

CHAPTER 12

CO-OPERATIVE SOCIETIES

Objective

At the end of this chapter the students should be able to define and list the characteristics of co-operative societies. In addition they should be able to describe the various types, state the advantages and disadvantages as well as identify and discuss the problems of co-operative societies. Lastly, students should be able to narrate the history of the co-operative societies in Nigeria.

12.1 Introduction

In book one we learnt about retail co-operative societies as a distributive outlet only. In this chapter we shall learn more of the co-operative society as a whole. We shall therefore discuss the following aspects: definition, characteristics as well as the history of the co-operative movement. We shall equally discuss the types of co-operative society, their advantages and disadvantages; and finally we shall focus on some of their problems.

12.2 Definition

A co-operative society is an association formed for the purpose of production or distribution of goods and provision of welfare services for its members with the aim of sharing profits and losses as the case may be. Some examples of co-operative societies are: consumer co-operative societies, producer co-operative societies, retail co-operative societies, thrift and credit society and multipurpose co-operative societies.

The co-operative society is one of the oldest form of business that exist in our community and is run on democratic principles.

12.3 Features of the Co-operative Society

- (i) It is owned by a group of people with common interest such as producers of the same products (Cocoa Producers Co-operative Association) or by workers in the same organization.
- (ii) It must be registered with the Registrar of co-operative societies of the State where it is going to operate.
- (iii) Once registered, it acquires legal identity, that is, it can own property, sue and be sued in its own right which means it becomes an artificial person.

- (iv) Each member participates in what the society does.
- (v) Each member has only one vote no matter the number of shares he holds - that is one man vote. This is unlike the public company where voting are determined by number of shares held.
- (vi) The minimum number of persons required in law to form a co-operative is seven, there is no maximum.
- (vii) There must be a register of all members and officers.
- (viii) No member must be below the age of eighteen years.
- (ix) Profits, if made are shared on the basis of patronage that is according to members participation in the business of the co-operative.
- (x) Interest payable on share capital is fixed and not by dividend payment.
- (xi) They exist essentially to provide service and promote economic interest of members.

12.4 History of Co-operative Movement

From time immemorial co-operative has been a feature of Nigerian Culture. There has been co-operation in areas of savings and agriculture. Money savings cooperation has been known by different names in different parts of Nigeria. For instance the Igbo call it *Isusu*™, while the Yoruba know it as *Esusu*™ and the Hausa call it *Adashi*™. It is now very popular among the salary earners and traders in Nigeria.

Farmers before the advent of co-operative societies organised themselves in groups and worked in turns in each others' farm. This practice is known as *Gayya* by the Hausa; *Ngo-oru* by the Igbo and *Aro* by the Yoruba.

The Cocoa farmers in cocoa growing areas of Nigeria formed the following pre-co-operative societies:- Agege Planters Union (1907), Egba Farmers™ Association (1910) and Ibadan Agricultural Society (1904).

The foundation for farmers co-operative was laid in 1922 when the Department of Agriculture established cocoa houses where farmers were educated on the best way to prepare good quality cocoa. Major F.F.G. Haig was made the first registrar of co-operatives on February 6, 1936 for Gbedun Cocoa sales, and it was registered on August 19, 1937 as the first Co-operative Society in Nigeria. By 1952 when Nigeria had three regions, each region had its own co-operative societies based on Co-operative Societies™ ordinance of 1935.

When the Federal Department of Agriculture Co-operatives in the Federal Ministry of Agriculture was created, other co-operative matters continued to be handled by the Federal Ministry of Employment, Labour and Productivity. Presently, all Agricultural and Rural Co-operatives are being looked after by the Federal Ministry of Agriculture while all National Apex Organizations and Labour Union are handled by Federal Department of Employment, Labour and Productivity.

Today, in Nigeria, co-operative societies are found in the areas of agriculture, industry, housing, banking and insurance.

12.5 Types

The followings are some of the various types of co-operative societies in Nigeria:

- (a) **Consumer Co-operative Societies:** These buy goods in bulk and resell to members thereby eliminating the middlemen. For instance, farm inputs could be bought and resold to members of the co-operatives. In the same manner household goods and foodstuffs could be bought and resold to members. The small profits realized on such sales are shared out as dividends on the basis of purchases made at the end of the accounting period.
- (b) **Producer Co-operative Societies:** This group is an association of producers formed to market members' product. Examples of such are cocoa, groundnuts and cotton co-operative societies. Each member must sell to the society. This ensures wide and efficient marketing of members' products. Any profit made is shared among members according to their patronage.
- (c) **Co-operative Wholesale Societies:** These are associations of wholesalers, manufacturers and retailers who come together to produce or manufacture goods that are distributed to retail co-operative societies from their factories and plantations. Profits are distributed to the retail societies in proportion to their purchases.
- (d) **Retail Co-operative Societies:** These are individual co-operative retailers who sell goods bought from the wholesale co-operative Society and retail to consumers or other retailers who will deal in groceries, meat, etc.
- (e) **The Thrift and Credit Co-operative Societies:** The thrift and credit co-operative societies play dual roles. They encourage their members to save, that is, providing saving facilities to members, and they also function as financial institution; by making the savings available as loans to members at low interest rates, or no interest at all in some cases.

Thrift and credit society also provide the following for their members:

- (i) They serve as guarantors to their members who enter into hire-purchase contract or deferred payments agreements.
 - (ii) They help to increase their members standard of living as they empower them economically through the soft loans granted to them.
 - (iii) Socially, they encourage friendly relationship among their members.
- (f) **Multi-Purpose Co-operatives society:** This society engages in more than one economic activity, e.g. a co-operative society can engage in retailing, manufacturing and agricultural goods. All other administrative principles of the co-operative societies, e.g. profit sharing would follow.

