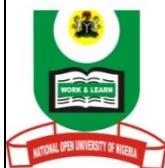


**COURSE  
GUIDE****CRD 124  
INTRODUCTIONS TO COOPERATIVE**

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## MODULE 1

Unit 1	Nature of Co-operatives
Unit 2	The Differences and Similarities between Co-operatives and other Self – Help Organisations
Unit 3	Definition of a Co-operatives and the Analysis
Unit 4	Co-operative and other Forms of Business
Unit 5	Classification of Co-operatives

## UNIT 1 NATURE OF CO-OPERATIVES

### CONTENTS

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Nature of Co-operatives
3.1.1	Origin and Acts of Mutual Assistance
3.1.2.	Extension of Mutual/Traditional Assistance to Formal Co-operative
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3.2	Characteristics of Co-operative
3.2.1	What Co-operative is Not
4.0	Conclusion
5.0	Summary
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### 1.0 INTRODUCTION

This is the first unit among the units that make up the course: introduction to co-operative. This unit introduces you to the subject of co-operative. You are going to spend at least two hours to go through it. While going through the unit. There are exercises designed to make you pause and reflect on what you are reading. By so doing, you may have a grasp of the units being presented to you.

At the end of the unit, there is again tutors–mark exercise, which is meant for you. Try your hands on them so as to be self-assured that you have a masterly of the points raised in the unit, as indicated in the objectives stated below.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- describe the nature of co-operative
- origin and acts of mutual assistance
- extension of mutual assistance to formal co-operative
- co-operative as non-profit making organization
- explain the characteristics of co-operative
- what co-operatives are not

## 3.0 MAIN CONTENT

### 3.1 Nature of Co-operation

#### 3.1.1 Origin and Acts of Mutual Assistance

Co-operatives action takes place when individuals pool their resources together which are often meager in an effort to obtain what is needed by all but cannot be obtained by the use of an individual's resources, talents, time, information or effort. This habit has existed since the origin of humanity, that is, since the time that human beings started living together on the basis of family unit and/or in a community. Co-operation is customary and instinctive solidarity.

The first co-operative act of man was when the first human family started gathering food even before agriculture was invented.

In traditional societies, we have examples of mutual aid and assistance. You would have noticed instances where helps were given to others on such events as birth celebrations, death and funeral ceremonies and assistance to the injured or the sick. Within these traditional societies, customary arrangements for securing assistance from neighbours on these occasions exist.

The more advanced forms of traditional co-operation is demonstrated in saving and lending, joint action, joint possession of land. They did not leave life's risks and emergence to chances. They developed various patterns of mutual assistance, reduced them to custom, and handed them down as tradition and as a legacy from the past through formal and informal education.

They were enforced with the authority of the elders. They are common in various communities in Nigeria. These societies are usually called

self-help organizations. We shall come across them in unit 2 which will be our next unit

### **SELF-ASSESSMENT EXERCISE**

Look around you or think of the past and mention at least 3 incidents where a form of traditional; assistance were rendered.

#### **3.1.2 Extension of Mutual/Traditional Assistance to Formal Co-operative**

Modern co-operation developed from these traditional forms of cooperation.

The co-operative actions are based on voluntary agreements by the individual actions. This voluntarism is the main tenet of modern acts of co-operation. We shall soon define voluntarism as the main tenet of modern acts of co-operation. We shall define modern co-operation in unit 3 of this course.

In general, co-operative can be any form of two or more persons working together to achieve one goal or the other, which can be permanent or adhoc or even a one-time act. In this regard, the rules as well as the modes of such actions of working together will be different from one instance to another.

Looking further, the nature of co-operative from a limited perspective is also often used to mean the activities of a specific form or organization: the co-operative. The word co-operative can also be used as an adjective. From the point of view of looking at co-operation as specific formal organization, a study of co-operation is a study of the institution and its activities.

#### **3.1.3 Co-operatives as Non-Profit Making Organization**

Another point about co-operatives is that the underlining force behind them is not for making profit. That is to say, the primary objectives for the formation of a co-operative society is not for profits unlike the private entrepreneurs. The entrepreneurs establish businesses for the sole purpose of making profit.

Co-operatives on the other hand are business organizations of patrons whose motive is to obtain goods and services they require at cost through their joint undertaking. Consequently, co-operators combine in themselves the functions of owners and users.

The buyer becomes the seller, the borrower becomes the lender, and the tenant becomes the landlord and so on. The owner – user nature of co-operative will be explained further when we start to look at the definitions of a co-operative in unit 3.

Also because the patron is the owner, he must be the controller of the Co-operative. This is necessary so as to ensure the quality of service that is needed and to avoid all forms exploitation. That is why there is broad base control or democratic control by members (patrons).

Again economic results or what is commonly referred to in co-operative business as surplus are shared by members in proportion to the volume of business each member does with the co-operatives.

The results are never shared in proportion to shareholding. Unlike the private organizations the net profit or net result goes to the investor(s) in proportion to the amount that he has invested in to the business.

## 3.2 Characteristics of Co-operative

### 3.2.1 What Co-operatives are Not?

In the preceding section that is 3.1.3, we tried to look at the nature of Co-operative. Along the line, some characteristics of formal co-operation were mentioned, such as the non – profit nature of co-operative. We are going to look further by highlighting what co-operatives are not so as to bring out sharply the essential feature of co-operatives.

### SELF-ASSESSMENT EXERCISE

Go through section 3.1.1 and 3.1.3 again and list the nature of cooperative.

The simplest way to highlight features of co – operatives is to situate Co-operatives viz-a-viz other organizations that look like co-operatives but are not, which are as the following:

- i. Co-operatives are not trade unions
- ii. Co-operatives are not political parties
- iii. Co-operatives are not parastatals because these are extra – ministerial organizations.
- iv. Co-operatives are not Loin Clubs or Johnson's Brigade or Red Cross among others because these are humanitarian or philanthropic organization.

v. Co-operatives are not private companies or public limited companies organizations who are quoted in the Nigerian Stock Exchange (NSC) because these are profit – making organizations.

The above – mentioned organizations are not co- operatives because they do not seem to possess the unique characteristics of Co-operatives. A Co-operative is an association of people for mutual aid, which must be run like a business entity employing defined business concepts, financed by members and in accordance with established rules and regulations. We shall examine the definition of co-operative when we will be treating Co-operatives definitions and their analysis.

### **SELF-ASSESSMENT EXERCISE**

Mention other organizations you are familiar with or the ones you have read from books, which look like Co-operatives, but they are not.

### **4.0 CONCLUSION**

This is our first unit to the course: introductions to co –operatives. While reading the unit, you were made to understand that the origin of co-operative dated, back to the time when man started living together in nuclear family units and/or in communities. By living together, instinctively, acts of mutual aid and assistance were offered. We also saw the nature and characteristic of a Co-operatives, which is an association of individuals of modest means who have decided together to pool their resources in order to carry out economic activities for mutual benefits.

It was pointed out that the management of such economic ventures is undertaken by members and profit is not the motive or primary objectives of co-operative. You also learnt that even though some organizations may resemble Co- operatives, they are not because they do not possess the characteristics of Co-operatives.

### **5.0 SUMMARY**

You have now learnt the nature and characteristics of Co- operatives. The ground is now prepared to sow the seeds of co-operative by closely examining co –operatives and other forms of self – help organizations.

### **6.0 TUTOR MARKED ASSIGNMENT**

1. List and explain the elements that brings out the essence of cooperation

2. Take a philanthropic organization of your choice and give reasons why such as organization is not a co-operative.

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## UNIT 2 THE DIFFERENCES AND SIMILARITIES BETWEEN CO-OPERATIVES AND OTHER SELF-HELP ORGANISATIONS

### CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Self – Help Organization
    - 3.1.1. Expansion of Traditional Co-operatives and other Self – Help Organizations
    - 3.1.2. Example of Self-Help Organizations
  - 3.2 Formal Co-operative
    - 3.2.1 What is a Formal Co-operative?
    - 3.2.2 Comparing Between Modern Co-Operative and Self – Help Organization
    - 3.2.3. Similarities between Modern Co-operative and Self – Help Organization
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor – Marked Assignments
- 7.0 References/Further Readings

### 1.0 INTRODUCTION

In our first unit, which is the preceding one, we discussed the nature and characteristics of co-operatives. The present unit is going to be an extension of the first one. This is because we are still going to closely look at those features of co-operatives and compare them with those organizations that resemble co-operatives but they are not.

We specifically refer to these organizations as self – help organizations. The differences between them and co-operatives will be examined.

### 2.0 OBJECTIVES

At the end of this unit you will be able to:

- identify types of self – help organizations, which are also, referred to as traditional cooperatives institutions
- compare formal co-operative organizations with self – help organizations.

### **3.0 MAIN CONTENT**

#### **3.1 Self – Help Organizations**

##### **3.1.1 Explanations of Self – Help Organization and “Traditional Co-operatives”**

Sometimes confusion arises in the mind of the students as to the difference between self – help organizations, which are also known as traditional co-operatives institutions and “traditional co-operatives”.

Traditional co-operatives refer only to the historical co-operatives models such as the Rochdale Equitable pioneer, which is the first cooperatives organization in the whole world and established in 1844 in England. We shall be using the model in our next course when we will be treating principles of co-operative.

Self – help organizations on the other hand as we have seen earlier; refer to the traditional co-operative institutions, which exist in every community.

To avoid the confusion between the traditional co-operatives and traditional co-operative institutions, some people prefer to call the traditional co-operative institutions as common Initiative Group (C.I.G.) or simply self-help organizations.

##### **3.1.2 Further Examples of Self- Help Organizations**

In our first unit, we gave instances of mutual aid and assistances, and you were encouraged to give more examples in exercise 1.1. the more advanced forms of this traditional co-operative is demonstrated in savings societies which are common in Nigeria, such as the “esusu” in the Ibo land and “adashi” in Yoruba land to mention but a few. Here members contribute money, which is given out in rotation to each of them.

In farming communities, there are also labour exchange activities, which are common. In this kind of co-operative, all members will on a rotation plan to work in each other’s farm according to designated days.

Similarly, in those communities where homes are still being built in the traditional way, labour exchange activities do exist. Members of the group will decide on agreed days to work on each other’s house for the purpose of erecting shelters for themselves.

On a large scale, self-help organizations do exist in various communities where common projects are carried out not for individual benefit but for the common use of the entire community.

Such projects include; constructing access roads to the health care delivery system by building clinics and/or hospitals, among other numerous projects.

But this form of co-operative that we have been describing, end as at when the object of co-operative is accomplished. This is more or less adhoc co-operative.

## **SELF-ASSESSMENT EXERCISE**

List 5 self – help project either completely executed or under execution in the community that you are living or are aware of.

### **3.2 Formal Co-operative**

#### **3.2.1 What Formal Co-operative Is?**

Formal co-operative is not ad- hoc. It comes into existence when individuals or economic units whose means are limited freely act together to overcome this limitation by pooling such limited resources to accomplish common objectives through the formation of a cooperative society. Capital is contributed equitably and the members run the enterprise democratically. They will also agree to share the risks as well as benefit in proportion to the participation and patronage by members in the business. All of these characteristics of formal co-operative were discussed in unit one. You may go back to its order to refresh your memory.

#### **3.2.2 Comparing Formal Co-operative with Self-Help Organizations, the Following Differences should be Noted**

- 1) A co-operatives society is a business entity. As such the management concepts, techniques and principles are applied which may not be emphasized in a self- help organization.
- 2) The co- operatives are owned by members. The capital invested in the business is for members who have taken the risks of investment. There is no such risk in self – help organizations.
- 3) The co-operative is controlled by members by takings major decisions affecting the business. Members delegate whoever carries out activities in the co-operative. The committee members or what is sometimes called board of directors are elected by the

general members and delegated to manage the business. All these may not be applicable in a self-help organization. An opinion leader in a self-help organizations may be taking major decisions that a project needs to be executed without much consultation.

- 4) Co-operative is voluntary; the decisions to join in cooperatives is freely made by the individual. Members, who so desire are also free to withdraw as long as they fulfill all agreements to the business. This is not applicable in a self-help organization.
- 5) Members accept risks and benefits. They buy shares in the cooperatives and expect to get benefits if the co-operative succeeds; but if it fails they lose their investments; there is no such investment and risk in self-help organization
- 6) A co-operative is a long term concern, that is, it outlives its founding fathers. That is why the sustainability in co-operative is higher than that of self-help organization, some of which operates on ad-hoc basis.
- 7) There are definite rules and regulations governing cooperatives as spelt in the co-operatives Decree of 1993, the cooperatives laws of the various states of the Federation and by laws of each co-operative organization. But many self-help organizations are based on rules that are simple and are not necessarily reduced to contractual agreements. They fit into the normal behaviours of the community. They are capable of being modified depending on the changing circumstances and environment, which may result with the development of the group or community.
- 8) The process of registration of a co-operative is more rigorous than that of self-help organization.

### **3.2.3 Area of Similarities between Modern Co-operative and Self-Help Organizations**

Having looked at some areas of differences between formal cooperatives and self-help organization, let us briefly see their areas of similarities:

1. Individuals that form a co-operatives share identical interest (s) or goals (s). The same can be said of self-help organization. It is the pursuit of such identical purpose that brings them together.
2. Roles exist in both self-help organization and formal co-operation. Members must play these roles. The proper execution of these roles will enhance the attainment of objectives.
3. Values are also shared by groups' members. These values are general agreement emphasized as positive or negative, that is, the "dos" and "don'ts" which are reflected in the constitution.

4. Communication exists in the groups. This includes communication between one individual and the other as well as between one individual and the organization.
5. Members of both organizations may enjoy a common identity. The identity separates members of an organization from other organizations. Such identity's including: recognized names, an identical or peculiar mode of dressing among others.

## 4.0 CONCLUSION

So far, we have seen different forms of self – help organizations, which strictly speaking are not co-operatives organizations. This is because co – operatives by their very nature have recognized and defined characteristics, which the self – help organizations do with other self – help organizations.

Having looked at these areas of differences we took a step further by looking also at the areas of similarities between co – operatives and self – help organizations.

## 5.0 SUMMARY

We are progressing steadily in our journey to co – operation. We have taken two important steps by studying the first unit of the course, which is on the nature of co – operation and the characteristics of co-operative. In the second step, we arrived at the point where we took a comparison between formal co-operation and self – help organization. We are now ready to move into unit 3 where we will be defining what a co-operative organization is, we will also do a careful analysis to our definition.

## 6.0 TUTOR – MARKED ASSIGNMENT

1. Co-operatives can be regarded as both Social and Economic Institutions. Explain.
2. On what criteria would you use to separate co – operatives from self – help organization?
3. Explain clearly the distinction between co – operatives enterprise and private organization.

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## UNIT 3 DEFINITION OF A CO-OPERATIVES AND THE ANALYSIS

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- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Essentialist Approach to Co-Operative
  - 3.2 Nominalist Approach to Co-Operatives
  - 3.3 Examples of Definitions from the Two Approaches
    - 3.3.1 Examples of Essentialist Definition
    - 3.3.2 Examples of Nominalist Definition
  - 3.4 Analysis of the Nominalist Definition
    - 3.4.1 Association of Process
    - 3.4.2 Limited Means
    - 3.4.3 Voluntary Joined Together
    - 3.4.4 Achieved a Common Economic End
    - 3.4.5 Democratically Controlled Co-operatives
    - 3.4.6 Business Organization
    - 3.4.7 Equity Contribution to Capital
    - 3.4.8 Accepting a Fair Share of the Risks
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor – Marked Assignments
- 7.0 Reference and Other Resources

### 1.0 INTRODUCTION

In this unit we are going to examine the definitions of a co-operative having looked at the nature and characteristics of co-operative as well as what is a self –help organization. We saw how a self – help organization relates to a co-operatives and the major areas of differences in our previous unit.

In attempting to say what a co-operatives organization is by way of definition, two major ways will be followed, these are:

- a) The essentialist approach. These two approaches will be explained later.
- b) Normalist approach.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain what an essentialist and a nominalist approaches to cooperative definitions are; and
- define the term “Co-operatives” in your own word.

## 3.0 MAIN CONTENT

### 3.1 Essentialist Approach to Co-operative

This attempts to define co-operatives in terms of values, ideologies and overall economic and social goals. These values, ideologies as well as economic and social goals are to be pursued with a sense of mission for accomplishment. But a limitation to this approach comes to the fore when it is realized that values or what one places to be important, ideology or a system of beliefs and goal which is an end in view stated in general term differ between different economic systems like a mixed economy such as the one Nigeria is claiming to pursue; different values and different long term goals may be found to be more emphasized with actors, business and institutions in the different sectors of the economy. The problems arises when it is realized that co-operatives are found in all economic systems, whether it is a capitalist system or socialist system or welfarist system etc. people organize themselves or are organized to form co-operatives. Also in all the sectors and business existing in all these economic system, co-operatives are present there.

Consequently no essentialist definition can incorporate all the different values, goals and ideologies present in all the systems, in one definition. This is because what is essential in one system may be essential or not as essential in another system. Essentialist approach will not present a suitable platform for analyses, findings and recommendation that have universal application.

