vague statements and enhance the conceptual clarity. A pilot survey was carried out with 30 respondents, who were out of the target population for this study, to test the reliability of the survey. The instrument showed high internal consistency and statistical reliability with a Cronbach's Alpha reliability coefficient of 0.81 for financial accessibility measures and 0.84 for community economic participation measures.

The data collection was physically done for four weeks in the selected operational areas of Al Hayat Microfinance Bank. The participants were told about the academic goal of the study and that they were free to participate throughout the study. Research ethical issues related to confidentiality, anonymity, and informed consent were adhered to in compliance with recognized academic research procedures.

The collected data were coded and analysed using SPSS version 29. Respondents' characteristics and response patterns were summarized using descriptive statistics such as frequency distributions, percentages, mean scores, and standard deviations. Inferential statistical techniques were then used to accomplish the research objectives. Simple linear regression was used to analyze the impact of cooperative microfinance banking on the financial accessibility of small scale business operators, and Pearson Product Moment Correlation was used to investigate the relationship between cooperative banking mechanisms and community based economic participation. A probability level of 0.05 was used to determine statistical significance. Results were interpreted by looking at how large, how strong, and statistically significant the relationships were, with reference to the research questions and research findings.

**Results**

**Descriptive Analysis of Respondents**

The questionnaires were administered to 220 respondents, which include customers, cooperative members, staff members, and small scale business operators of Al Hayat Microfinance Bank, Ijebu Ode. Of the questionnaires distributed, 207 (94.1 percent) were properly completed and returned. The high response rate increased the reliability and representativeness of the statistical analysis.

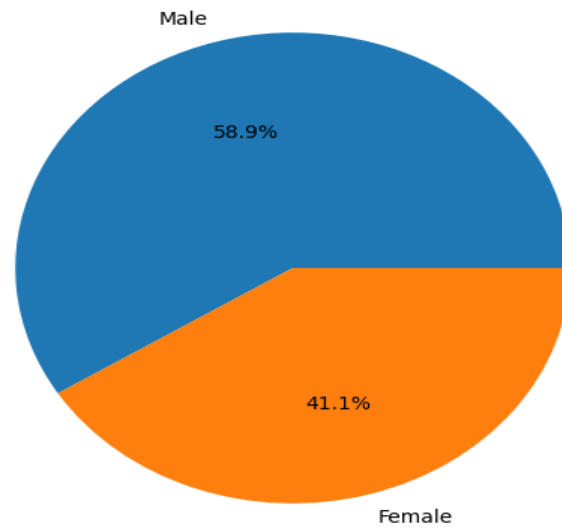
**Table 1: Demographic Characteristics of Respondents**

<b>Variables</b>	<b>Frequency</b>	<b>Percentage</b>
Gender		
Male	118	57.0
Female	89	43.0
Total	207	100
Age Distribution		
21 to 30 years	39	18.8
31 to 40 years	76	36.7
41 to 50 years	58	28.0
51 years and above	34	16.5
Total	207	100
Educational Qualification		
Secondary Education	42	20.3
Diploma or NCE	63	30.4
Bachelor Degree	79	38.2
Postgraduate Qualification	23	11.1
Total	207	100
Business Category		
Trading	81	39.1
Agriculture	37	17.9
Artisan Services	46	22.2
Small Manufacturing	21	10.1
Others	22	10.7
Total	207	100

**Interpretation**

The statistical distribution indicated that the numbers of male and female respondents were 57.0 percent and 43.0 percent, respectively.