### 3.2 Nominalist Approach to Co-operative

Looking at the nominalist approach it attempts to select structural elements of organization present to all institutions, which claim to be co-operatives in any economic system and sector. This is why it is readily accepted. The structural elements, which are readily emphasized, are:

- 1) Individuals or persons who operate their private businesses or who operate their households and are unified by a common goal.
- 2) Joint action by a group, which attempt to attain group goal through economic betterment of the group such as mutual help.

- 3) A jointly owned long term/ permanent business enterprise as a channel through which goods and services are produced.
- 4) A special promotional relationship between the members' private businesses of household and the co-operatives enterprise which is saddled with the responsibility of promoting member' welfare by making its goods and service directly available to the members (as customers' or in social case of productive co-operative, as employees).

### **3.3 Examples of Definitions from the Two Approaches**

#### **3.3.1 An Example of Essentialist Approach to the Definition of a Co-operative**

“It is an association of socially weak persons trying to achieve certain social aims within the frame work of an enterprise open to all and based on the rules of solidarity and democracy, it instills ideas of mutual help and social responsibility as part of a new ideal society.

In looking at the above definition certain problems readily come to mind:

- a) How does one define “socially weak persons” in a socialist economy, a capitalist economy or mixed economy or even welfarist economy? There is no common basis.
- b) To define what an enterprise is and the system of rules of solidarity and democracy in all economics systems, sectors and institutions.
- c) Social responsibility to the government, community, shareholders, customers etc. is difficult to establish on a common parameter in every economy.

#### **3.3.2 An Example of Nominal Definition**

“A co-operatives is an association of persons usually of limited means who have voluntarily joined together to achieve economic end through the formation of a democratically controlled business organization making equitable contribution to the capital required and accepting a fair share of the risks and benefits of the undertakings.”

#### **SELF-ASSESSMENT EXERCISE**

- i. Mention two approaches to co-operatives definition.
- ii. List the essential points in the two approaches.

### **3.4 Analysis of the Nominal Definition**

#### **3.4.1 Association of Process**

A Co – operatives Society is an association of persons, who are ready to work together, understand themselves, ready to solve their problems jointly and socially fit to associate with one another. This is not to say that a co-operative society should be an association of armed robbers, thief, and fraudsters among others.

#### **3.4.2 Limited Means**

Those persons that join together are usually of limited means, but not beggars. They must be willing to make capital contributions to the society.

#### **3.4.3 Voluntarily Joined Together**

Individuals are not forced to join a Co- operative. The decision to team up with others to form the society rests with every individual. If people are interested to join Co-operatives through some inducement such as money by government or any other institution as soon as the inducement is no longer forthcoming, members' interest will go down and that starts the beginning of the end of that society.

#### **3.4.4 Achieve a common Economic End**

The major aim of a Co-operative is to achieve economic goals, which include making profit or surplus. In co – operatives gathering, profit is regarded as surplus. Other goals include: the ability of members to make more money, buying of goods cheaply, getting loans with little interests for productive purpose amongst others.

#### **3.4.5 Democratically Controlled**

This means that the Co-operatives business is controlled by members themselves through one man, one vote on any decision affecting the Co-operatives. No matter the status of any member in the community or the amount of his/her money invested into the business he/she is only excepted to vote once on any issue that requires voting.

#### **3.4.5 Business Organizations**

A Co- operative is business entity and not humanitarian organization. Business concepts, techniques and principles are brought to bear in the Management of Co- operatives.

### 3.4.7 Equitable Contribution to the Capital

Since a co-operative is a business venture, equitable contribution is expected by all members including intending members.

### 3.4.8 Accepting a Fair Share of the Risks and Benefits

Every member participates in the management of the Co-operatives so that at the end of the year, through efficient management, surplus can be made. If this is the case, each member will have a fair share of the surplus depending on how such members has patronized the cooperatives.

We have seen earlier in unit 2 that a member is both a co-owner of then co-operatives and also a customer or end – user of the co-operatives product and service. On the other hand if a loss is declared at the end of the financial year, the entire members will also share the loss.

## 4.0 CONCLUSION

We have examined two approaches to the definition of co-operatives: the essentialist approach and the nominalist approach. We saw that because of the limitation of the essentialist approach, the nominalist approach is commonly accepted because it provides good ground for the analyses of what co-operatives is. We had two definitions reflecting these approaches and we carefully analyse the nominalist definition.

## 5.0 SUMMARY

Now that we have got our working definition of a co-operative, we shall now move on to look at co-operatives viz. a viz. other forms of business organizations.

## 6.0 TUTOR MARKED QUESTIONS

1. How will you define a co-operative society in your own word using the Nominalist approach?
2. Explain the criteria you should use to access whether an organization is a co-operatives society or not.

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## UNIT 4 CO-OPERATIVE AND OTHER FORMS OF BUSINESS

### CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Types of Business Organization in Nigeria
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    - 3.1.2 Partnership
    - 3.1.3 Private Limited Companies
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  - 3.2 Criteria for Comparing Co-operatives and other Businesses
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- 5.0 Summary
- 6.0 Tutor – Marked Assignments
- 7.0 References/Further Readings

### 1.0 INTRODUCTION

This unit concerns co-operatives and other of business. In the preceding unit we had definitions on co-operatives. In the course of defining what a cooperative be, we used two approaches: the essentialists approach and the nominalist approach that lacks universal acceptance because of its limitation, we decided to adopt the nominalist approach of Co-operatives definition.

We then had a working definition of a co-operative society which is “an association of persons usually of limited means who have voluntarily joined together to achieve a common economic end through the formation of a democratically controlled business organization making equitable contribution to the capital required and accepting a fair share of the risks and benefits for the undertaking”. The definition was made

by the International labour Office in charge of Co-operatives management and Administration in Geneva and we shall be using this definition for some time to come.

The above definition now gives us a basis on which we can compare cooperatives business. In doing this, we are going to identify different businesses in Nigeria, examine their objectives and the effects of their objectives on their practices. We shall provide criteria for the classification.

## 2.0 OBJECTIVES

At the end of this unit, you will be able to:

- identify the various types of business organizations in Nigeria
- identify the various relevant criteria for comparing the various forms of business.
- state the objectives of each of these business organizations
- relate how the objectives affect modus operandi of each of these businesses.
- compare co- operatives with other business organizations.

## 3.0 MAIN CONTENT

### 3.1 Types of Business Organizations in Nigeria

#### 3.1.1 Sole Proprietorship

This is a one – man business. He finances the business alone, takes all the decisions and the success and failure of the business are squarely on his shoulder. It is not restricted to the sole trader who hawks his wares about. The barbers at the corner of the street, the fried or roasted plantain seller by the road of the market among others are all examples of sole proprietorship.

#### 3.1.2 Partnership Business

This is an improvement on the sole proprietorship. A least two persons must come together to establish this business. They pool their resources together such as talents, skills, knowledge, finance, and time in order to carry out the business. More funds made available two goods heads are better than one. Risks are proportionately shared among the owner of the business unlike the sole proprietorship who carries all the risks associated with his business.

### **3.1.3 Private Limited Companies**

Most private limited companies started as a family business. Eventually other individuals were invited to buy shares and become co-owners of the business. There is better financing in this type of business compared to partnership. Also profit declared which is the major aim for forming such business is shared according to the number of share each shareholder is having. Hired manager are employed to run such business. Examples include Femi Johnson & Co. Ltd, Ibadan; Odusote bookshop Ltd, Ibadan among others.

### **3.1.4 Public Limited Companies**

These are big organizations whose shares are publicly quoted in the Nigeria Stock Exchange. Well - trained managers are usually employed to run such organizations. They include: Nigeria Bottling Company Plc. Union Bank of Nigeria Plc. among others. Again profit motive is the major force for establishing such businesses.

### **3.1.5 Public Corporations**

These are organizations usually established by Government through Act of parliament and similarly authority. They are usually formed because:

- If left to private individuals, they may not be able to finance them
- If owned and managed by private persons, they may exploit the masses;
- Private persons may make abnormal profit if they are allowed to establish such organizations, among other reasons.

## **SELF-ASSESSMENT EXERCISE**

Take a sheet of paper and list examples of:

- i. One – man business or sole proprietorship; Partnership;
- ii. Private Limited Company;
- iii. Public Limited Company;
- iv. Public Limited Company ( PLC );
- v. Public Corporation

## **3.2 Criteria for Comparing Co-operatives and other Business**

The criteria under which Co-operatives can be compared can be compared with other business are:

**1) Ownership**

This addresses the issue of who can be the owner of the business. This means that there must be certain conditions that should be fulfilled before somebody or a group of persons or an organization can lay claim to such a business entity.

**2) How much can an individual own?**

This is another important criterion because in some businesses as we shall soon see, there is restriction to the amount an individual can own, while in others there is no such restriction.

**3) Transfer of ownership**

What will be the basis, under which ownership is transferred from one person to the other, varies from one form of business to the other.

**4) Control**

Controlling the business is of high importance such as taking such decisions as to who becomes a member of the board, the requirement for voting, how many votes per voter and who managers the organizations need to be carefully considered.

**5) Benefits**

Here, issues concerning why net income is generated, who can be patrons of the business, how is income so generated is distributed, among other issues, are looked upon.

**6) Guiding rules for accepting a transaction****7) Size of Board of Directors****3.3 Business Objectives****3.3.1 Nature of Business Objectives**

An objective is an end in view, that is, it concerns the future activities of a business organization. Once an objective has been formulated, resources must be put in place so that the objectives can be realized.

But business objectives must have the following features:

- Specific and well defined

- Measurable, that, some quantitative figure should be out there;
- Action oriented;
- Realistic; and
- Timely.

### 3.3.2 Common Business Objectives are

- To make profit
- To produce or provide good quality product or service at affordable price;
- To keep on surviving;
- To have good quality workers;
- To be leader in the industry etc.

## 3.4 Comparing Co-operatives with other forms of Business Organizations

### 3.4.1 Co-operatives Business versus Non-Co-operatives Business

There are a lot of differences between Co-operatives businesses and non – co-operative businesses. We are going to use the criteria earlier identified in 3.2 as bases for the comparison as tabulated below:

Criteria	Non Co-operative	Co-operative	
Ownership	<p>a) Who can be an owner of the business</p> <p>b) How much can an individual own?</p> <p>c) Transfer of ownership</p>	<p>Anybody who is able to buy shares of common stock. Some firms such like partnership the other conditions are having good skill and being 'well connected.'</p> <p>No limit except the money cost of one share of common stock; some firms may vary the conditions.</p>	<p>Generally restricted to those who qualify for membership e.g. those with common economic interest and are able to buy the minimum share.</p> <p>The cost of a minimum share applicable to all members.</p>
Control	<p>a) Who is allowed to vote on the selection Board of Directors?</p> <p>b) Requirement for</p>	<p>Shareholders</p> <p>Must own stock</p>	<p>All members who are paid the entrance fees and /or own the minimum share</p>

<p>voting</p> <p>c) How many votes per voter?</p> <p>d) Who managers the organizations?</p>	<p>One vote per share. This means that a voter with many shares will have as many votes as his share.</p> <p>The board of Directors elected by shareholders</p>	<p>Must meet the qualification</p> <p>Usually democratic, that is one member one vote.</p> <p>The committee members or Board of Directors elected by members.</p>
<p><b>Benefits</b></p> <p>a) Why is net income generated?</p> <p>b) Who can be a patron of the business?</p> <p>c) Distribution of net income (profit or surplus)</p>	<p>For distribution to shareholders in return for their investments (share)</p> <p>Not restricted</p> <p>i. Interest payment to investor is a priority ii. Pays taxes according to taxations law. iii. Allocation is made to reserves</p>	<p>For distribution to member-owner on the basis of their transactions with the co-operative.</p> <p>Member – owners patronize</p>
<p>Guiding rules for accepting a transaction</p>	<p>Do business if individual benefits are greater than individual costs. The emphasis is to make money from investment.</p>	<p>Do business if total benefits to individuals and co-operatives are greater than individuals total costs to individuals and co-operatives.</p>

### **SELF-ASSESSMENT EXERCISE**

Mention 6 business organizations that you are well familiar with. List three objectives for each of them. Also show the characteristic of these objectives.

### **4.0 CONCLUSION**

In this unit, we have been able to learn that co-operatives is a form of business organization. There are other forms of businesses existing in Nigeria and elsewhere apart from the co-operatives; we have been able

to identify these other businesses. We moved further to compare co-operatives with the other businesses using relevant criteria.

## 5.0 SUMMARY

Now that we have known that a co-operative is a business entity, which share some similarities with other forms of business and also be able to recognize areas of defence, we shall now go to unit 5 that is our next unit which is on classification of co-operatives.

## 6.0 TUTOR-MARKED EXERCISE

1. Mention and explains four forms of business, bringing out at least Characteristics of them.
2. Define business objectives. Describe 5 features of business objectives.

## SELF – ASSESSMENT ANSWERS

### Answer

Candidate are expected to list at one example of the forms of business beside the one indicated in the content.

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## UNIT 5 CLASSIFICATION OF CO-OPERATIVES

### CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Bases for Co-Operatives Classification
  - 3.2 Based on Function Performed
  - 3.3 Based on the Legal Status of the Co-Operatives
  - 3.4 Based on the Geographical Area
  - 3.5 Based on the Organization Level of Operation
  - 3.6 Based on the Sector of the Economy
  - 3.7 Based on the Economic Status of Members
  - 3.8 Based on the Number of Fields of Operation
  - 3.9 Based on the Size of Membership
  - 3.10 Based on the Relationship between the Management and the Member
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor – marked assignments
- 7.0 Reference and other Resources

### 1.0 INTRODUCTION

In the last two units, that is unit (iii) and (iv) we defined what a Co-operative Society is in unit 3 while we compared Co-operatives with other forms of business organizations in unit 4. We saw the areas of similarities and differences in the comparison. We also agreed that a Co-operative Society is a form of business organizations. Unit 5, that is our present unit, we are going to classify different types of cooperatives. This will enable us to know the groups of Co-operatives Societies we've heard or read about in books and the groups they belong to.

It is on this basis of classification that we will know what benefits members derive from their type of Co-operatives. But before we start with the classification we will first have the criteria or the bases for classification, which will be presented in the subsequent segments of the unit.

### 2.0 OBJECTIVES

- Based on function performed
- Based on the legal status of the Co-operatives
- Based on the geographical area
- Based on the organization level of operation

- Based on the sector of the economy
- Based on the economic status of members
- Based on the number of fields of operation
- Based on the size of membership
- Based on the relationship between the management and the members.

### **3.0 MAIN CONTENT**

#### **3.1 Bases (Criteria) For Co-operatives Classification**

#### **3.2 Based on Function Performed**

There are some Co-operatives that perform all business functions. Two forms of Co-operatives emerge:

- (a) Productive Co-operatives, which again exist in two forms:
  - 1) The ordinary productive in which all the business functions of the members, private enterprise are taken over by the Cooperatives while members become is employed by the Cooperatives e.g. the Israeli Moshav.
  - 2) The full productive Co-operative in which in addition to the above
  - 3) the private households of the members cease to exist, they are absorbed into common households of the Cooperatives e.g. Isreal Kilbbutz.
- (b) Auxiliary (service) Co-operatives

They do not perform all functions for their members; they take over only some functions such as the supply of goods, loans and credit, etc. or marketing of the produce or investing surplus funds on behalf of members. The private enterprise of the members still exists.

#### **3.3 Based on the Legal Status of the Co-operatives**

This criterion revealed the legal status of the Co-operatives, whether:

- a) Registered Co-operatives with appropriate legal authority and if so the Co-operatives are legal entities that can sue and be sued. The registered Co-operatives can further be classified into:
  - i. Co-operatives with liability limited by shares, in which case the joint liability of the member in the event of liquidation is limited to the value of shares held by the member.

- ii. Co-operatives with liability limited by guarantee which means that the joint liability of the members is limited not simply to the value of the shares held by the member, but also to the value of specified and mutually agreed multiple of value of shares held. This means he pays for the value of his shares plus further payments according to the multiple which may be 2 times, or 3 times etc.
- iii. Co-operatives with unlimited liability in which case the liability of the member is not limited to any specific amount and each member can be held for all the outstanding debts of the society.
- (b) Unregistered Co-operatives which are co-operatives that have not been fully registered and operating. These are:

### **3.4 Based on the Geographical Area of Operation**

This emphasizes the geographical area the co-operatives are operating. There are:

- (a) An urban Co-operatives, which operates in an urban area and
- (b) Rural Co-operatives that operates in rural areas

### **3.5 Based on the Organizational Level of Operation**

The usual set up here is: the primary Co-operatives: These are smallest individuals units in the set up they cover limited area of operation, have in most cases individual persons as members and may link up with other Co-operatives for improved services. They may sometimes be called local Co-operatives.

#### **a) The Secondary Co-operatives**

They are Co-operatives of second layer with the primary cooperatives below. They are mostly formed by a number of primarily Co-operatives. They cover wider areas of operation. They are sometimes called regional Co-operatives.

#### **b) Tertiary Co-operatives**

They are Co-operatives occupying the third layer. They are formed mostly by secondary Co-operatives. The areas of operation cover the areas of operations of the secondary Co-operatives that formed them. Sometimes they are called National Co-operatives if they cover the whole country. At this stage, let us look at terms commonly used for classification but sometimes confusing.

**a) Union**

A union can be referred to as any coming together of primary co-operatives to form another common body. It is identical with a Federation in that sense.

**b) Federation**

This is a result of joint action by a number of independent primaries and/or secondaries and/or tertiaries. In some cases, a union can also be seen as a primary co-operatives society in Nigeria.

**(c) An apex co-operative**

This is the same thing as functionally specialized national Cooperatives e.g. National Co-operatives federation of Nigeria Ltd.

**3.6 Based on the Sector of the National Economy**

This addresses the issue of what sectors of the national economy is the co-operatives engaged in. The following forms of co-operatives emerge:

**1. Agricultural Co-operatives**

These are the co-operatives that engaged in the agricultural sector

**2. Industrial/Small scale Industrial Co-operatives**

This concerns those co-operatives that engage in the industrial, mostly small – scale industrial co-operatives in the industrial sector.

**3. Trading (Whole/Retail) Co-operatives**

They are Co-operatives that are engaged in the trading sector

**4. Service co-operatives**

Are Co-operatives in the service sector e.g. Banking, Insurance, transport e.t.c.

**3.7 Based on the Economic Status of Members**

This concerns the economic status of the members. Co-operatives that emerge here are:

- a) Producers' Co-operative, if they are producers of goods and/or services. This can be further broken down into:
  - i. Farmers' Co-operatives
  - ii. Traders' Co-operatives
  - iii. Craftsmen's Co-operatives
- b) Consumers' Co-operative if the members are customers of household items which they seek to obtain from the Cooperative.
- c) Workers' productive Co-operative, where workers want to obtain the best remuneration for their labour input through their co-operatives.

### **SELF-ASSESSMENT EXERCISE**

From the above six criteria for co-operatives classification, mention the names of at least 3 co-operative organizations you know that fit into each of the criteria.

### **3.8 Based on the Number of Fields of Operation**

A co-operative, which has only one field of activity, is classified as:

- (a) A single purpose Co-operative e.g. a marketing Cooperative and
- (b) A multi – purpose Co-operative is the one that has more than one field of activity e.g. credit to and marketing for members.

### **3.9 Based on the Size of Membership**

Here the Co-operatives are classified into:

- a) Small co-operatives mostly seen in the rural areas;
- b) Medium co-operatives which have numerical size larger than the small Co-operatives and
- c) Large Co-operatives whose size of membership is larger than the medium Co-operatives.

### **3.10 Based on the Relationship between the Management and the Members of the Co-operatives**

#### **a) The traditional Co-operatives**

This is the where members make all the decisions and management is to execute only. Again, do not confuse this with the indigenous self – help organizations. We made the classification in our earlier unit (3). You may revisit that unit again. The members of the traditional Co-operative usually make explicit demand for particular services, and management must comply.

### **b) Market Co-operatives**

Here members indicate broad guidelines of the business, especially their needs but the activities that are necessary to accomplish these needs are left for the management. The Cooperatives enterprise has no close exclusive ties with member economy with other suppliers for the patronage of the member. The relationship with the member economy is purely ordinary market ties.

### **c) The Integrated Co-operatives**

This is the type of co-operatives where the members have decided to leave all aspects of decision making to management.

## **SELF-ASSESSMENT EXERCISE**

Below is a list of Co-operatives. Against each Co-operative, assign a criterion that can be used for its classification.

- a) Group farmers Co-operatives Societies
- b) Agricultural Co-operatives Societies
- c) Fishermen Co-operatives Societies
- d) Co-operatives produce and marketing societies
- e) Transport Co-operatives Societies
- f) Building and Housing Co-operatives Societies
- g) Mechanics of Commerce and Tourism's Workers Thrift and Credit Society.
- h) Confluence Beach Hotel Co-operatives Societies and
- i) Co-operatives Thrift and Credit Societies.

## **4.0 CONCLUSION**

We have gone through the different criteria commonly used to classify Cooperatives.

These criteria are sometimes called bases for classification. They will enable us to say where a Co-operative belongs to and the functions such co-operative is expected to perform.

## **5.0 SUMMARY**

This ends unit 5 where we studied mainly the criteria for classifying Cooperatives.

We were able to identify nine criteria, which form the bases for Co-operative classification. Having known where a Co-operative will

belong when we see one, the next thing to consider is why should a Co-operative be classified in a place or more than one place?. In answering this question, “why”? Will lead us to economic activities as well as the social roles of a Cooperatives, these will be discussed in our next unit, that is 6.

## 6.0 TUTOR-MARKED EXERCISES

Mention 6 criteria for Co-operative classification. Show how you will use these criteria to classify Co-operative in your state of origin.

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## MODULE 2

- Unit 1      Types of Co-operative Societies and their Functions
- Unit 2      Reasons for Establishing or Joining Co-operatives
- Unit 3      Co-operative Spirit, Cooperative Nexus and Co-operatives Effect
- Unit 4      Co-operative Spirit, Cooperative Nexus and Cooperatives Effect
- Unit 5      Factors that Enhance the Success of Cooperative Organisations

### UNIT 1      TYPES OF CO-OPERATIVE SOCIETIES AND THEIR FUNCTIONS

#### CONTENTS

- 1.0      Introduction
- 2.0      Objectives
- 3.0      Main content
  - 3.1      Co-operative Multipurpose Societies
  - 3.2      Agricultural Co-operative Societies
  - 3.3      Group farmers Co-operatives Societies
  - 3.4      Consumer Co-operative Societies
  - 3.5      Co-operative Thrift and Credit Societies
  - 3.6      Co-operative Investment and credit Societies
  - 3.7      Fishermen Co-operative Societies
  - 3.8      Marketing Co-operatives Societies
  - 3.9      Transport Co-operative Societies
  - 3.10     Building and Housing Co-operatives Societies
  - 3.11     Artisan Co-operative Societies
    - 3.11.1    Mechanic Co-operatives Societies
    - 3.11.2    Bricklayers' Co-operatives Societies
    - 3.11.3    Tailor Co-operatives Societies
- 4.0      Conclusion
- 5.0      Summary
- 6.0      Tutor – marked assignments
- 7.0      Reference

#### 1.0      INTRODUCTION

In our last discussion of unit 5, the basis for classification of Co-operatives was discussed. You were even given an exercise where a list of cooperatives Societies was provided; you were required to classify these cooperatives using the set of criteria already discussed. See

exercise 5.2 of unit 5. If you have not done the exercise, you are advised to go back to it.

In this unit (unit 6) we are going to examine types of Co-operative and the functions they perform. It will not be possible to discuss every type of cooperatives.

This is because cooperatives are formed in every field of human endeavors, that is, any economic or social activity of man; persons in such occupations can form cooperatives. We will only be selecting popular cooperatives that are seen particularly in the Nigeria environment.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- list principal types of cooperatives in Nigeria
- explain the main forms of co-operatives as listed
- describe the major functions that are performed by the cooperatives.

## 3.0 MAIN CONTENT

### 3.1 Co-operatives Multipurpose Societies

These are societies that serve the function of multi or many purposes designed for the benefit of the numbers. Multi-purpose societies can give loans to members. Procure and distribute agricultural inputs to members and market members produce by securing good prices for their produce.

### 3.2 Agricultural Co-operatives Societies

These are societies usually formed by farmers. On their own, each member has his own farmland. By coming together to form a co-operative, the reason is for them to benefit from the special services, which include: receiving loans, farms inputs such as fertilizer, professional advice among others.

### 3.3 Group Farmers Co-operatives Societies

Members forming Group of farmers Co-operatives Society usually practice communal farming where their resources are expected on the common land.

They work collectively in the farms and each member loses his own land and works exclusively on the common land of the cooperative. Proceeds from the farm are used for the benefit of all the members.

### 3.4 Consumer Co-operatives Societies

The motive for people coming together to form a consumer Co-operatives Society is to procure essential goods at reasonable prices. This is possible because the middle – men are usually eliminated when this type of society is formed.

Members pool resources together and go in search of suppliers who can sell the goods at good prices to them. Since they cut off the middlemen from the channel, the profit that the middlemen would have made goes to the cooperative and the members. Also members ensure that the quality of the goods they are buying is the right one since they are buying at the right source.

#### SELF-ASSESSMENT EXERCISE

Go through the four types of Co-operatives Societies that we have just described. For each of them. List at least two economic benefits that the members will derive in joining the Co-operatives.

### 3.5 Co-operatives Thrift and Credit Societies

A Co-operative Thrift and Credit Society are very popular in Nigeria. There is hardly any state of the Federation where this form of society is not found. In forming this society, members mobilize funds among themselves. Such funds come from the members in form of entrance fees, savings, fines among others.

Funds can also be procured from financial houses or financial institutions.

Usually such external borrowing from the financial institutions is within the co-operatives movement. You have to note that loans received by members from their co-operative are usually repaid over a period of time and the interest rate is low.

### 3.6 Co-operatives Investment and Credit Societies

A Co-operative Investment and Credit Society is a variation of Co-operatives thrift and Credit Society. As the name implies, the essence of forming such co-operative is for members to invest funds on profitable

investment that can yield good dividends. To achieve the objective, members source for funds.

Once the funds are accumulated they invest them. Popular areas where funds are invested area:

- Buying land collectively and sharing it among the members. The surveys of the land, getting the Certificates of Occupancy (C of O) including the site plan are usually carried out by the society on behalf of members.
- Buying shares of profitable business organizations. These shares appreciate in value as time goes on. As a result whenever the society wants to dispose of the shares, it is done at higher rate thereby bringing more income to the society.
- Building of houses and renting them out to tenants either to corporate organization and/ or to private persons is again an investment opportunity, which brings income to the society.

In addition to the above, Co-operative investment and Credit Society also advances loans to members, which are to be invested, members are usually advised never to divert fund but invest them wisely. This is because when funds are not invested in business that can yield income, to repay such money becomes a problem.

### **3.7 Fisherman Co-operatives Societies.**

Fishermen/women can bring themselves together to form fisherman Cooperative Society. It will be in their interest to form such a society because by so doing they will be able to:

- Buy the necessary tools and equipment such as fishing net, hooks among others for their business.
- Buy canoe or boat which is necessary for deep fishing
- Buy outboard engine that can propel their boat. This reduces the burden of paddling the canoe which, not only slows down the canoe movement but is energy sapping.

The fish caught can be sold through the society. By such arrangement the society ensures that the fish are preserved properly so that good prices are got for them.

### **3.8 Marketing Co-operatives Societies**

Farmers do form marketing Co-operatives Society. This is important because while the farmers will be concentrating their efforts in the activities of farming, the society will be looking for markets to sell the

farmers produce after harvest. With good market management, the society can secure better bargain and good prices for the produce.

The society can buy in bulk farming inputs such as fertilizer, herbicides, fungicides, and pesticides among others, which it distributes to farmers on credit.

The money will be paid when the produce of the farming members would have been sold. Similarly, money can be given to the members by the society particularly at the period of planting and preparing the land. The money so received will be used to meet other expenses. This removes worries and anxieties from the farmers. Many cocoa farmers do group themselves together to form this type of co-operatives, and derive the benefits of membership through large scale marketing of product.

### **SELF-ASSESSMENT EXERCISE**

From the list of the types of Co-operatives Societies that we have discussed, you are going to do two things:

- i. Mention at least two benefits of similar types of Co-operatives Societies existing in your area.
- ii. If there are no existing Societies, what are the likely Societies that can be formed in the area? Give reasons.

### **3.9 Transport Co-operatives Societies**

Drivers can form this type of society. Two main reasons usually exist for the formation of this type of society.

The first reason is to enable the drivers to own a car or vehicle, which will, be used for commercial purpose. As additional money comes, another vehicle can be bought thereby increasing the fleet of vehicles as well as increasing the income of the society and the owners.

The second reason is for the society to purchase on behalf of the owners motor spare parts, lubricants and accessories which are sold to the drivers who own their vehicles besides the Co-operative motors(s), at good prices. Profit that would have gone to the spare parts dealers now comes to the society and the members.

### **3.10 Building and Housing Co-operatives Societies**

Individuals who are so interested can form a building Co-operative Society. This type of society should be encouraged in Nigeria. This is because our culture gives respect to an adult who can afford to build his

house. The society provides the land, which it has purchased along with the necessary documents. Each member then build his/her own. The society can also provide housing loan, which will enable the beneficiary that is, the member that receives the loan to build the house. Such loan together with the cost of the land will be repaid gradually to the society with minimum interest.

Here no interest is charged. Another practice that exists in Co-operatives housing society is for it to build houses and rent out to members and/or general public as tenants on rentage that will be showed by members of the Co-operative.

### **3.11 Artisan Co-operatives Societies**

Artisans exist especially in the formal sector of the economy, which have learnt one trade or the other and are living by their trade. They include: the Carpenters, Bricklayers, and Tailors among other. They can be grouped along with other artisans to form co-operatives Societies along the lines of their profession. Examples of such Co-operatives Societies are:

#### **3.11.1 Mechanic Co-operatives Society**

A mechanic Co-operative Society is formed by mechanics. The purpose for such society can be:

- 1) To buy genuine spare parts for the mechanics who in turn use them to work on their customers' vehicles. This is important especially in Nigeria these days where fake spares parts are easy to come by
- 2) The society can give loans to the members for the purpose of enlarging their workshop or engaging in other businesses for those who desire.
- 3) There can be exchange of ideas among members especially during meetings or to her informal gatherings.

#### **3.11.2 Bricklayers Co-operative Societies**

Just like the mechanic, the bricklayers can come together to form a Co-operatives Society. Apart from getting loans from the society, building materials can be got by members from their society. Also during meetings there can be cross – fertilization of ideas. This type of society also looks for businesses for their members.

A member if the community can approach the society to recommend a member of the society to construct his/ her house. The usual

workmanship is paid to the member who in turn remits a certain percentage by way of commission to the society.

### 3.11.3 Tailors Co-operatives Societies

A Tailor Co-operative Society does exist. It is a society where a group of professional tailors come together to form it. The benefits derived from such association include:

- Sharing experiences in respect of their profession
- Getting soft loans from the society with which to expand the business and meet other needs
- Getting clothing materials, which have been bought in bulk by the society. By buying in bulk, the society would have received some discounts and would be in a position to sell at reasonable price to the members.

## 4.0 CONCLUSION

We have gone through major forms of Co-operative. The ones we have discussed are not the only ones, though they are popular among our people.

We saw also the benefits people derive when they join Co-operatives; you were encouraged to pay attention to these types of Co-operatives and to look at your immediate community. Does it exist, how do you know the type(s) that can be formed in the future? It was emphasized too that Co-operatives could be formed in all fields of human endeavours.

## 5.0 SUMMARY

We have been able to recognize the popular Co-operatives particularly in Nigeria. We also saw the benefits members derive when they form or join Co-operatives. This leads us to unit 7 where we will be discussing the motives for joining or establishing Co-operatives.

## 6.0 TUTOR-MARKED ASSIGNMENT

1. Co-operatives can be regarded as the last hope of the common man. Discuss.
2. A group of persons has asked you to advise them on a type of Cooperative they can establish. What will be your advice taking into consideration their economic and social activities? Your answer should not be more than one page of a full scarp paper.

## SELF-ASSESSMENT EXERCISE

Types of Co-operative Societies and their function.

- a) Co-operatives Multipurpose Societies Economics functions:
  - 1. Members can receive loans with minimum interest
  - 2. Farm inputs e.g. herbicides can be bought and distributed to members at reduces price.
  - 3. Members' produce can be sold through the society.
- b) Agricultural Co-operatives Societies Economics functions;
  - 1. Members can receive loans
  - 2. Tractor jointly owned can be used to clear the farmlands and make it ready for cultivation.
- c) Group Farmers Co-operative Societies
  - 1. Members economic needs are taken care of by the society e.g. food, shelter, clothing etc.
  - 2. Education of members' children is handled by the society
- d) Consumer Co-operative Societies
  - 1. Members buy essential goods at reasonable prices
  - 2. Members share profits that would have gone to the middlemen.

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## UNIT 2      **REASONS FOR ESTABLISHING OR JOINING CO-OPERATIVES**

### **CONTENTS**

- 1.0      Introduction
- 2.0      Objectives
- 3.0      Main Content
  - 3.1      Economic Reasons
    - 3.1.1      Sociological Reasons
    - 3.1.2      Security Reasons
    - 3.1.3      For Protection
    - 3.1.4      To Satisfy Personal Admiration
    - 3.1.5      Keeping with the Neighbour
    - 3.1.6      Impulsive Reason
    - 3.1.7      To Obey Custom or Tradition
    - 3.1.8      As A Launching Pad
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- 4.0      Conclusion
- 5.0      Summary
- 6.0      Tutor – Marked Assignments
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### **1.0      INTRODUCTION**

Economists always say that human beings behaviours are rational that is, they are classified and directed at some specific point, devoid of unnecessary emotions and sentiments. In the same line of thought when a group of persons decided to join or form a Co –operative Society, they do so with some rationale behind their intention and/ or action.

In unit 3 when we defined what a co-operative is using the nominalist approach that is, the economic motive was emphasized. By now you should be well familiar with that definition or your own definition so long as those distinguishing features of Co-operatives are there.