**Figure 1: Gender Distribution of Respondents**

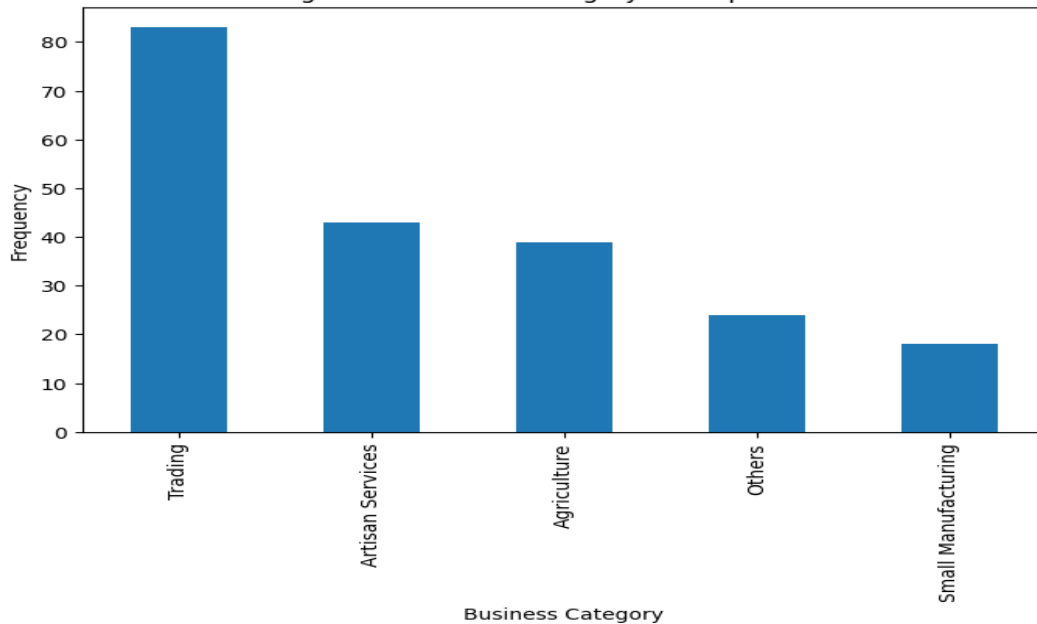


*Figure 1: Gender Distribution of Respondents*

The age group 31-40 years had the highest representation, which showed that the Bank had the highest percentage of economically supportive members. The educational distribution showed that the majority of the respondents had attained a tertiary education qualification, which indicates that the respondents had a good level

of literacy and financial awareness for participation in cooperative banking. The category of business that was most reported by the respondents was trading, which was indicative of the commercial orientation of economic activities in Ijebu Ode.

**Figure 2: Business Category of Respondents**



**Figure 2: Business Category of Respondents**

**Objective One**

To examine the extent to which cooperative led microfinance banking improved financial accessibility for small scale business operators in Ijebu Ode, Nigeria.

**Table 2: Descriptive Statistics on Cooperative Led Microfinance Banking and Financial Accessibility**

Statements	Mean	Standard Deviation
The bank provided accessible loan facilities for small scale businesses	4.31	0.71
Cooperative membership improved access to credit facilities	4.26	0.76
Loan processing procedures were easier compared to those of commercial banks	4.18	0.82
Savings mobilization enhanced business expansion opportunities	4.09	0.79
Interest rates were relatively affordable for small businesses	3.88	0.91
The bank improved financial inclusion among local entrepreneurs	4.34	0.69
Average Mean Score	4.18	0.78

The descriptive analysis revealed a positive attitude towards the role of cooperative led microfinance banking on the financial accessibility of small scale business operators. The highest mean scores of 4.34 corresponded to the statement on financial inclusion of the local entrepreneurs, and the lowest mean scores of 3.88 were

associated with the affordability of interest rates. The overall average mean score of 4.18 was above the decision level of 3.00, indicating that the respondents were generally in agreement that the bank improved financial access through the cooperative banking mechanism.