Our preset unit 7 treats, apart from the economic motives other motives why people join Co-operatives. This is necessary so that we can be able to appreciate the essence of Co-operatives and the underlining forces pushing up modern days Co-operative activities. Some of these forces are economic, while others are social and psychological.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- list the major reasons or motives why people join or establish cooperatives;
- explain the reasons for joining Co-operatives.

## 3.0 MAIN CONTENT

### 3.1 Economic Reasons

Economics reasons constitute the major motive why people join or form Cooperative.

It is an attempt to improve one's income by carrying out more economic activities or improving on the performance of the present enterprise of the individual. By so doing, the member's economic position is increased.

A tailor who joins a tailors' Co-operatives Society has among other reasons the economic motive. He is there so that he can get loan, often with little interest to expand his business such as buying more sewing machines, expanding his workshop, getting more equipment and tools necessary for his trade. He also hopes to buy from the Co-operatives sewing materials at good prices compared to other sources.

All these will enable him to compete favourably with other tailors who are not necessarily Co-operators. The tailor may also get professional advice and suggestion from his colleagues who are members, like him, of the Cooperative.

These advice and suggestions in turn will enhance his expertise to do things more economically and generally becoming more cost effective. From the above, the Co-operative will fulfill this economic motive by:

- a) reduction in costs in the tailor's business or
- b) direct increase in his income

### 3.2 Sociological Reasons

The sociological reasons can be directly quantified unlike the economic reason. But the urge to join a Co-operative may be due to:

### **1) Isolation and Loneliness**

This is particularly noticed as the country becomes more urbanized, that is, more people are leaving the rural areas for the urban centre or cities. In the villages and on the rural areas, family ties are strong.

People do visit one another without notice. Every members of the community to the extent shares joys and sorrows alike that what affects one person affects the other person as well.. They are almost from the same backgrounds, such as ethnic, tribe, religion, culture among others. What one holds in high value can be a laughing issue to the other. Joining the Co-operatives, which is fairly an association of like minds, will go a long way to bridge the gap created by loneliness and isolation.

### **2) For Security**

This is again another sociological reason. The need arises because the average life span of a human being is replete with one form of crisis or the other, that is, there are risks in life. These risks or crises cannot be known in advance and may catch one unawares and unprepared. In some countries, their governments have made elaborate plans to absorb the impacts of these crises arising from such events as illness, unemployment, legal problems amongst others.

But this cannot be said of developing countries, of which Nigeria is one of them. While social security is provided to citizens of developed or industrialized countries such as England, United Stare of America, to mention but a few, the same cannot be said of citizens of Nigeria. We bear our cross a lone.

The problem is even compounded when it is realized that the extended family, which used to play this role is often not as intact as it is used to assist is greatly reduced. People tend to depend on their individual strength to meet life crises. But there is a limit to which individual strength stops, Co-operatives take over in providing security and insurance through pooled efforts.

### **3) For protection**

Co-operatives offer group protection to their members against physical or spiritual threats from outside. This is especially the case when people live in fear of, and feel dominated, dependent, and even exploited by powerful and even unscrupulous persons, groups or force against whom they are individually powerless.

#### **4) To Satisfy personal admiration**

In every individual, there is always another person (s) we hold in high esteem because of his education and other personal qualities such as truth, hard work, honesty, and boldness among others. If such an individual becomes a Co-operator by joining a Co-operatives society, the urge is always there to also join such organization with him. He is seen as a mentor and would have seen the good that Co-operatives can do to their members.

#### **5) Keeping with the neighbours**

Some people join the Co-operative because they want to be like their neighbours. This point is emphasized when neighbours are often conscious of each other's social position. As a result, as soon as a neighbour has joined a Co-operative, the temptation is therefore either to follow suit especially when they see the Co-operatives as elitist.

Membership of one neighbour or friend in a Co-operative may be viewed as one outward sign of superiority over another, who in the desire to catch up, decided also to join the Co-operatives.

#### **6) Impulsive Reason**

Some individuals join the Co-operatives with the idea that they would not like to miss out on possible advantages arising from membership.

They are not sure of what the Co-operatives can offer or because they are convinced that they need the Co –operative. They do so because they see many people becoming members and they believe that so many people cannot be so wrong. They believe that they may be some advantage of membership, and if so they do not want to be left out.

### **SELF-ASSESSMENT EXERCISE**

- i. We have discussed up to this point some reasons why people join Cooperatives.
- ii. You are going to conduct interviews, identify Cooperatives organization of three different types. Select four members from each group. Ask them politely to give you two reasons why they joined the Co-operatives.

#### **7) To obey custom/tradition**

The desire to join Co-operatives may also be to obey customs or traditions. This is especially the case in the rural or semi urban areas. If the father had been a Co-operator and had played eminent role in Co-

operative activities, there is the tendency for some of the children to belong to Co-operatives as well.

### 8) To use the co-operative as a launching pad

Co-operative can be used to get to a higher social and/or political position in the community. People join Co-operatives for that purpose. An individual nursing public appointment but generally not known to the right publics may decide to be a member of a cooperative.

They try to hold important posts, which may link them up with other individuals holding the same or similar posts in other organization. They exploit the situation looking for every opportunity either by television, radio or newspapers to tell the world about their leadership qualities and track records.

### 3.2 External Pressure

The reason for joining a Co-operative may be as result of external pressure especially from governments. Until recently, in Socialist countries such as the United Socialist Soviets Republic (USSR), Czechoslovakia, and Poland among others the Co-operative was seen as a socialistic organization, which could serve socialist cause. Legislation was enacted which made it membership to be mandatory.

Similarly, access to essential commodities, credit, inputs etc. is made conditional upon membership. In this second case, however, there is a personal choice to make, while in the first case there is no choice.

### 4.0 CONCLUSION

We have seen the different motives or reasons why people join Cooperatives.

What makes an individual to be a Co-operator can be a combination of several reasons. He may not be able to single out one on them as being the most decisive. These motives as well as how strong they are vary from one individual to the other. It is, however important that the management of Co-operatives should have these motives at the back of their mind.

They must be aware that people join Co-operatives for several reasons; and it is the justification of these reasons by management that will continue to make Co-operatives relevant.

## 5.0 SUMMARY

Having looked at the various reasons or motives for joining Co-operatives, which vary from one individual to the other, there are also effects of Cooperatives motivation, which must be brought out clearly. Therefore, in unit 8, we are going to examine the Co-operatives effects arising from membership.

## 6.0 TUTOR MARKED ASSIGNMENT

1. Explain carefully the sociological reasons for people joining cooperatives Thrift and Investment Societies.
2. Give reasons why it is easier for a farmer in Co-operative Society to adopt a new farming technology than an individual farmer.

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## UNIT 3 CO-OPERATIVE SPIRIT, CO-OPERATIVE NEXUS AND CO-OPERATIVES EFFECT

### CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main content
  - 3.1 Co-operative Spirit
  - 3.2 Level of intensity of Co-operatives spirit Co-operatives Spirit
  - 3.3 Co-operative Nexus
  - 3.4 The Co-operatives Effect
  - 3.5 Determining the Co-operatives effect
  - 3.6 Positive and negative co-operatives effects
  - 3.7 Kinds of Co-operatives effects
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor – marked assignments
- 7.0 References/Further Readings

### 1.0 INTRODUCTION

In the last unit 2, we examined the reasons why people establish Cooperatives. The essence was to find out the force(s) behind the Cooperatives movement so that they will be at the back of our mind identifying several reasons and we also broadly classified these reasons into two: the economics and the sociological reasons.

We are now going to look into the Co-operatives spirit and Co-operatives effects. The Co-operatives spirit is the attitude that a member should possess if he/ she is actually a co-operator. The attitude should be positive, warm, friendly and at the same time business like. Positive attitude toward himself as a Co-operator who has the urge and courage to work with other members of the group to accomplish group efforts; positive attitude towards the roles the Co-operatives can play in solving the social as well as the economic needs of members.

Positive attitude should also be directed to other individuals that make up the group, that in one accord and with group harmony and togetherness, Cooperatives can achieve a lot.

The Co-operatives effect is again important. It is the extra satisfaction that a member derives as a direct result of his/her membership of the Co-operative organization. If he/she sees Low satisfaction his enthusiasm and commitment to the society might be low as well. On the other hand,

if he/she sees his/her satisfaction as high will result in a corresponding increase in the level of commitment to the Co-operative.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain clearly what a co-operatives spirit is
- explain meaningfully what co-operatives nexus is
- describe Co-operative effects

## 3.0 MAIN CONTENT

### 3.1 Co- operatives Spirit

Co-operatives emphasizes that the attitude of each members should place the Co-operatives Society and its interests over and above that of the individuals that make up the Co-operatives. In other words, the spirit emphasizes the supremacy of the Co-operatives over everything else including the personal interest of the members.

Before this can take place, it is the outcome of an inner conviction that the Co-operatives offer the best solution of solving the felt needs of the members in Competitive and hostile environments. The felt needs constitute those unfulfilled desires that lend to drive people into the brink of despair and hopelessness such as the need for food, water, shelter, security, protection, esteem, love and self actualisation. These needs are important in the life of a man and they must be meaningful satisfied through the combined efforts and solidarity of the Co-operatives.

Members of the Co-operatives should be prepared to submit to the decisions of the majority, to work together with other members of the group and to support the Co-operative at all times rather than deserting it at the slightest opportunity especially in times of temporary difficulties. Also the hired manager of the Co-operative and his/ her assistants should possess Cooperatives spirit by having a sense of dedication to the Co-operatives.

### 3.2 Level of intensity of Co-operatives Spirit

Since Co-operatives spirit is a result of inner conviction, its level of intensity differs according to whether membership has been forced on individuals or is based on individual free will. It will also differ, depending on the size of the Co-operative, tending to be higher in a small Co-operative than in a large group such as a Co-operative apex

organization. From here, you will see that Co-operative may not be permanent.

As the small Co-operatives group starts growing or transforming into a bigger one so too will the level of existing spirit tends to change. But where the Co-operatives spirit is low, there should be adequate member education and public relations among the members.

Emphasis should also be placed on the need to use efficiently and effectively the resources of the Co-operatives so that productivity will be enhanced. This is important because once members start getting more economics benefits resulting from good management; Cooperative spirit that was once low would start picking up.

### **3.3 Co- operative Nexus**

This is the relationship between a Co-operatives organization as a business entity and members' private business enterprise or household economy. The Co-operative is thus established to promote the interest of the members.

Members depend on the Co-operative for performance. The more dependent a member is, and the more crucial the services of the Co-operatives for his continued existence, the higher the chance that he will demonstrate greater concern, enthusiasm and a higher level of Co-operatives spirit.

### **SELF-ASSESSMENT EXERCISE**

Select Co-operatives around you. Seek for permission to attend any of its meetings. Observe whether there is a Co-operatives spirit or not. Give reasons.

### **3.4 The Co-operative Effect**

The Co-operative effect can generally be said to be that degree of extra satisfaction, which a member derives as a result of participating or being a member of the Co-operatives compared to being a non – member. It is a comparison between the level of satisfaction derived before being a non-member and the level of satisfaction derived after becoming a member.

### **3.5 Determining the Co-operatives Effect**

To determine the C-operatives effect demands a consideration of at least two business periods, in respect to the level of satisfaction enjoyed by a

member. The first period is when the individual is on his own and carries out all the functions required in his business enterprise without recourse to any other party. It is assumed that he derives a measure of satisfaction.

Now when he joins and participates in the Co-operatives, he derives another level of satisfaction before he joins a Co-operative and the level when he joins a Co-operative represents the Co-operatives effect.

### **3.6 Positive and Negative Co-operatives Effect**

The Co-operatives effect can be either positive or negative. It is positive when the total level of satisfaction after becoming a Cooperator is higher than the total level of satisfaction before becoming a member of the Co-operatives.

Negative effect occurs when the total of satisfaction before becoming a member of the Co-operative and participating in its activities is higher than the total level of satisfaction after becoming a member and participating in the Co-operatives activities.

### **3.7 Kinds of Co-operatives Effects:**

#### **1) Price Effects**

Two kinds of price effects arise, depending on the type of Cooperative.

- a) Increased price can be obtained for members especially in the case of marketing Co-operatives. This arises because the Co-operatives is now in a stronger position to supply as against the much weaker position of the individual member who can only supply small quantities with higher cost of operation. Also the increase in price for members arises because there is a shortening of the channel of distribution. The middlemen who would have made their own money have been eliminated.
- b) In the case of the supply Co-operatives, reduced prices can be obtained for members through the activities of the Co-operative. This arises because the Cooperatives has been able to pool together the small demands of the members, which result in bigger quantity; with the increased quantity, the Co-operatives will be able to bargain with suppliers for discounts since it is buying in large quantities. This lowers the cost of the goods.

## 2) Increase acceptability in economic circles

The small producer or marketer will not be accepted as partners for business transactions by the big final user or buyer. The big buyer or user will prefer dealing with equally big supplier. The Co-operative through the pooling of resources becomes big enough to negotiate and transact business with the big buyer or user. Also the extension agents, whether in agriculture or small scale businesses are important for increased performance. But their number is often low and inadequate. Consequently, they find it more convenient to visit organized groups and big time businesses rather than the scattered small productivity.

The economic advantages that result in increased acceptance are: higher income, lower cost, loans, technical training and advice as well as increased productivity.

## 3) Increase adaptability

In the free market economy any organization that fails to adapt will perish. But the ability to adapt depends on a number of facts such as:

- The level of information available
- The processing of such information
- The ability to draw the right conclusion
- The ability to take the right action

## 4) Increase possibility of investment

This may happen in two ways. A carpenter may need a new equipment or tool that will minimize fatigue and save time, which will in turn increase his productivity. But he may not be able to get it because his financial outlay is low. By joining Co-operative, he may be able to secure one. Or, the carpenter may raise the money elsewhere without joining a Co-operative only to realize after purchase that the equipment is under-utilized. But as member of a Co-operative, this situation will not arise since other members will also use the equipment.

## 5) Possibilities of specialization

This is possible in Co-operatives particularly the auxiliary Cooperative. Here one or more activities will be taken over by the Co-operative while the members now perform reduced activities and concentrates on them. From your background of other subjects such as economics, you do know that specialization has advantages such as increase in productivity and income, less tiredness among others.

## 6) Transfer, sharing and diversification of risks

Transfer of risks is possible because the Co-operative now makes a decision concerning the future. The risk is there because no one knows exactly what is going to happen tomorrow. That anxiety now becomes that of the cooperatives.

Even when adverse effect occurs, such risks are shared by all the members and not one person alone.

## 7) Educational effect

There is continuous education in Co-operatives which cover business as well as specific Co-operatives items. The effect of Co-operatives education results in:

- Change in attitude of the member;
- Change in the general outlook of the member
- The member is better enlightened
- Change in the member habits and understanding.

## 8) Social Effect

The educational activities will in some way give rise to social effects. In addition, Co-operatives emphasizes and practices not just business success but reasonable community spirit – one for all and all for one. Dishonest profit making which has led to greed, selfishness and dishonesty are de – emphasized.

## 4.0 CONCLUSION

For the continuous survival of the Co-operatives, there should be the Cooperative spirit, which places the Co-operative organization over and above the personal interests of the members that form the Co-operatives. This is important. Also in this unit we learnt of the relationship that exists between the Co-operatives organization and the members.

There is the Co-operative nexus a kind of a bond that ties the Co-operatives to the members. As long as the Co-operative spirit and the bond are strong in the hearts and mind of the members, the co-operatives will continue to wax stronger. By joining the Co-operatives and through careful managements results in Co-operative effects.

## 5.0 SUMMARY

We have concluded this unit where we learnt of the Co-operative spirit, Co – operative nexus and Co-operatives effects. These represent a tripod on which the survival and continuity of the Co-operatives rest. We are moving to unit 9, which examines factors that influence the formation of co-operatives.

## 6.0 TUTOR MARKED ASSIGNMENT

1. Critically examine the Co-operative nexus that exists in a Cooperatives organization
2. What is Co-operative effect?

### SELF – ASSESSMENT ANSWERS

#### Answers

You are expected to recognize the Co-operative spirit when

- A member places the Co-operative interest over his own selfish interest
- A member emphasizes the supremacy of the Co-operatives
- A member is convinced that the Co-operatives offers the best solution to solve his felt needs.
- A member is prepared to submit to the decision of the majority;
- A member is prepared to work in a group.

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## UNIT 4 CO-OPERATIVE SPIRIT, COOPERATIVE NEXUS AND COOPERATIVES EFFECT

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  - 3.1 The Economics Condition
    - 3.1.1 The Subsistence Economy
    - 3.1.2 The Market Economy
  - 3.2 Lifestyles of Prospective Members
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    - 3.2.2 A Secondary Life Style
  - 3.3 The Average Level of Income of Prospective Member in A Given Area
  - 3.4 The Average Size of the Prospective Members' Business Enterprise
  - 3.5 The Impression Gained by Prospective Members about Performance of Existing Businesses
  - 3.6 Geographical Conditions
  - 3.7 Existing Social Structure
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  - 3.9 Types of Promoters
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- 6.0 Tutor –Marked Assignments
- 7.0 References/Further Readings

### 1.0 INTRODUCTION

There are necessary and sufficient conditions, which should exist before establishing a co-operative. If these conditions are not there the life span of the Co-operatives effect would be short. Our conclusion was that the success of a Co-operatives rest on these three elements. But before the Co-operatives can come into being and resting on these three elements, the environment must be ripe for it.

These environmental factors or more precisely the conditions that should exist are both economic and non- economic factors which impact either positive or negative effects on the establishment of a Co-operatives in a given area. All these are usually reflected in the economic survey report that the Co-operative officer will write and turn in to the appropriate authority. You will learn more about this in the future when you will be dealing with Cooperative field work administration. These conditions are going to be discussed below.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- list and explain the economic conditions for the establishment of cooperatives.
- list and explain the non-economic conditions for the establishment of Co-operatives.

## 3.0 MAIN CONTENT

### 3.1 The Economic Condition

There is level of economic development that varies from one continent to the other and equally different regions in a country. Different levels of economic development take two extreme forms:

#### 1) The subsistence economy

Here the output of business enterprises is mainly for domestic consumption. The business exists only to produce goods and services for the basic consumption of the family. Some may afterwards be sold in the subsistence economy. To form a Co-operative will be difficult. This is because all needs are met within the individual business unit without linkage to the outside. There is little or no income that will be needed to successfully start a Co-operative e.g. paying entrance fees, saving in the Co-operatives among other.

However, a pre – cooperative can be started especially in the rural areas. A pre Co-operatives does not need to be rushed into registration, because registration requirements are stringent.

#### 2) The market economy

This is the opposite of the subsistence economy. The attitude of the prospective members of the Co-operatives is in the market. Income is there which provides the base for Co-operatives formation. Also the needs of the members are met not only internally but also externally through exchange. The basis for establishing Co-operative is firmly provided.

### 3.2 Life Styles of Prospective Members

There again are two extreme life styles that need to be considered.

### 1) A nomadic life style

This is characterized by constant movement of family, homestead and economy of the producer. This life style makes it difficult to establish Co-operatives. The group which is very basic of the formation of Cooperatives does not exist. Also the area of operation of the Cooperative and the fixed address of the Co-operatives as required by law cannot be established.

### 2) A sedentary life style

This is the opposite of the nomadic life style. It is characterized by fixed abode in specific settlements. That is where group bases and inter personal relationship are much more likely to occur. It is upon these bases that Co-operatives can be established.

### 3.3 The Average Level of Income of Prospective Members in a Given Area

You may recall our definition of a co - operative in unit 3. One of the characteristic of a Co-operative is that the members are also the owners and users of the co-operatives goods and service.

This implies that a member must contribute to the provision of inputs such as capital resources. Where the average level of income is low that the initial capital cannot be raised establishing Co- operatives will be met with difficulties that can delay the take-off.

### SELF-ASSESSMENT EXERCISE

- i. Give two reasons each why establishing Co-operatives will pose some difficulties for these classes of people:
  - a. The cattle rearers
  - b. The subsistence farmers
  - c. The soldiers
- ii. What will be your advice if they must have to form Co-operatives?

### 3.4 The Average Size of the Prospective Members' Business Enterprise is the Given Area

Where there are large business organizations in each, these business units are already enjoying economics scale. The desire to come together to form Cooperatives will be very weak if these does exist. But in some area where they are small businesses, there will be the desire to pool resources together and establish a Co-operative. This is not to say that

Co-operative membership is only for the relatively small business units. It is advantageous especially in the area of cost reduction to recommend a co-operative that accommodates both the small and the relatively larger units in order to achieve efficiency.

### **3.5 The Impressions Gained by the Prospective Members about the Performance of the Already Existing Business in the Area**

Apart from the co-operatives, there are still other forms of businesses. In fact Co-operatives constitute just one form of business. As a result in an area, there may be the other businesses operating there. If the prospective members have found the performance of these the business to be wanting, that is, they are dishonest, charge exorbitant fees, do not deliver on schedule and supply inferior products and/ or services, the probability is high that they would be favourably disposed to forming Co-operatives as an alternative to the sharp practices of the other business.

If on the other hand, these other businesses are doing good jobs, supplying good quality products, providing good service, charging moderate prices and so on, then the desire to form Co-operatives will be low.

But for the difference to the identified, there is the need for adequate information as to the real activities of business organizations especially in a developing country. This is because the actual operations of business organizations are not disclosed to the public.

Some organization will even publish two sets of accounts: the one meant for the public and the second one for the internal members of the public will not know the exact amount incurred in producing a given item let alone finding out whether they are being cheated or not.

In the same view, if existing Co-operatives are seen as inefficient, the officials are corrupt and not prepared to listen to their members, the impression arising from this will be extended to all forms of Co-operatives generally.

### **3.6 Geographical Conditions**

In general where the natural geographical conditions are difficult and unfavorable, the inhabitants of such areas show a high degree of the need to Co-operate. This is because individual survival lies in the survival of the group, care and support for each other.

Also an area having high population density will tend to offer better chances of the people coming to form Co-operatives when compared to an area where the inhabitants are scattered and with bad communication, they find it difficult to know one another.

### **3.7 Existing Social Structure**

In a community where social grouping, strong local leadership, and the people are vibrant etc. exist and these are already seen as existing traditions, modern Co-operatives can take off on these structures.

### **3.8 Availability of promoters**

It does happen that it is not in all cases that member of a profession or trade will organize others of the same profession to form a Co-operative. For example, a bricklayer organizing the brick layers to establish a Co-operative.

An outside person can be so motivated to bring others together to form a Cooperative.

This outside person may not even belong to the same social or economic class. Such as individual is called a promoter.

This means that members of the co-operatives he has formed did not just get up and act on their own without outside excitement. There were prompted and prodded. The pressure and activities of promoters are important here.

### **3.9 Types of Promoters**

In developing countries such as Nigeria, the promoters include philanthropists, religious bodies, trade union its already existing Cooperative institutions and various level of govt.

#### **a) Individual philanthropists**

The philanthropists in some cases can be politicians who are generally not much trusted; they are viewed with suspicion.

#### **b) Religious bodies**

Have been active in some area cases. However, with the increase in religious fanaticism and rivalry between Muslins and Christians and also internal rivalry within the sects, the danger exists that the Co-operatives

promoted by these bodies may become not only exclusive, but also instruments in the settlement of scores between rivals.

**c) The trade unions**

They have also been active. However, the danger is not overlooked such union regarding and trying to use such Cooperatives as a weapon for ideological warfare. The right attitude is simply to regards the Co-operatives as an alternative business form.

Also while trade union and Co-operatives have some things in common and can therefore Co-operatives areas of differences exist which if ignored inn those Co-operatives being sponsored by the trade unions can lead to frictions and tension's in the overall Co-operatives movement of the State or Country.

**d) The government promoters**

Government promoters often tend to not only promote but to dominate and even take over the Co-operatives when eventually established.

In this case the Co-operatives tend to become mere instruments for pursuing government aims and objective rather those of the members. Such institutions end up as pseudo Cooperatives than actual Co-operatives.

**e) Existing co-operatives institutions**

The existing Co-operatives institutions can also be promoters. For examples the unions, the apex organizations among others can, and should sponsor and promote Co-operatives.

### **SELF-ASSESSMENT EXERCISE**

Take a community that you know very well. Read again the conditions necessary for establishing Co-operatives. Indicate which of these conditions are already present there or can be out there.

Also indicate the type of Co-operatives that can be established. Give reasons.

### **4.0 CONCLUSION**

Having looked at the major conditions for the establishment of Co-operatives, we have to realized that these conditions do not exist in isolation. We have to see them as checklist. It is not all cases that all the

conditions will be positive or negative. We must therefore assess whether the positive ones outweigh the negative and vice versa. This outcome of the analysis will inform the decision whether to establish a Co-operative or not.

## 5.0 SUMMARY

We now know the conditions that should be in place before a Co-operative is established. And these conditions are both economics and non- economics. If a decision is taken to establish a Co-operative, such a business entity must survive and continue to be in existence.

## 6.0 TUTOR MARKED ASSIGNMENT

1. Take 5 conditions necessary for establishing Co-operatives and explain their strengths and weaknesses.
2. How do government promoters influence the decision to establish Co- Operatives in Nigeria?

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## UNIT 5 FACTORS THAT ENHANCE THE SUCCESS OF COOPERATIVE ORGANISATIONS

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- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Relationship between the Members and Co-Operatives
  - 3.2 Minimize over Emphasis on the Interest of the Co-Operative Enterprise
  - 3.3 Complete Neglect on the Interest of the Cooperatives Business Enterprise should be Discouraged
  - 3.4 Closing Records Yearly
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  - 3.6 Care of Members Passbook
  - 3.7 Affiliation to a Co-Operatives Union
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  - 3.9 Bonding Members of Staff
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  - 3.11 Auditing the Accounts of the Co-Operative Society
- 4.0 Conclusion
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- 6.0 Tutor – Marked Assignments
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### 1.0 INTRODUCTION

For a Co-operative to grow and develop the members must be honest, painstaking in their deliberations and hardworking. This is because members are both the owners of the business as well as the end users of the Cooperatives product and/or services. This point has always been emphasized in almost other point that members of a Co-operative should be seen by the non-Co-operatives members as people of high integrity and morally upright producing good quality and services. All these would attract the non-members to join or form Co-operatives.

But we have also discussed that once Co-operatives have been formed, they should be sustained, that is, Co-operatives should not experience premature death. To ensure that the Co-operative is a growing concern, being perpetually in existence calls for several factors that need to be discussed. All these will be discussed in this unit.

## 2.0 OBJECTIVE

At the end of this unit, you should be able to:

- list the essential factors necessary for co-operatives growth and development;
- explain clearly the factors that have been listed

## 3.0 MAIN CONTENT

### 3.1 The Relationship between the Members and the Co-Operatives Society

As was indicated earlier, the co-operatives has the dual nature of being a group of persons who own private individual business enterprise jointly established and owned by members of the group and charged with solving members' economic problems. There is therefore a relationship existing between the member and the Co-operatives, which is both personal and economic. If the members through the group the Co-operatives effect, which we discussed earlier, becomes low and if the probability is high that the members will desert the Co-operatives.

### 3.2 Minimize Over-Emphasis on the Interest of the Co-Operative Enterprise

This is overemphasizing on the activities, which lead to high profits, emphasizing more on what the market can pay as against what the members really need. The transactions with the non – members should greatly emphasize. The small members being neglected in favour of the usually fewer but financially big members, simply to increase sales and expand business.

The manager regards the business as his own and often influencing those members that will be elected to offices. The result of all this is emergence of a Co-operative that is regarded as efficient as far as the final accounts are concerned but a Co-operative which is by means members efficient. This result in members satisfying these needs on their own or terminating their membership, and the occurrence of internal frictions cannot be ruled out. Over emphasis on the interest of the Co-operatives enterprise should be minimized.

### 3.3 Complete Neglect on the Interest of the Co-Operative Business Enterprise Should Be Discouraged

This can take the form of:

- 1) Lack of interest in raising reserve funds and obtaining reasonable share capital for the Co-operatives;
- 2) Installations not maintained or repaired
- 3) Members sending for sale, poor quality products to the Co-operatives while selling the high quality ones through other channels but not Cooperatives.
- 4) Members not using the co – operatives at all in the sale of their products but preferring the middlemen.

The above happens in most cases to those Co-operatives that have weak management. This will endanger the very existence of the Co-operative.

### SELF-ASSESSMENT EXERCISE

- i. You are going to carry out another interview exercise. Select another Cooperatives organization and choose 5 members. Ask them about their attitudes towards their Co-operatives.
- ii. Also ask them about the attitudes of the manager towards the members.
- iii. Determine what will happen to the co-operatives from their answers.

### 3.4 Closing Records Yearly

All transactions of the Co-operatives must be properly recorded in the books of account. At the end of the financial year, which is usually, 31<sup>st</sup> march, every year, the accounts should be closed. The preparation of the final accounts should commence immediately. This is important so that the Annual General Meeting (A.G.M.) can take place within the year, all resolutions and other discussions made during the previous Annual General Meeting as well as the general meetings of the Co-operatives during the year should be implemented. If this is not the case, the issue should be investigated. The Annual General Meeting itself should be held not more than two months into the New Year. This is to allow for a review of the operational result of the past year and to take fresh discussions concerning outstanding issues and also concerning the New Year.

### 3.5 Opening a Bank Account

Every Co-operative Society should operate a bank account where all money for the Society should be kept. The cash balance of the Society should never be kept in an individual's account or one's home or office. There is a limit to the amount that the treasurer should keep. Money is tempting and an undisciplined treasurer may not resist the temptation to spend the society's money. When this is done, the smooth operation of the Society's business is negatively affected.

When a Society has just commenced operation, it can start operating a Savings account, which yields some interest in addition to the money being safely kept. Thereafter, as the Society is developed, it can start operating a current account. Statement of account should be regularly collected every month and be reconciled with cash account of the Society.

At least three officers: the president, Secretary and treasurer should be signatory to the Society's account.

### 3.6 Care of Members' Passbook

The passbook is a booklet where details of a member's financial dealing with the society are recorded. The record shows the assets of the member with the Society such as: savings shares among others.

It also shows members liability e.g. loans taken. If there have been loan repayments, the passbook indicated the regularity of the loan repayments as regards the date, the amounts paid and outstanding amount if any.

Members should therefore not be careless with their passbooks. Some members often forget bringing their passbook to meetings while others do not bother to check entries in the cashbook. When a member withdraws his membership of the Society he has to submit his passbook to the Society.

### 3.7 Affiliation to a Co-Operative Union

Every primary Society should try to affiliate to a visible C-operatives union. The union should not be too far from the Society. There are advantages of the affiliation, which will make the young Society to grow. Such advantages include:

- Receiving financial assistance by way of loans from the union to meet short – term cash requirement of the Society;

- Receiving professional advice from the union how best to run the Society;
- Uniting the Society to the other affiliated Societies of the union where exchange of ideas is possible.

As an affiliate, two honest members of the Society can be nominated as delegates; all messages from the Society to the union and from the union back to the Society are sent through the delegates.

### 3.8 Need for an Effective Book Keeper

The committee members constitute an organ of management of a Cooperative Society. We shall be discussing more of them in module 11 of this course. One of the responsibilities of the committee is to ensure that an effective bookkeeper is employed. For a new Society, an itinerary bookkeeper can be engaged, who combines keeping the accounts of the new Society with other C-operatives Societies' accounts. As the society keeps making progress, it can employ its own bookkeepers.

An inefficient bookkeeper will muddle the accounts of the Society, and no proper decision can be made based on such accounts. One way to correct this inefficiency is to send him to an appropriate school such as the Co-operatives Colleges of either the State or Federal.

It is important to emphasize that the bookkeeper together with other staff members should be well remunerated. This will encourage the staff to be stable and hardworking once they know that they would not be paid better elsewhere.

### 3.9 Bonding Members of Staff

If any duty of a member of staff has to do with members' money, such a staff should be bonded, which must be legally signed with government seal by both relevant Co-operatives officer (s) and the guarantors of the staff member. It is even advisable that an insurance organization should stand in as a guarantor. The designation of each employee and the extent of his involvement with cash will determine how much he is to be bonded.

### SELF-ASSESSMENT EXERCISE

Go through carefully the factors that contribute to the growth and development of Co-operatives. Select 5 factors and show how they will contribute to the survival and prosperity of Co –operative society that was established not more than two years ago.

### **3.10 Co-operative Propaganda/Publicity**

Every member has a duty to ensure that the Co-operatives receive favourable image in the eyes of the public. No better way of giving this image than through the personal and business conducts of Co-operators. They must be seen as community leaders, demonstrating integrity, honesty and dedication to the course of the Co-operatives and the community members of the Co-operatives desire benefits of membership. Others need to know how Co-operatives organizations can alleviate their problems and develop their community.

Production of almanac and calendars, producing and distributing gifts such as ball – pens, key holders among others are ways of spreading the gospel of Co-operators. All this should be encouraged.

### **3.11 Auditing the Accounts of Co-operatives Society**

We discussed earlier in this unit (10) that the yearly accounts should be closed and the final accounts prepared so that the Annual General Meeting can be held. Related to this factor is the need to also audit the accounts before the Annual General Meeting. This is to ascertain that all transactions are genuine and in accordance with the Co-operatives bye laws of the Society.

Any case of deviation should be reported and the case promptly investigated.

## **4.0 CONCLUSION**

Several factors account for the survival of Co-operatives; we have gone through the major ones. These factors range from the attitudes of the members of their society to the attitude of the Co-operative societies to the members of the Co-operatives. All these should be positive and constructive so that the objectives for establishing the Societies can be realized.

## **5.0 SUMMARY**

We have learnt the factors necessary for the continuous existence of Cooperatives. This concludes the first module of this course. We shall be discussing sources of funds in unit 1 of our next module.