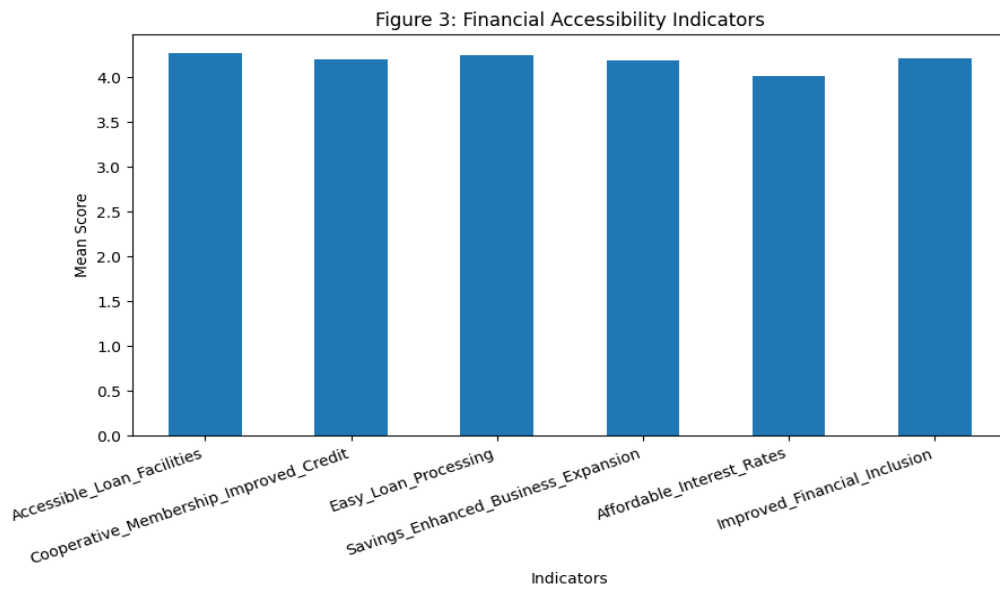


Figure 3: Financial Accessibility Indicators

**Table 3: Regression Analysis Showing the Effect of Cooperative Led Microfinance Banking on Financial Accessibility**

Variables	Beta Coefficient	Standard Error	t value	Sig.
Constant	1.274	0.318	4.006	0.000
Cooperative Led Microfinance Banking	0.684	0.057	12.000	0.000

Model Summary	Value
R	0.642
R Square	0.412
Adjusted R-Square	0.409
F Statistic	144.000
Probability Value	0.000

Based on the regression result, it was concluded that the cooperative microfinance banking had a positive effect on the financial accessibility of small scale business operators, and it was statistically significant. The beta coefficient value of 0.684 showed the increase of financial accessibility indicators by 68.4 percent when cooperative banking effectiveness increased by one unit. The value of the coefficient of determination of 0.412 indicated that cooperative led microfinance banking activities accounted for 41.2 percent of the observed variations in financial accessibility. The calculated value of the F statistic was 144.000, and the probability

was below the 0.05 significance level, indicating that the regression model was statistically properly fitted. The study thus found cooperative banking set-up has played a significant role in making small scale business enterprises in the study area to have access to finance.

**Objective Two**

To examine the influence of cooperative banking mechanisms on community based economic participation within the operational environment of Al Hayat Microfinance Bank.

**Table 4: Descriptive Statistics on Cooperative Banking Mechanisms and Community Economic Participation**

Statements	Mean	Standard Deviation
Cooperative activities encouraged local economic participation	4.27	0.73
Members participated actively in cooperative financial decisions	4.11	0.77
The bank strengthened local business networks	4.19	0.81
Cooperative financing promoted local employment activities	4.05	0.84
The institution enhanced trust within the business community	4.23	0.75
Cooperative banking improved community economic integration	4.30	0.71
Average Mean Score	4.19	0.77

The statistical findings showed that cooperative banking mechanisms had a significant positive effect on the community based economic participation, as there was strong agreement from the respondents. The highest mean score was for community economic integration, which means the bank played a significant

role in improving local economic interactions. The average mean of 4.19 also indicated that there was a broad agreement among respondents that cooperative banking activities play a positive role in the development of the community.

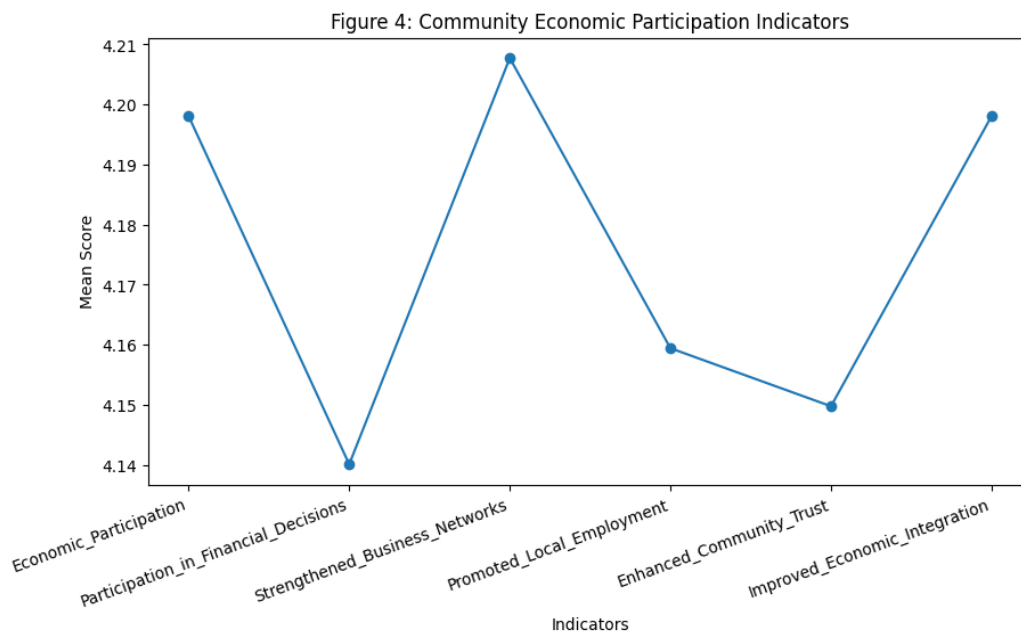


Figure 4: Community Economic Participation Indicators

**Table 5: Pearson Correlation Analysis Showing the Relationship Between Cooperative Banking Mechanisms and Community Economic Participation**

Variables	Cooperative Banking Mechanisms	Community Economic Participation
Cooperative Banking Mechanisms	1.000	0.711**
Community Economic Participation	0.711**	1.000

Statistical Indicators	Value
Correlation Coefficient	0.711
Probability Value	0.000
Number of Cases	207

**Correlation significant at the 0.01 level**

The Pearson Product Moment Correlation analysis showed that there was a very strong positive relationship between Cooperative Banking Mechanism and the community based economic participation. The value of the correlation coefficient was 0.711, which showed that there was a high association between the

variables. The obtained probability value (0.000) was below the 0.05 level of significance, indicating that the relationship was statistically significant. The results thus indicated that cooperative banking activities had a significant impact on economic participation, collective engagement, and interaction with the local business in the operational area of the bank.