## **6.0 TUTOR MARKED ASSIGNMENT**

1. List 10 factors that contribute to the survival of Co-operatives. Explain any 5 of them

2. Survival of co-operatives depends on the attitude of the members. Discuss.

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## MODULE 3

Unit 1	Share Capital as a Source of Co-operative Funds
Unit 2	Share Capital as a Source of Co-operative Funds
Unit 3	Borrowed Capital as a Source of Co-operative Funds
Unit 4	Management of Co-operative
Unit 5	Historical Developments of Co-operatives in Nigeria
Unit 6	The Relationship between Government and Co-operatives in Nigeria

### UNIT 1 SHARE CAPITAL AS A SOURCE OF CO-OPERATIVE FUNDS I

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#### 1.0 INTRODUCTION

The last unit of our module looked into the factors that enhanced Cooperatives success. In other words, we examined the factors or a combination of them that will ensure that once a Co-operative has been established, it would continue to be in existence while fulfilling the objective for which it was established. Some of the factors we examine were the issue of recording accurately the financial transactions of the

society, closing the accounts and preparing the final accounts in preparation for the Annual General Meeting as well as taking other management decisions. All these are to ensure that the funds of the society are properly put into use.

In this unit, we shall start examining the sources of funds for Co-operatives Societies. These sources are many; we are starting with the share capital. But before we start discussing on the share capital as a major component of the funds available to a society, there will be definition of terms.

The definition of such terms like fixed capital, operating/ working capital, owned capital and borrowed capital would be made so that you can have a good understanding. You will in the subsequent course of your programme come across these terms again when you shall be taking accounting course.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- define fixed capital, operating and working capital, owned capital and borrowed capital.
- share capital of a co-operating and working capital, owned capital and borrowed capital.
- what share capital is
- composition of share capital
- reasons why share capital of Co-operatives is small

## 3.0 MAIN CONTENT

### 3.1 Definitions of Terms

Capital is often said to be the oil that lubricates the wheel of business operations; the Co-operatives are not exceptions. No business organization can exist without capital, which is often classified into:

#### 3.1.1 Fixed Capital

Fixed capital concerns those items that often remain in the service of the Co-operative over a long period of time. Examples are: land, Building, Equipment, Vehicles among others.

The Capital invested in them is tied up for long periods and can only be recovered after a number of years through deprecations. Sometimes fixed is referred to as long term capital.

### **3.1.2 Operating or Working Capital**

This is type of capital that is consumed in the actual operation of the Co-operatives. It is the capital spent on such items as paying for supplies from other sources to the Co-operatives, payment for salaries and wages, payment for electricity and other payments the expenditure involved and the income arising from the operation.

Sometimes Working Capital or Operating Capital is also called short-term capital.

### **3.1.3 Owned Capital**

This is the capital contributed from within the Co-operatives itself. It includes fines, savings, special deposits etc.

### **3.1.4 Borrowed capital**

This is the capital raised from the other resources; it is capital raised outside the Co-operative.

## **3.2 Share Capital**

### **3.2.1 What is Capital Share Means?**

Share capital is the money contributed by members. As soon as a person is admitted as a member of a Co-operative, he is expected to acquire shares in recognition of his membership. This means that share Capital is tied to membership. There is also a difference between the buying of shares and the actual payment for the shares bought. This difference arises because it is usual for the Co-operatives to permit members to buy shares and pay for them later in installment. This helps to encourage membership as well as the buying of more shares. It is important to time the installments payments to those periods that members have reasonable income, like the period of harvest. Further, even though the financial requirements of the Co-operatives will depend on the nature and size of its activities, the fixing of the value of the minimum shareholding is not usually based only on this financial requirement, unlike the joint stock company.

The joint stock company simply determines the total capital requirement, decide on the number of possible shareholders it can administer and divide the total capital requirement by this number.

This gives the value of the minimum share, which can be denominated to suit the given economic requirement. The Cooperatives cannot do this for some reasons:

- It implies a pre-determined maximum membership, which is contrary to the Co-operatives principle of open membership. We shall further examine this principle in the second semester.
- It will disqualify those intending members who are poor and need the Co-operative the most.

### **3.3 Reasons why Co-operative Capital is Small**

#### **a. Shareholding is to one person**

Co-operative shareholding is tied to the person of the individual member. This is in contrast to the shares of the ordinary joint stock company. The Co-operatives share cannot be freely traded i.e. it is not negotiable outside the Co-operative circle. As a result, a member who desires to give up some or all of his shares has to return them to the Co-operatives.

A period of notice of termination is given before actual payment is made to the seller immediately. All these means that holding Cooperatives share means holding up of money paid for them. During emergency when the need for cash is crucial for the member, he finds it difficult to get cash from his share. This does not encourage people to buy more shares.

#### **b. Co-operative shares are not transferable**

A member who wants to transfer all or some of his shareholding has to first, make the society to pay for the value of the share, probably pay the money to the transferee; he , in turn applies to the Cooperative for membership, which is not automatic. Again, it is cumbersome. That is why members do not buy multiple shares as in joint Stock Company.

#### **c. More shares acquisition, more liability**

The acquisition of more shares, even though with interest payment if paid cannot be maximum payable, it implies a corresponding increase in liability of debts of the Co-operatives by the member, especially in the limited and multiple liabilities.

- a) Increase shareholding does not imply more voting as the Cooperatives emphasizes one man, one vote principle.
- b) Co-operatives Share always remains at par. The value of Cooperatives share held by member normally remains at par. This means that reserve building is not reflected in the value of the shares.
- c) Limitation by law: given that some members who have strong Cooperatives nexus may want to acquire multiple shares, the Cooperative law forbids it. The law says that the value of share being held by a member should not exceed 25% of the fixed share capital of the given Co-operatives Society.

### **SELF-ASSESSMENT EXERCISE**

Explain clearly why share Capital of a Society is always small compared to the share of Joint Stock Companies.

### **3.4 Possible Ways of Increasing Co-operatives Share**

#### **3.4.1 Individuals Member Patronage Linked to Proportional Share Holding**

This is one way of increasing Co-operatives share capital. This has to be agreed by the entire members especially during the Annual General Meeting. There is an element of fair play in such decision. If a member is enjoying higher contributions, for example, if in a Cooperative thrift and credit society, the average amount being borrowed by members is #200,000.00. a member borrows #400,000.00 then he should be prepared to acquire more share to other members.

#### **3.4.2 Creating Preference Share**

Creating preference share is another avenue for raising more capital. As we have seen earlier, there are many incentives for a member to increase his shareholding in Co-operatives.

This can be done by still maintaining the basic minimum shareholding for everybody. A resolution can be made that some additional dividends will be paid to a member who buys more share than the minimum.

#### **3.4.3 Sponsor Share**

This is third person participation. It is the share capital which is usually money left at the disposal of the Co-operatives by the third parties who do not need the service of the Co-operative as such but appreciate the

existence of Co-operatives and wish to support its growth. Such sponsors are private or state institutions.

### 3.4.4 Deduction from Loan Amount

This method is applied to credit Co-operatives. The practice ensures that when a member applies for a loan, before the money is paid to him after an approval, a deduction is made from the loan amount. This amount increases automatically the member's share capital holding.

## 4.0 CONCLUSION

We have discussed share capital as a means of generating funds for the Cooperatives.

It is a capital owned by the Co-operatives Society. An intending member of a Co-operative has to pay as a condition for membership as well as exercising membership right. We also discussed the composition of share capital of a Co-operative and the reasons why Co-operative share capital is always necessary. Ways were suggested through which Co-operative share capital can be increased.

## 5.0 SUMMARY

We have so far discussed only one source of funds for the Co-operative. This is the share capital; there are still other sources to be examined. In the next unit, we shall be treating reserves as sources of funds for the Co-operatives.

## 6.0 TUTOR MARKED ASSIGNMENT

1. Explain the various ways that the share capital of a Co-operative can be increased. For each way, indicate one problem.
2. Explain in your own words the following terms.
  - a) Fixed Capital
  - b) Working capital
  - c) Owned capital
  - d) Borrowed capital

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## UNIT 2 SHARE CAPITAL AS A SOURCE OF CO-OPERATIVE FUNDS II

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### 1.0 INTRODUCTION

Unit 10, of this course which was our last unit, we did discuss share capital as source of Co-operative funding. We examined briefly what share capital is and the reasons why the share capital of a co-operative always is small compared to the share capital of other forms of business particularly the joint stock companies. Possible ways of increasing the share capital were suggested.

Common sense indicates that all eggs should never be in one basket, particularly if the eggs are small. If the basket falls all the eggs will break and nothing to eat. It is in this regard that we shall be considering other sources of funds for Co-operatives. Reserve fund is one of these sources.

Reserves play important roles in the Co-operatives. We shall be looking at what reserves are their sources, their major advantages, as well as their disadvantages. It is through this that we shall see their relevance in boosting Co-operatives funds especially when we saw in the last unit the problems of share capital in Co-operative funding.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- list and explain types of reserves
- enumerate and explain sources of reserves
- explain the advantage of co-operative reserve; and
- describe the limitations of reserves.

## 3.0 MAIN CONTENT

### 3.1 What is a reserve fund?

Reserves are funds that are created and maintained within the Co-operatives business enterprise as a form of security against any unforeseen circumstance. Reserve can be classified into statutory and voluntary.

#### 3.1.1 Statutory Reserves

They derive their existence from the relevant laws (statutes) that require that they be created irrespective of members' feelings. That is to say, whether members like it or not, reserves must be created especially from the declared net result (profit) of the Co-operatives.

The law stipulates the minimum rates at which the statutory reserves are to be built up as well as the aims and the conditions under which they are to be used.

#### 3.1.2 Voluntary Reserves

Voluntary reserves are created only after the statutory reserves have been met. They are regulated by members taking into consideration their

needs and circumstances. The procedure for creating voluntary reserves and the manner under which they are created are all indicated in the byelaws of each Co-operative society. Other characteristics of reserve generally are:

- a) Except in extremely rare cases, no individual member has claims to parts or the whole of them. They belong to the member only as the member is a part of the group that forms the co-operative. That is why reserve is sometime referred to as common capital or social capital.
- b) The share capital of an individual member of a Co-operative is part of his personal assets which can be withdrawn in part or as whole in case of termination of membership, the individual member has no such right in respect of the reserves.
- c) Reserves are much more stable than the share capital stock. Changes in reserve are mostly in the form yearly increases.
- d) Reduction in reserves can only arise if specific losses are written off from this source following the recommendations of the appropriate law.

### **3.2 Sources of Reserve Funds**

Co-operative reserves are created from diverse sources. These sources are both within the Co-operative and outside the Co-operative as well. They include the followings:

#### **3.2.1 Retained Annual Surpluses (profit)**

In Co-operatives, surplus, if you recall is what is commonly known as profit. Retained annual surpluses constitute the major source of Co-operatives reserves. It is usually stipulated in the relevant laws which indicate the minimum percentage of the annual surpluses which must go into the statutory reserves, thereafter the voluntary reserves will follow. A minimum of 20% - 25% is common, until a stated minimum level has been accumulated. It is because of this type of reserves that financing.

#### **SELF-ASSESSMENT EXERCISE**

- i. Briefly explain types of reserves in Co-operatives.
- ii. Describe the characteristics of Co-operatives reserves.
- iii. Why is profit referred to as surplus in Co- operatives?
- iv. Why is Co-operatives finance known as self – finance?

### **3.2.2 Entrance/Admission Fees**

These are usually small fees paid by the member when he is admitted into Co-operative. The justification for demanding them includes:

- a) They serve as token compensation because the new member starts enjoying the services of Co-operative, which have been made possible by reserves created through the efforts of existing members.
- b) It is an indication of serious intention to join the Co-operatives apart from paying for the share. However, this serious intention must be backed up by patronage.

### **3.2.3 Uncollected/Lapsed Share Capital**

If it has been stated in the byelaw that a maximum length of time should be indicated within which a member who has withdrawn must come forward to collect his share capital refund; and the event of his inability to come forward, the share capital refund lapses and is then transferred to the reserves.

### **3.2.4 Uncollected/Lapsed Dividends and Patronage Refunds**

This practice is not common. What has been done under 3.2.3 above equally applies here; but in this case it concerns existing members.

### **3.2.5. Penalties**

This occurs when a member (s) breaks the rules and regulations of the Co-operative, which have already been stated clearly in the byelaws.

### **3.2.6 Grants and Gifts**

These are usually from Governments and other private donors. The private donors can come from within the country or outside.

### **3.2.7 Valuation or concealed Reserves**

This source arises from book keeping techniques through valuations and depreciations. You will learn all these techniques in your accounting course.

## **3.3 Advantages of Co-operative Reserves**

There are many advantages associated with Co-operatives reserves. The major ones are the following:

### 3.3.1 Stable Capital Source

As we discussed earlier, reserves are not available to a member of Cooperative either in part or on whole on the event of his withdrawal. Through reserves, some measure of financial stability is maintained.

### 3.3.2 Increased Security for Lenders to the Co-operatives

Lenders generally will want their money to be secured. That is why collaterals are needed as security. These collaterals are usually in form of assets. This encourages lenders to advance more loans to cooperative and at same time boost share capital.

### 3.3.3 Cheap Source of Capital

Costs, which arise in the process of obtaining share, especially borrowed capital for the Co-operatives does not arise in the case of reserves. They are thus cheaper to obtain as far as those administrative costs concerned with other source of capital are concerned.

### 3.3.4 A Source of Long Term Capital

Reserves are available on secured long – term basis. By virtue of the indivisibility of Co-operatives reserves they will be available on yearly basis, the subsequent years reserves are greater than those of previous years as a result of more funds from declared surpluses going into reserves. This minimizes problem of long term investment of Co-operatives.

## 3.4 Limitations of Reserves Funds

We have looked at some of the advantages of reserves to the operations of Co-operatives. Let us quickly go into some of the advantages.

### 3.4.1 Source of Conflicts between Management and Members

The conflict arises because of the economic advantages derivable from reserves. Management of Co-operatives is always having interest in continuous and speedy creation of reserves. On the other hand members who patronize the Co-operatives are interested in higher returns in the amount going to reserve will mean a decrease in the amount going to patronage refunds to members.

### **3.4.2 Conflict Arising from Timing**

Conflict again arises at the timing of the creation of reserves particularly during Christmas and Easter periods. While members will want refunds for those periods to reduce their financial burden during festivals, management on the other hand will be interested in conserving the reserves at least while seeking the possibility of increasing them to finance business operations arising from the increase in demand due to the festivals.

### **3.4.3 Danger of Autonomy of the Management**

There is danger of the Management being independent and outside the control of members. The situation arises because of huge reserves which management feels can be spent without members' approval. Between the Annual General Meetings of the previous year and the current year, management would have invested the money from reserves. Members will not notice though they bear the risk arising from such decisions.

### **3.4.4 Loss of Control of the C-operatives by Members**

This situation arises from the technical nature of book keeping. The bookkeeper or the management may decide to under – value assets and over – value liabilities of the Co-operatives. The major effect is to reduce profit. All these are being done without the knowledge of the members since many of them do not know the technicalities of accounting.

### **3.4.5 Creation of All False Sense of Security**

When high level of reserves exists, members and management can develop a sense of false security and grow careless about financial matters.

### **3.4.6 Comparative Slowness in Reserve Creation**

The situation arises because reserves are only created from surpluses. If there are no surpluses, there will not be reserves or if the declared surplus is small. This means that the reserve for that period will be correspondingly small.

#### **SELF-ASSESSMENT EXERCISE**

- i. Explain what is meant by reserves in Co-operatives;

- ii. Give reasons why reserves are preferred to share capital as source of funds for the Co-operatives; and
- iii. Would you say that based on ii above, share capital be abolished in Co-operatives. Give reasons.

## 4.0 CONCLUSION

We have examined closely as important sources of Co-operatives funds. We have been able to see that there are two major forms of reserves and these are: statutory reserves and voluntary reserve. Thereafter, we saw the characteristics of reserves generally. Further, we looked into the sources of reserves funds, that is, the ways they are created. This enables us to find out the inherent limitation of reserves as well as their recognized advantages.

## 5.0 SUMMARY

Now that we have examined thoroughly the issue of reserve in co-operatives funding, there are still other sources we will go into. In unit 13 which is going to be our next unit, we will be looking at borrowed capital in financing Cooperatives enterprise.

## 6.0 TUTOR MARKED ASSIGNMENT

- 1. For a Co-operative, operating in the rural area, what do you consider to be its main source of funds?
- 2. Assess the relevance of reserve funds for a Co-operatives thrift and credit

## SELF-ASSESSMENT ANSWERS

### Answers

- 1) Types of co-operatives reserves
  - a) Statutory reserves, which are reserves that must be made according to the relevant laws:
  - b) Voluntary reserves, which are created only after the statutory reserves, have been made. They are regulated by members in accordance with their byelaws.
- 2) Characteristics of Co-operatives reserves
  - a) No individual member can lay claims to reserves
  - b) Reserves cannot be withdrawn even though when a member is withdrawing from the society
  - c) Reserves are stable. Changes in reserves are only to increase them as the Society makes more profit.

- d) Reduction in reserves can only happen if specific losses are written off from them.
- 3) Profit is referred to as surplus because the primary motive of forming a Co-operative is not to make surplus but for mutual assistance. But if in the course of doing business, the Co-operative is to be efficiently managed that after all expenses have been subtracted from income, a balance still remains, such balance is called surplus.
- 4) Co-operatives finance is known as self – finance because;
  - a) Members who are the owners and users of Co-operative product and/or service are also the finance that must contribute to the financing of the business.
  - b) Reserves are increased every time the Co-operative make surplus. And the reserves are not withdrawn.