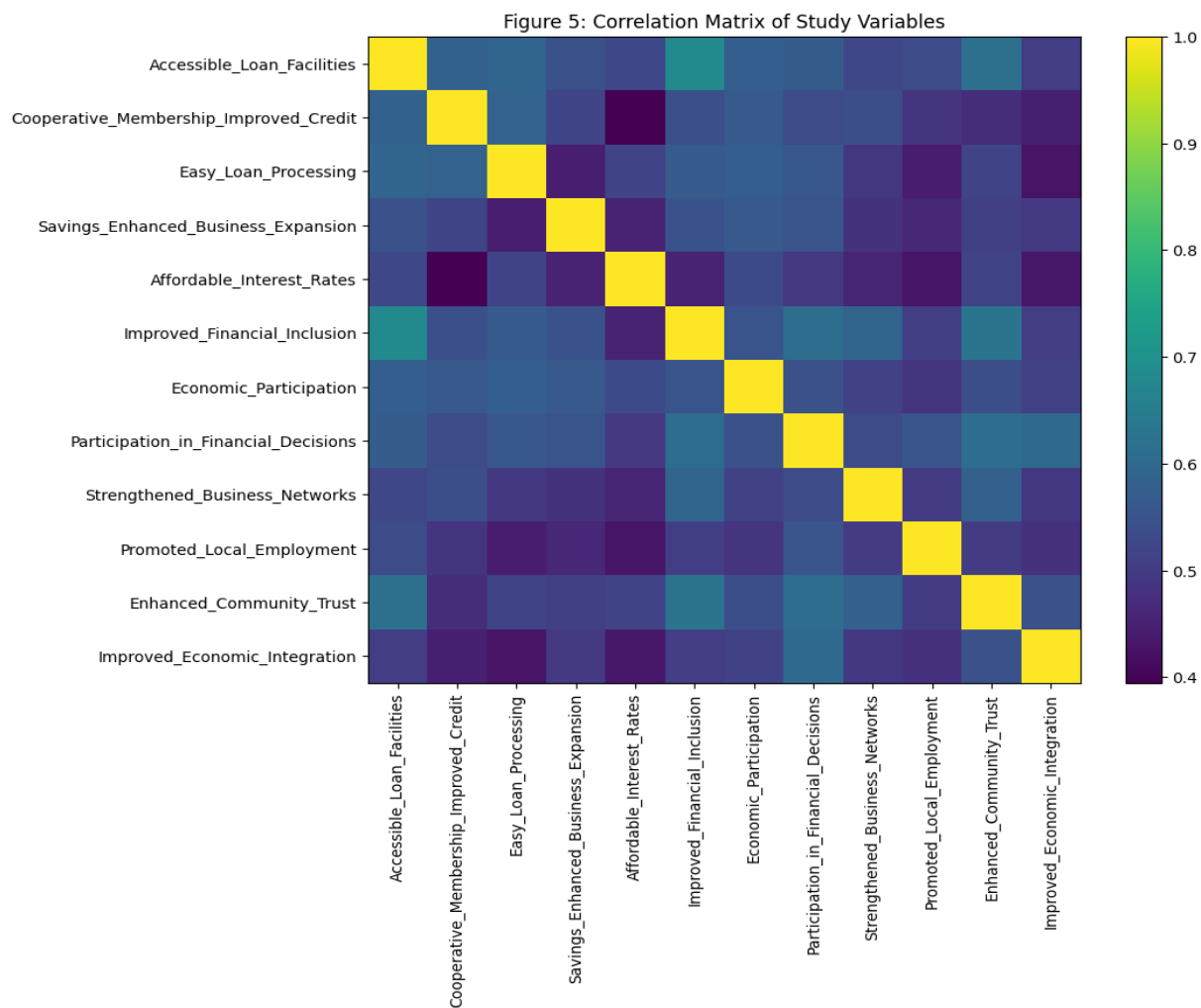


Figure 5: Correlation Matrix of Study Variables

## **Discussion of Findings**

The result showed that co-operative microfinance banking, to a great extent, improved financial access among the small scale business operators in Ijebu Ode. The regression results showed that cooperative banking structures had a positive impact on local entrepreneurs' access to loans, savings opportunities, and financial inclusion. This was in agreement with Abdulkazeem (2025), who indicated that cooperative institutions facilitated the performance of businesses through a collective financing mechanism and a participatory financial system. The findings also corroborated the position put forward by Oyasor (2025) that the grassroots micro credit mechanisms helped in local wealth creation and productive economic involvement.

The results also showed that the degree of cooperative banking mechanisms had a significant impact on community based economic participation. The high and positive correlation between cooperative activities and community participation suggested that cooperative banking strengthened local trust systems, business networks, and economic integration. The findings were in line with Katundu (2020), who found that cooperative institutions promoted social inclusion and participatory development of African communities. Similarly, Asunto (2026) discovered that the cooperative trust systems strengthened economic empowerment and collective responsibility in local economic systems.

The results further confirmed the Social Capital Theory as the positive relationships showed the value of trust, collective participation, and social networks in the cooperative financial system. The findings also validated Financial Intermediation Theory, which suggested that the cooperative microfinance institutions were effective in mobilizing and redistributing financial resources to economic activities that add value. But despite the positive results observed, the level of explanation of the regression model was moderate, indicating that other structural factors, including economic volatility, technology, and regulations, were also at play in the realm of financial accessibility and community participation outcomes within the Nigerian microfinance environment.

## **Conclusion and Implications**

The study examined with a critical outlook cooperative led microfinance banking and the influence on small scale business operators and community based economic participation as exemplified in Al Hayat Microfinance Bank of Ijebu Ode. The study was motivated by the increasing debates on the developmental role of cooperative financial institutions in the changing microfinance landscape in Nigeria in the context of financial exclusion, sustainability of financial institutions, and commercialization of grassroots banking systems. The result showed that cooperative oriented microfinance banking had a significant impact on increasing the financial accessibility and empowering local economic participation in the operational context of the institution.