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## UNIT 3 BORROWED CAPITAL AS A SOURCE OF CO-OPERATIVE FUNDS

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- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor – Marked Assignments
- 7.0 References/Further Readings

### 1.0 INTRODUCTION

In our last two units we have been discussing sources of funds for the Cooperative form. We discussed first the concept of capital and different forms of capital. There we have moved into the discussion of share capital as a source of funds. We looked at the advantages of share capital including types of share capital.

We concluded that even though shareholding is important because it confers on members the right to vote and at the same time, it demonstrates members' seriousness to join Co-operatives, share capital per se is small. A Cooperatives Society cannot depend on it solely as source of funds.

We then moved on to, look at different types of reserves and their characteristics, the advantages and disadvantages of reserves amongst others, and the conclusion was that reserves and share capital could not be only constitute the sources of funds for the Co-operatives. Other sources need to be explored and exploited. This brings us to the consideration of borrowed capital as major source of co-operative funds. We shall be looking at borrowed capital as a source of Co-operative

funding from different angles so that we have a good understanding of it.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the features of borrowed capital by comparing it with owned capital;
- know the authority for borrowing by co-operatives
- discuss the advantages and limitations of borrowed capital; and
- explain sources of borrowed capital.

## 3.0 MAIN CONTENT

### 3.1 Feature of Borrowed Capital

Co-operatives will need to borrow capital to finance their Co-operatives because of the smallness and other limitations of share capital and reserves.

Borrowed capital is different from owned capital because it is obtained from outside.

Again, while the reserves and share capital remain permanently in the Cooperative, borrowed capital does not. It has to be repaid at the appropriate time. Also, the reserves and share capital may not bear interest, (though depending on the circumstance), borrowed capital needs to be repaid with interest. The interests paid along with the capital are often the major incentive for the owner, like the bank, willing to make the money available for lenders.

Another feature of borrowed capital is that it does not bear risk; the money has to be repaid unlike the reserves and share capital. In addition, the reserves and share capital usually fluctuates, borrowed capital is usually fixed over a period of time except the interest rates that have to be paid. However, owned capital (i.e. share capital and borrowed capital) coffers some form of decision – making powers in the business, borrowed capital does not.

### 3.2 Authority for Borrowing

The authority for borrowing money is derived from the Annual General Meeting of the Co-operative. You are hereby reminded that the Annual General Meeting is the supreme authority of the Co-operatives and it

consists of the entire members of the Co-op. As a result, it is also the Annual General Meeting that bears the risk of borrowed capital. The meeting delegates the powers to borrow to the management of Co-operatives. Of course, the maximum amount to borrow and the borrowing terms are also spelt out clearly.

Also the Director of co-operatives services may limit generally or specifically the maximum liability of a society even though he does not join in the risk bearing. Once this is done, no registered society is expected to take loans including special deposits beyond what the Director has fixed.

### **SELF-ASSESSMENT EXERCISE**

Describe in not more than one page the features of borrowed capital. Give reasons why you should recommend it to a Co-operative Society.

### **3.3 Advantages of Borrowed capital**

The advantages of borrowed capital become clear when compared to owned capital. These advantages are:

#### **3.3.1 Borrowed Capital**

Borrowed capital can make the Co-operative to improve its services to the members thereby enhancing the Co-operative effect

#### **3.3.2 Borrowed Capital Interest Rates**

Borrowed Capital interest rates are deductible from tax. That is, the money to be paid is removed from the amount of tax to be paid to government for those Co-operative organizations that pay tax. If the fortune of the Co-operatives improves, more borrowing can be made.

### **3.4 Disadvantages of Borrowed Capital**

#### **3.4.1 Regular Payments of Interest**

It requires regular payments of interest, which must be made even when the co-operative is making net losses. This is not the case with owned capital.

### 3.4.2 Creditor Recalled

It cannot be recalled by the creditor; therefore it is not secured compared to reserves.

### 3.4.3 Availability of Borrowed Capital

The availability of borrowed capital depends to a large extent on availability of acceptable collaterals. These collaterals may be difficult to provide.

#### SELF-ASSESSMENT EXERCISE

You have just learnt the advantages and disadvantages borrowed capital. Can you still recommend it to a farmers' Co-operatives Society? Give reasons.

## 3.5 Sources of Borrowed Capital

### 3.5.1 The members of the Co-operatives

Loans from members become most important aspect of borrowed capital to a Co-operative business organization. This because many Co-operative Societies has no access to the capital market. Capital market is where money is sold and bought, like the banks, just as we go to normal everyday market to buy what we want. Again the Co-operatives may not possess and provide the necessary securities.

You have to note that when Co-operatives obtain loans from members, they do not do so the basis of membership. Instead the member assumes the positions of a third party and such loans are totally different from share capital holding.

Reasons why a Co-operative may decide to obtain loans from members include:

1. The interests rate involved are going to be lower than that of banks and other financial homes. The major reason for this being that the members knows that the advantages for using loans will remain with them.
2. Loans from members, unlike share capital have interest attached to them and not a fixed maximum rate, like share capital.
3. There may be no need for the member to demand for collaterals.
4. Such loans from members show that the members have confidence in the Co-operatives.

## SELF-ASSESSMENT EXERCISE

Carefully think of possible factors that will limit the Co-operatives from getting loans from their members.

### 3.5.2 Government Sources of Loans to Co-operative

Government giving loans to the co-operatives are common in Nigeria. This is because of the generally low- income levels as well as the fact that governments are the major initiator of Co-operatives. Government giving money to the Co-operatives is in two forms:

- a) Grants which are not repayable neither do they attract interest payments. Sometimes, grants may be attached to specific projects.
- b) Loans: they attract low interests even though not as much as from the Commercial Banks. They are to be repaid after some periods.

#### Disadvantages of loans from Government

- a) Money from government is easily regarded as National cake, and needs not to be repaid.
- b) Laxity on the part of government agents who do not even bother to follow the activities leading to high rate of loan defaults.
- c) There is also the danger of interference in the affairs of the Co-operatives as a result of the financial support.

### 3.5.3 Borrowed Capital from the Financial Institution

This is the capital borrowed from such institutions as the banks

#### 3.5.3.1 Advantages

- a) Banks usually have much more funds to lend out to their customers including the co-operatives.
- b) Banks have financial management experts who can be of help with the relevant advice.
- c) The Co-operatives can enjoy overdraft, which authorize them to draw the amount up to an agreed maximum amount.

#### 3.5.3.2 Disadvantages

- a) Banks loans are usually short – term. This means that the money cannot be used for projects that will bring money in a distant period.

- b) Collaterals are usually demanded which the co-operatives may find difficult to provide.
- c) Banks officials work according to given guidelines. They are therefore inflexible.
- d) Sometimes, the banks may insist in having a say in the internal affairs of the Co-operative who are the borrowers, such as insisting on sending a representative to the Board of Directors.

### **3.5.4 Borrowed Capital from other Co-operative institutions**

We have seen that Co-operative face a number of problems and dangers in its attempt to borrow capital. That is why it is often advised that Co-operatives should borrow from organizations that are at least party to Co-operatives or preferably wholly Co-operative or on friendly relations with Co-operatives.

Only as a last resort should it go to banks, financial agencies and similar organizations.

### **3.5.5 Institutions within the Co-operatives Movement as Sources of Funds**

The Co-operatives Thrift and Credit/investment Societies are such institutions that can lend out money. These societies often accumulate more money than they need for their activities. Direct leading from one primary society to the other requires personal acquaintance between the societies, which may not exist. This is why the Societies can form unions or Federations. It is the Union, Federation and other Co-operatives apex organizations that will now borrow money to their affiliate members.

### **3.5.6 Borrowed Capital from Suppliers of Good/Services**

Suppliers do extend loan funds to the Co-operatives when they supply good and/or services, which are not immediately paid for. These goods are then sold and later paid for by the Co-operatives. In most cases, credits may be for a month or longer. A good manager should utilize such opportunities and make good sales turnovers before paying.

## **4.0 CONCLUSION**

So far, our discussions have been on various sources of funds available to Co-operatives. Various sources have been identified and discussed. The last one is borrowed capital.

We examined what a borrowed capital means and features of borrowed capital. We also considered the authority for borrowing as well as the advantage and limitations of borrowed capital. Other areas touched, include sources of borrowed capital and their relative usefulness.

## 5.0 SUMMARY

Borrowed capital concludes our discussions on sources of funds available to Co-operatives. We have discussed various sources indicating their strengths and weaknesses. You have to firmly understand this. If you have not, go back to the units once again before answering the questions under the Tutor – marked questions. We shall be discussing Co-operatives Management in our next unit.

## 6.0 TUTOR MARKED ASSIGNMENT

- 6.1 Explain the comparative advantages that borrowed capital has over reserves and share capital
- 6.2 Describe two sources of borrowed capital and give reasons why Cooperatives resort to borrowing

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## **UNIT 4      MANAGEMENT OF CO-OPERATIVE**

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### **1.0      INTRODUCTION**

Our present unit will address the question of how can the resources of Cooperatives be properly managed so that the objectives for which a cooperatives was established can be realized. Throughout our previous units, we have emphasized that Co-operatives resources – information, money, time, and human beings, among others are not enough, both in quality as well as in quantity. If this is the case, it stands to reason that the little resources available to Co-operatives must be properly utilized. In other words, there must be prudence in the running of Co-operatives. We have also emphasized that Co-operative organization should live

above board; with people of unquestionable character with moral uprightness. It is these people that should look after the meager resources available to any cooperative organization. But this is not always the case and this is why, among other reasons there are problems in Co-operative management.

In looking at the process of Managing Co-operative business, we will identify the organs of management and their functions. We will also examine the problems associated with each organ of co-operated management and attempt at recommending solutions to the identified problem.

## 2.0 OBJECTIVES

At the end of this unit you should be able to:

- explain the various organs responsible for the management of cooperatives;
- describe the functions of each organ of management;
- highlight the problems associated with each organ of management and;
- recommend ways of improving on the efficiency of co-operative management.

## 3.0 MAIN CONTENT

### 3.1 Structure of Co-operative Management

The structure of Co-operative Management is in layers: the first layer comprises the members of the Co-operative. Remember that the members are also known as the owners and users of Co-operatives goods/ or services.

They constitute the highest level and are also known as the General Assembly of the co-operative. The next level is the Board of Directors. Members of the board can be called the officers of the Co-operative who are elected into office by the general members. Members of the Board of Directors are called Committee Members.

### 3.2 Functions of the Members

The members are the owners and end users of co-operative goods and/ or services and they constitute the General Assembly. The major ways the function of the general members are recognized and appreciated is through meetings. These meetings are known as General meetings,

which are usually held four times in a year. Special meetings as the circumstance and situations arise can also be summoned.

### **3.2.1 Objectives of Meetings**

These include the followings:

**a) To identify, analyse and solve problems.**

This is one of the major reasons for calling a meeting. It is the responsibility of the members to find out whatever problems that is affecting them or their business the Co-operative as a whole. The problems is then isolated, given a proper scrutiny with a view to prescribing a solutions(s) to the problem(s).

**b) To give information.**

Co-operatives decisions cannot be taken in the absence of meaningful information. As a result, members, in accordance with the democratic control principles of running Cooperatives are encouraged during meetings to air their views and contribute to decision making. Any useful information is readily and warmly accepted.

**c) To obtain opinion and recommendation.**

No matter the economic or social status of a member, during Co-operative meetings, he stands a chance of providing constructive view, which may lead to a recommendation. This is why every member must endeavour to attend meetings and fulfill is obligation to his society.

**d) To decide on a course of action:**

Whatever action that is to be embarked on by a Co-operative must carry the collective wisdom of the society. No single member can ever decide for the society no matter how highly placed. Consequently, voting is usually conducted, and the majority carries the day.

**e) To conduct business transaction:**

It is during Co-operative meetings that business transactions are conducted. These include: payment for goods bought, receiving loans, Loans repayments among others.

### **f) To build enthusiasm**

Co-operatives do not exist only for economic purpose. Social reason is a major factor for Co-operative. As a result, it is during meetings that social reasons for cooperation are emphasized. Members strengthen one another with words of encouragement, promote solidarity and have entertainment of guests. Consequently it is through meetings of members that the functions of the general members are performed, which include:

#### **3.2.2 Making Byelaws and Amendment of Existing Byelaws**

Byelaws are the life – wire of a Co-operatives organization. They are the rules and regulations with which the society will be managed. The byelaws are made from model byelaws, which are prepared by the Director of Co-operative services in each State of the federation.

The General Meetings of members can amend existing byelaws to meet the current situation and circumstance.

#### **3.2.3 Election of Board of Directors or Committee Members**

It is the duty of the general meeting to elect Board of Directors or Committee members into various offices. These offices include: the president, secretary, Treasurer, and Committee members among others.

The members also have the power to remove anybody from office who is found wanting on the discharge of his/her responsibilities

### **3.3 Functions of Committee Members**

Their functions include the following:

#### **3.3.1 To Represent the Society**

The committee represents the society before all legal authorities both internally and externally, especially on transactions with third parties, such as borrowing money from the financial institutions.

#### **3.3.2 Power to Sue**

Once a Society has been registered under the law, it has the power to sue and be sued because it has a legal personality. It is the responsibility of the committee to see that this is done.

### **3.3.3 Manage the Society's Affairs**

The committee managers the Society's affairs and other areas as indicated in the Society's byelaws.

### **3.3.4 Maintaining the Society's Account**

The committee ensures that the accounts of the Society is properly maintained through prompt posting of entries, extracting the ledger balances and preparing final accounts which are analysed for decision making.

### **3.3.5 Making Policies**

The Committee assists the members in formulating general polices for the co-operative Society for implementation.

### **3.3.6 Controlling the Manager**

It is duty of the committee to employ a manager where a manager is not performing, the committee has the right and responsibility to fire and replace him

### **3.3.7 Ensuring the Security of Society's Assets**

This is another duty of the committee. It must take steps that the assets of the security are properly maintained. The committee is also in custody of the Society's seal.

### **3.3.8 Liability of the Committee**

The committee members shall be liable for any loss sustained by the Society through acts done by the Committee which is contrary to the principles of cooperation, the Co-operatives laws and the Society's byelaws.

## **3.4 Duties of the Principal Officers of the Society**

### **3.4.1 The President**

- a) He shall preside at all meetings, both general and committee meetings of the society;
- b) He ensures that the business of the Society is well managed;
- c) He is a signatory to the Society's accounts; and

- d) He represents the Society at all meetings both within and outside the country.

### **SELF-ASSESSMENT EXERCISE**

You are required to visit the Co-operatives Societies that you have been visiting since you started this course. By now you should develop friendship with the managers and some members. For the present exercise, write the duties of the members and the committee members. Your answers should not be more than one page.

#### **3.4.2 The Treasurer**

- a) He takes charge of all money received by the society from members and other sources.
- b) He disburses money according to the directives from the Committee;
- c) He signs cash book and when asked to do so and produces the cash balance;
- d) All funds in excess of the amount he is authorized to keep by law must be kept in the bank;
- e) He signs members pass book; and
- f) He is a signatory to the Society's accounts and other important transactions.

#### **3.4.3 The Secretary/Manager**

- a) He maintains and keeps the books of accounts and other records
- b) Through the directive of the president, he summons all meetings of the Society and takes the minutes;
- c) He prepares and submits the accounts of the Society including the final accounts; and
- d) He managers the day – to – day activities of the secretariat including the junior staff.

### **3.5 Problems of each Organ of Management of the Co-operatives Society**

#### **3.5.1 The members**

- a) Many co-operatives members especially in the rural area do not seem to understand and appreciate some of the provisions of their bye - laws let alone the state's Co-operatives Law and the Co-operatives Law of the Federation. The result is an increasing autonomy for the managers who often dictates to the members

- b) Illiteracy is another problem even though the native intelligence could be there. They are handicapped in reading and interpreting statements of accounts for the purpose of taking decision.
- c) The members sometimes do not possess the right attitude with regards to the increasing autonomy of the management and the committee members.

Instead of calling off their bluff and dealing decisively with them especially when cases of malpractices have been established, they look the other way round. The small set of committee members are re-elected in the next Annual General meeting while the manager still retains his position.

### 3.5.2 The Committee Members

- a) Inadequate functional education that will enable them to perform their duties;
- b) Low level of Co-operative knowledge; and
- c) Greed and the urge to embezzle with connivance of the manager

### 3.5.3 The Manager

- a) Increased self-autonomy to the extent that he dictates to the owners of the business; he exploits their ignorance.
- b) Lack of managerial skills and current trends in Co-operatives administrative management.
- c) The manager should be sent for formal training in Co-operative management in any of the Co-operatives Colleges.
- d) There is the need for attitudinal change in respect of his position viz – a – viz the Co-operatives. Good salary should be paid to him and his subordinates. This will reduce the temptation to embezzle Society's money.

## 4.0 CONCLUSION

This unit addresses the management of a Co-operatives Society. There is need to map out sound management concepts, principles and techniques in the management of the Co-operative it is not just a business organization but is an association of individuals of modest means. The meager resources must be managed properly.

We identify various organs of managing Co-operative business including their functions. We also saw the problems of managing Co-operatives in each of the organs and some solutions highlighted.