The statistical results indicated that cooperative banking structures had a positive impact on credit facilities, savings opportunities, and financial inclusion of the small-scale entrepreneurs. The regression analysis validated the fact that cooperative banking mechanisms had statistically significant influences on financial accessibility, thus cooperative financial systems remained as significant instruments for mobilizing and redistributing financial resources to

less-served economic actors. The results also showed that the respondents felt that the institution was more readily available and socially responsive than traditional banking systems. This indicated that the beneficial developmental aspects of cooperative financial models were not lost since the underpinning operational logic was still tied into localized systems of trust and participatory economic relations.

The study also revealed that there was a significant positive relationship between cooperative banking mechanisms and community based economic participation. The correlation analysis revealed that the cooperative financial activities had a positive effect on the local business networks, economic integration, collective participation, and institutional trust in the community. These conclusions buttressed the claim that cooperative microfinance institutions were more than limited financial intermediation institutions but were also mechanisms for community economic engagement and localized development. Thus, the study concluded that cooperative microfinance banking is not only an alternative to banking but a financial system that is socially embedded and is able to engender participatory economic inclusion in semi urban Nigerian contexts.

However, the results also indicated that co-operative financial systems were not immune to the general problems that faced the financial system of Nigeria. While the institution showed a good positive developmental contribution, the moderate explanatory power of the regression model showed that external factors such as economic instability, technological limitations, infrastructural weakness, and regulatory conditions also affected the financial accessibility and community participation. This means that cooperative microfinance institutions alone are unable to address structural issues of economic imbalance without the appropriate policy context and institutional reform.

The study thus argued for the importance of cooperative led microfinance banking as part and parcel of inclusive financial development and not an alternative to mainstream financial banking. The study challenged dominant market oriented banking frameworks by showing that there is significant capacity for enterprise development and localized economic participation with socially embedded financial institutions. The results also showed the relevance of Social Capital Theory and Financial Intermediation Theory, demonstrating how the notions of trust systems, collective accountability, and localized financial redistribution are relevant aspects of cooperative banking.

From a practical perspective, the study suggested that governments and financial regulators should reinforce institutional support for cooperative oriented microfinance through improved regulatory frameworks, development of digital infrastructures, and financial literacy initiatives. Cooperative microfinance institutions also need to invest in technological modernization without losing the trust structures of the community, which was an added value to their way of operation. Also, development planners need to include cooperative banking systems as part of the overall plans for poverty alleviation, enterprise financing, and grassroots economic development in Nigeria.

Finally, the study made a contribution to current literature by filling gaps in the literature with regard to cooperative led microfinance banking in a semi urban Nigerian setting. The study has particularly focused on Al Hayat Microfinance Bank and has offered localised evidence that cooperative financial institutions are

still relevant tools for improving financial accessibility and the participatory economic development in Nigeria today.

**Details of AI usage are given below:**

- i. Grammarly was used to enhance grammar, spelling, and clarity.

All content was reviewed and finalized by the author, who accepts full responsibility for the work.

**COMPETING INTERESTS DISCLAIMER**

The author has declared that they have no known, competing financial interests or non-financial interests or personal relationships that could have appeared to influence the work reported in this research paper.

**References**

1. Abdulkazeem, A. (2025). Co-Operative Societies as Drivers of Business Performance in Nigeria: A Conceptual Perspective. *SZABIST INTERNATIONAL JOURNAL OF MANAGEMENT SCIENCES*, 2(2), 1–15.
2. Akintola, S. L., Ojo, A. S., Adeniji, R. A., & Sogbesan, O. O. (2025). Small-scale fisheries (SSF) characteristics and governance challenges in Lagos State, Nigeria. *Davao Research Journal*, 16(3), 63-75.
3. Asunto, N. (2026). Building Economic Empowerment through Cooperative Trust: A Model Based Analysis in Siquijor. *Journal of Business and Management Studies*, 8(6), 98–121.
4. Buba, R. (2025). Gender Equity in Environmental Governance: Women’s Contributions to Environmental Sustainability Policies in Africa. *University of Nigeria Journal of Political Economy*, 15(1).
5. Cao, A., Guo, L., & Li, H. (2025). Understanding farmer cooperatives’ intention to adopt digital technology: mediating effect of perceived ease of use and moderating effects of internet usage and training. *International Journal of Agricultural Sustainability*, 23(1), 2464523.
6. Fabamidu, T. (2026). Decolonising Digital Finance and Accounting in Nigeria: Indigenous Financial Practices and Implications for Informal Entrepreneurship. In *Decolonising the Enterprise: Entrepreneurship, Informal and Third Sector Perspective* (pp. 197-226). Cham: Springer Nature Switzerland.
7. Fernando, W. M., Ratnayake, R. C., Thibbotuwawa, A., & Perera, H. N. (2026). Transforming Smallholder Agri-Food Supply Chains through Digital Product Passports: A Pathway to Sustainable Markets and Innovative Business Models. *Journal of Open Innovation: Technology, Market, and Complexity*, 100736.
8. Habibu, N. M. (2026). Rural Capacity Building and its role in supporting the integration and competitiveness of Agrifood chains. A comparative analysis of three case studies: Italy, Canada, and Ghana.

9. Jabbi, E., & Sawitri, D. K. (2025, October). Supply Chain Resilience in the Cocoa Industry Amid Global Disruptions: A Comparative Case Study of Ghana and Côte d’Ivoire. In *Proceedings of International Conference on Economics, Business, and Government Challenges* (Vol. 8, No. 1, pp. 7–24).
10. Judijanto, L. (2025). Empowerment of Oil Palm Smallholders for Sustainable Palm Oil. *Veredas do Direito*, 22, e3323-e3323.
11. Katundu, M. (2020). Fostering rural development and social inclusion in East Africa: Interrogating the role of cooperatives. In *the Palgrave Handbook of Agricultural and Rural development in Africa* (pp. 367–393). Cham: Springer International Publishing.
12. Lukobo, E. M., Geenen, S., & Katz-Lavigne, S. (2026). Cooperatives as Glocal gatekeepers: Vertical governance in Lualaba's Artisanal cobalt mines. *The Extractive Industries and Society*, 27, 101928.
13. Maglunsod, G. J. B., Salapa, A. C., & Mohamad, H. A. (2025). Barriers and Strategies for Women's Economic Empowerment in the Coconut Value Chain: A Systematic Review and Critical Analysis in Developing Economies. *Psychology and Education: A Multidisciplinary Journal*.
14. Makinde, O. O., & Arilekolasi, T. A. (2025). From Waste to Worth: Utilizing Agro-Residues in Climate-Smart Feed Systems to Reduce Nigeria’s Agricultural Postharvest Losses.
15. Nagpal, D., & Pérez Arriaga, J. I. (2021). Towards actionable electrification frameworks: mini-grids under the grid.
16. Nwafor, C. U., Ogundeji, A. A., & van Der Westhuizen, C. (2020). Adoption of ICT-based information sources and market participation among smallholder livestock farmers in South Africa. *Agriculture*, 10(2), 44.
17. Nwafor, C. U., Ogundeji, A. A., & van Der Westhuizen, C. (2020). Adoption of ICT-based information sources and market participation among smallholder livestock farmers in South Africa. *Agriculture*, 10(2), 44.
18. Ofondu, M. M., Okwara, O. O., Aruomah, O. K., & Agu, G. (2025). Cooperative Farming for Agricultural Produce Export in the South East Region, Nigeria: Problems and Prospects. *Marketing and Business Strategy*, 3(1), 37–46.
19. Olagunju, O. (2021). White Paper: The Trillion Naira Graveyard—A Framework for National Asset Restoration. *International Journal of Technology, Management and Humanities*, 7(01), 5–35.
20. Oyasor, E. I. (2025). Dissecting Community Wealth-Building Mechanisms Through Grassroots Microcredit Programs in Nigeria. *International Journal of Applied Research in Business and Management*, 6(3).
21. Salaudeen, J. A. (2026). Green Sukuk: Investigating the Application of Green Sukuk for Accelerated Food Sufficiency in Nigeria. *Iconic Research and Engineering Journals* 9(3), 363-371