## 5.0 SUMMARY

Managing Co-operatives having been explained and the relevant organs and their functions having been described, we are moving to the next unit which is the development of formal Co-operatives in Nigeria.

## 6.0 TUTOR MARKED ASSIGNMENT

1. Explain the co – operative management by indicating their composition and functions
2. Take any Co-operatives organization and evaluate the performance of management in the last two years.

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## UNIT 5 HISTORICAL DEVELOPMENTS OF CO-OPERATIVES IN NIGERIA

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- 2.0 Objectives
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- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor – Marked Assignments
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### 1.0 INTRODUCTION

As we noted in the very first unit of this course, the spirit of Co-operative has been in the heart and mind of every Nigerians. This spirit is almost instinctive, that is, it is something that wells up in us whenever the occasion to lend a helping hand to our neighbour arises. This saw the beginning of various self – help projects that dotted every community in Nigeria. We also noted in units (i) and (ii) that formal Co-operatives took off from this self – help spirit. And it is the brief history of formal Co-operatives in Nigeria that will occupy our attention in our present unit.

The history of Co-operative in Nigeria dated back to the colonial era. We will be looking at the various reasons why the colonial masters considered it necessary to introduce formal Co-operative in Nigeria. We will also consider the extent of government involvement in Co-operative development and the success and failure of early Co-operatives in the Country.

## 2.0 OBJECTIVES

At the end of this unit, you would be able to:

- describe the history of co-operative development in nigeria;
- give reason for government involvement in co-operative development;
- for economic development; and
- political stability

## 3.0 MAIN CONTENT

### 3.1 History of Co-operatives Development

Formal Co-operatives in Nigeria can be said to have started in 1907. Among the earliest formal Co-operatives in Nigeria was Agege Planters union (APU). This association was made up of about 400 cocoa farmers who came together to ensure that cocoa was the major farm produce being exported from Nigeria and earning the Country much foreign exchange.

They were still other farmers union existing elsewhere. Two of these amongst other are: the Egba farmers Union, which joined the Agege planters union the reasons for joining together were:

- To pool resources together so that they could purchase inputs of production at reduced prices and passing the benefits to their members.
- To exchange ideas by sharing experience on how they could produce the best quality cocoa.
- To collectively fight for government recognition which was slow in coming. The Ibadan farmers recognized the need to join the already existing association of Agege Planters union (APU) and the Egba farmers union. They sought for inclusion in the association and were admitted.

#### 3.1.1 The Initial Involvement of Government in Cooperatives Development

The European form of Co-operative arrived Africa in the 1920s. The British after introducing it in India in 1921 brought it to Africa first to their colonies in East Africa and then to West Africa.

In Nigeria, sequel to the persistent demands of the Agege Planters Union and other, the government yielded to the farmer in 1926 when cocoa

fermentaries were built for them. From this period, Cooperatives development was rapid because:

1. Government saw Co-operative as a means of realizing more income.
2. Others farmers observed the APU and came to the conclusion that Co-operative could be another way of enhancing their standards of living.
3. Improved techniques of farming could be better spread through the Co-operatives instead of visiting individual farmer. The cost of visiting each would be much.

### **3.1.2 Government Enactment of the First Co-operative Law**

With government recognition of the relevance of the Co-operatives to the Economic development of Nigeria, commissioned Mr. C.F. Strickland, a Co-operatives expert of no mean repute to take a tour of the Country and see the modalities under which Co-operatives could be further developed. Strickland took a tour of the country and carried out a feasibility report, which he submitted in 1933, titled, “the introduction of Cooperatives Societies in Nigeria.” He strongly, in the report advocated the introduction and development of Co-operatives in almost all spheres of economic endeavours. He went a step further by drafting a proposed ordinance (Law0 for Co-operatives development.

### **3.1.3 Further Government Activities in Co-operatives Development**

Government demonstrated additional willingness to further Cooperatives development by appointing Major E.F. Haig as the first Registrar of Co-operatives in Nigeria. Major Haig was specifically directed to form new CooperativeSocieties. He took off with this directive in mind and in 1937 the Gbedun Co-operative Produce marketing Society Ltd was registered. This became the first registered Co-operatives Society in the whole country.

Government interest in the development of Co-operative was not restricted to the agricultural sector. Later, the government saw the need to promote savings habit particularly; among the low income earners. Again, relying on another report of Mr. Strickland, which was submitted in 1936, Co-operatives thrift and credit societies were formed and they spread to the Eastern and Western parts of the country and beyond. Departments were created in the relevant ministry such as the Ministry of Commerce, Industries and co-operatives for the purpose of promoting Co-operative society.

### SELF-ASSESSMENT EXERCISE

- i. Mention the association that operated along the line of a Cooperative Society in Nigeria. Explain briefly the reasons for coming together.
- ii. Why did the colonial government decide to promote Cooperative development?
- iii. Mention the name of the first registered Co-operative Society in Nigeria, why was the Co-operative registered?

### 3.2 Reasons for Government Intervention in Co-operative Development

There are two principal reasons why the colonial government decided to spread formal Co-operatives in Nigeria; these are economic and political reasons.

#### 3.2.1 Economics Reasons

- a) In this area, the general objective was to bring the peasant farmer into market economy where they could exchange their produce for cash.
- b) To earn foreign exchange for government. That was why growing and marketing cash crops were encouraged.
- c) To ensure regular supply of food. Food Crop Co-operatives were also established to ensure regular supply of food items especially due to rapid growth of urbanization.
- d) For extension work. Extension agents would find it easier to work with organized groups like the Co-operatives than individual farmers. They spread useful information concerning imposed farming techniques and technology to the farmers.
- e) The farmers through improved marketing strategies would realize better income. This in turn would enhance their standard of living.

#### 3.2.2 Political Stability Reason

The colonial government thought that Co-operatives would act as a link between the government and the emerging political movements that were growing rapidly in the country. At this time the Nigeria elites had started nursing ideas and ambition of independence and taking over from the colonialists.

The government thought that the energies of the masses could be diverted and channelled towards Co-operatives activities instead of

allowing them to team up with indigenous politicians for political struggles.

## **SELF-ASSESSMENT EXERCISE**

How do you justify the economic reason for the colonial government's intervention in Co-operatives development in Nigeria?

### **3.3 Factors Responsible for the Failure of Early Co-operatives**

Early Co-operatives failed because of several factors. The principal ones are mentioned below:

#### **3.3.1 Inappropriate Political Roles of Government**

The colonialists thought that Co-operatives would delay the agitation for independence. To their surprise the contrary was the case. Rather than delaying political independence, some of the Co-operatives joined elites to agitate for the country's independence.

#### **3.3.2 Poor Co-operative Education**

Many members who were largely illiterates could not understand the principles of formal Co-operative neither could they apply business principles in the management of their cooperatives and to enhance the economic status of the members.

#### **3.3.3 Dishonesty of Co-operatives leaders**

Many Co-operatives leader were dishonest. Co-operatives funds in most cases ended in their private pockets. They did not apply business principles in the management of their operatives.

#### **3.3.4 Disloyalty of the Membership**

Partly as a lack of understanding of what Co-operatives are and partly because of the fraudulent activities of their leaders, members of the Co-operatives were not loyal. Some of them were doing business with the middlemen outlets that they considered more profitable.

### 3.3.5 Inadequacy of Supervision from Government and Apex Organizations

There was inadequate supervision from either the government department responsible for Co-operatives and from the apex organization. The essence of supervision being:

- To check the level at which the co-operatives are doing their business in accordance with the byelaws.
- To identify any negative deviation from the byelaws and the extent of that derivation and
- To make the necessary corrections.

All the above were not forth coming probably because of the smallness of the government staff, inadequate motivation, inadequate means of transport among others.

## 4.0 CONCLUSION

Throughout this unit, we have been discussing the historical development of Co-operatives in Nigeria, starting from 1907. We saw the efforts of APU and other farmers' groups in their attempt to organize themselves into a Cooperative.

The various roles that the colonial government played ranging from the passage of the Co-operatives Law of 1935 to the creation of relevant departments in appropriate ministries to develop Co-operatives were highlighted. The failure of the early Co-operatives and the factors responsible for this were enumerated.

## 5.0 SUMMARY

The history of Co-operatives in Nigeria as we have so far discussed did not end with the failure of the early Co-operatives in the country. Efforts were made to encourage the spread of Co-operatives to all the nooks and crannies of Nigeria. We will be looking at the effects of those actions and the roles of government in promoting Co-operatives. May I say that the next unit, which is unit 16, will be the last one for this course?

## 6.0 TUTOR MARKED ASSIGNMENT

1. Explain the factors responsible for the failure of early Co-operative in Nigeria.
2. Briefly trace the history of co-operatives development in Nigeria up to the time Nigeria gained independence in 1960.

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## **UNIT 6      THE      RELATIONSHIP      BETWEEN GOVERNMENT    AND    COOPERATIVES    IN NIGERIA**

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  - 3.1      The Spread of co-operatives in Nigeria
  - 3.2      Role of Government in Promoting Co-operatives
    - 3.2.1      Creation of Co-Operatives Department
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    - 3.2.3      Legislative Role
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  - 3.3      Consequence of Government Intervention
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- 4.0      Conclusion
- 5.0      Summary
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### **1.0      INTRODUCTION**

The history of Co-operative development was traces briefly in the last unit. We did see that the urge to come together, and solve their coo problems sprang up from the minds of the Agege Planters Union. These farmers later teamed up with farmer of like mind in Egba and Ibadan. Their combined efforts and persistent appeals to government led the then colonists to recognize the crucial roles Co-operatives could play in the social –economic development of any nation. Hence, the enactment of the Co-operative Ordinance of 1935, with the enactment of the ordinance saw more rapid development of Cooperative since the enabling framework has been provided. Departments for Co-operative development were created in the appropriate ministries and this helped in the promotion of Co-operatives in all parts of Nigeria.

Even though some of the early Co-operatives collapsed for a number of reasons, which we discussed in unit 15, the mistakes having been learnt a lot more was formed especially after Nigeria's independence 1960. In our present unit, we are going to discuss the spread of Co-operatives to all parts of the country. Also to be considered is the relationship between government and co-operatives.

## 2.0 OBJECTIVES

At the end of this unit, you would be able to:

- describe the spread of co-operative in Nigeria
- explain government present roles in co-operative promotion
- identify the advantages and disadvantages of government intervention in Co-operatives.

## 3.0 MAIN CONTENT

### 3.1 The spread of Co-operatives in Nigeria

We noted in our last unit the efforts of the colonial government in spreading Co-operatives. From independence to the present, concerted efforts are being made to bring Co-operatives to every community. As more states are created so also Co-operatives are bought nearer to the grass roots as each new state will also create a department in an appropriate ministry and saddle such department with Co-operatives matters.

#### 3.1.1 Situation Report

A situation report carried out in 1988 brings the picture of the spread of Co-operatives clearer, in terms of the number of registered Cooperatives, number of registered agricultural co-operatives and others.

S/No	State	Registered Cooperatives	Agric. Cooperatives	Others.
1	F.C.T	50	20	30
2	Akwa - Ibom	70	10	50
3	Anambra	1137	156	1181
4	Bauchi	528	7	521
5	Bendel	2176	20	2156
6	Benue	3131	98	3033
7	Borno	873	15	858
8	Gongola	681	45	636
9	Imo	1858	33	1825
10	Kaduna	915	340	675
11	Kano	1612	-	1612
12	Kastina	811	113	698
13	Kwara	598	210	382
14	Lagos	525	69	457

15	Niger	344	360	484
16	Ogun	1014	275	739
17	Ondo	4126	41	4085
18	Oyo	5000	750	4250
19	Plateau	490	1	489
20	Rivers	1232	2	1230
21	Sokoto	1300	70	1230

### **When Nigeria was only 21 states**

**Source:** Mijindadi, N. 1988, Pp 11 - 20

While Mijindadi's report did not give a breakdown of the other forms of Cooperatives the figures show that:

- a) Agricultural co-operatives (group farming) is practiced as at 1988 in all States of the Federation except Kano.
- b) From my experience, the other forms of Co-operatives would be predominantly Co-operatives in thrift and credit societies. This is because of its popularity among Nigerians. We have already discussed these forms of Co-operatives including their features and functions

### **SELF-ASSESSMENT EXERCISE**

In your State of origin or the State that you are currently residing, go to the relevant ministry either in the state capital or local government and find out:

- i. The type of Co-operatives existing and
- ii. The number of members for each type.

## **3.2 Role of Government in Promoting Co-operatives**

During the post-independence period the power of state (government) intervention in Co-operative has increased, giving government officials wider power to intervene in Co-operative activities. The common actions are the following:

### **3.2.1 Creation of Co-operative Department**

Both at the States and Federal Government levels to supervise Cooperative development. There was a case in Nigeria where a full ministry of Co-operatives and supply was created.

### **3.2.2 Co-operative's Roles in National Development Plans**

Co-operatives were assigned roles in the national development plans and development projects, such as the various projects for agriculture and poverty alleviation.

### **3.2.3 Legislative Role**

The most important role of government plays in Co-operative affairs is to legislate to direct them and give a legal personality to the Co-operative. That is why in Nigeria, we have legislations passed to fit the Co-operative situation. The current co-operative law is the Co-operative Decree of 1993, which include the following provisions:

- a) A definition of Co-operative, bringing out its essential characteristics
- b) A Description of the objects of a Co-operative, and procedure for establishment and registration, the amendments of statutes, and its dissolution.
- c) The condition of membership, such as the maximum amount of each share, the rights and duties of members which will be laid in greater details in the bye – laws of Co-operatives Societies.
- d) The method of administration, management and internal audit, and the procedure for the establishment and functioning of management.
- e) The protection of the name. “Co-operative”.
- f) The machinery for the external audit and guidance of Cooperatives and for the enforcement of the laws and regulations. Consequently the Co-operative law as presently existing in Nigeria covers all co-operatives.

At the state level, the contents of each state co-operative law are not substantially different from that of the federal one. The States Co-operatives laws exist to take into consideration the peculiarities of each state.

### **3.2.4 Giving Out Loans to Co-operatives**

Government also gives out loans to Co-operative with which Cooperatives are expected to use and execute viable projects. It is the responsibilities of beneficiaries of such loans to think of good business ventures that they can use the money for, so that the loan repayment can be hitch free.

Beyond the granting of loans, government again provides outright grants to Co-operatives. The grants are not usually repaid. Related to the giving

of grants, government pays for the annual subscriptions of some apex organization while existence is not purely economic but to provide services to the affiliate – numbers. These payments are made to apex organizations outside Nigeria such as, the International Co-operatives alliance (I.C.A.). We shall be discussing more on I.C.A. In subsequent study materials

### 3.2.5 Staff Secondment

Recall that one of the problems of Co-operatives is incompetent management. That is, there is shortage of skilled personnel's with the right management skills.

As a result, government while taking account of the need to secure the resources of Co-operative and ensure they are used judiciously expended sometimes post staff to Co-operative where there is lack of personnel. Staff secondment is, however, done without violating the independent nature of Co-operatives.

## 3.3 Consequences of Government Interventions

These consequences can be grouped under positive and negative consequences.

### 3.3.1 Positive Consequences of Government Intervention

- a) It has led to the formation of more Co-operatives, which in turn provided more employment opportunities.
- b) It made it impossible for the extension agents to pass new ideas especially on agricultural practices to farmers.
- c) Training and development of Co-operative personnel was made possible through Co-operatives colleges and training in states provided by government.
- d) Loans were made available for viable business thereby enhancing the economic status of Co-operatives members.
- e) Technical assistance was given to Co-operatives such as the preparation of feasibility reports, which made them to secure loans from financial institutions.

### 3.3.2 Negative Consequences of State Intervention

- a) Over expansion as a result of over promotion by government led to a large increase in the number of Co-operatives, which were not viable.

- b) Because of the large number of Co – operative viz - -a- viz government promotion through enlightenment led to mismanagement of Co-operatives, which led to their liquidation.
- c) Use of Co-operatives as tools to package programme such as “better life for rural dwellers,” resulted in compulsory membership as those who could not join Co-operatives were left out.
- d) As a result of above reasons, members started to see Cooperatives as government agencies instead of member, owned organizations.
- e) Secondment of government officials by way of technical assistance created ill feelings as they saw it as government taking over their Co-operative from a humble beginning in 1935 following the enactment of Co-operatives ordinance, government spread Co-operatives to all parts of the country, thrift and credit societies and agricultural Co-operatives. We also discussed the role of government in monitoring Co-operatives as well as the consequence of such role.

## 4.0 CONCLUSION

This unit, which is the last for this course, has touched on the spread of Cooperatives in Nigeria and the role of government in promoting Co-operatives. All these bring out the existing relationships between government and Cooperatives.

## 5.0 SUMMARY

The knowledge you have received in this course provides the foundation on which to build further knowledge in Co-operative management. In the next semester, we shall take another course; the principles of Co-operative.

## 6.0 TUTOR MARKED ASSIGNMENT

1. Explain the role of post-independence government in Co-operative development in Nigeria.
2. Justify the assertion that the major role government in Co-operative development is in the area of legislation.

## 7.0 REFERENCES/FURTHER READINGS

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