12.6 Advantages and Disadvantages of Co-operative Societies

Advantages

- (i) *Low Cost of Goods:* They buy large quantities of goods directly from producers and then sell at lower retail prices to their members.
- (ii) *Charitable Donations:* Some co-operative societies donate some parts of their profits to charitable organizations like motherless babies home, orphanages, etc.
- (iii) *Provision of special Facilities to Members:* They make some special facilities available to their members such as storage, transportation, joint marketing of products, special discounts etc.
- (iv) *Provision of Educational Facilities:* There is also provision of educational facilities for members and members' children.
- (v) *Improving Members Standard of Living:* They also provide improved standard of living through higher and stable income.
- (vi) *Encouraging Thrift among Member:* They encourage thrift by providing facilities for saving money.
- (vii) *Providing Loan Facilities:* Co-operative banks are set up in different parts of the country in order to assist farmers and other members to secure loans.
- (viii) *Commands Members' Loyalty:* The practice of sharing dividends on basis of patronage helps in sustaining members' loyalty.
- (ix) *One Man One Vote Principle:* The Co-operative Societies are usually run on democratic principles with each member having one voting right irrespective of the number of shares he holds.
- (x) *Savings in Advertisement:* There is no need to waste money on advertisement in order to keep members' loyalty. The members' loyalty is sustained by the overwhelming interest and involvement of members in the management of the societies.

Disadvantages

- (i) *Management by Amateurs:* There is lack of rapid progress because those in charge of running the societies do not necessarily have expert management skill.
- (ii) *Limited Opportunities for Training and Advancement:* The Co-operative cannot always have the means to appoint skilled managers.
- (iii) *Government Interference:* Sometimes their operations might be rudely interfered with by the government of the day if they do not support government policy.
- (iv) *Financial Inadequacy:* Financial problems often restrict expansion of co-operative societies as it is often difficult for small societies to raise capital.

- (v) *Incessant Demand for Loans from Members*: Because members continually seek for financial assistance, the little available capital is over-stretched.
- (vi) *Members' Illiteracy*: Most of the members do not understand the principles of the co-operative societies and therefore do not appreciate their rights and obligations.
- (vii) *Lack of Interest of Members*: Membership maximum active interest in the society's operations is hampered by the wide geographical distribution of members who sometimes care very little as long as dividend keep coming in.
- (viii) *Distributors rather than Producers*: Most co-operative societies are distributors rather than producers of goods whereby they even engage in the distributions of their competitors.
- (ix) *Embezzlement of Funds*: There is usually a die spread misappropriation of funds in an environment where business activities are devoid of proper accounting policies and adequate auditing procedures.
- (x) **Too Large Membership**: The fact that their share registered books are never closed means they welcome all sorts of members including those that have nothing meaningful to contribute to the society.

Summary

Co-operative societies are formed by a group of people who wish to produce or distribute goods for the benefits of members. They can also exist for the pooling of their small savings together through which small loans at very low interest rates are made to their members.

There are many types:

- i. Consumer Co-operative - mainly buying and selling goods to members.
- ii. Producer Co-operative - producing and distributing to co-operative societies' shops.
- iii. Thrift and credit Co-operative - mobilizing members' savings to loan back to members to finance their business.
- iv. The Multi-purpose Co-operative societies - these engage in more economic activities, e.g. retailing agricultural products as well as manufactured goods.

Revision Questions

A. Essay Questions

1. (a) Discuss the problems of the co-operative societies in Nigeria.
(b) Suggest likely remedies for some of the problems.
2. Explain the functions of any FOUR of the following types of Co-operative Societies:-

- a. Consumer Co-operative Societies.
 - b. Producer Co-operative Societies.
 - c. Wholesale.
 - d. Thrift and Credit Co-operative Societies.
 - e. Multi-purpose Co-operative Societies.
3. (a) State four characteristics of a Co-operative Society.
(b) Mention and explain three types of Co-operative Society.

WASSCE 2003

4. (a) State 6 advantages of the Co-operative Society.
(b) 5 problems associated with the management of the Co-operative Society.
(c) 4 disadvantages of the Co-operative Society.

SSCE 1992

B. Objective Questions

1. Which of the following has no limit to its membership?
- A. Ordinary Partnership.
 - B. Private Limited Company.
 - C. Limited Partnership
 - D. Co-operative Society.

WASSCE 2002

2. In which business is profit shared amongst the shareholders on the basis of patronage?
- A. Co-operative Society.
 - B. Joint Stock Company.
 - C. Partnership
 - D. Public Company
 - E. Sole Proprietorship.

NECO (SSCE) 2001

3. Which of the following grants loan to member without stringent collateral security?
- A. Commercial banks.
 - B. Mortgage banks.
 - C. Savings banks.
 - D. Thrift Societies.

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4. Profits made by a co-operative society are referred to as:
- A. gross profit.
 - B. bonus.
 - C. surplus.
 - D. dividend.

WASSCE 2000

5. A retailer co-operative society aims at
 - A. hoarding manufactured goods.
 - B. cutting off the profits of middlemen.
 - C. lending money to members at low interest rates.
 - D. encouraging members to save money.

JAMB 2002

6. One major advantage of a thrift and credit co-operative is that
 - A. there are no legal restrictions.
 - B. each member has a vote during meetings.
 - C. it can approach government for a loan.
 - D. it encourages saving habits.

JAMB 2001

7. One major characteristic of thrift and credit union societies is that
 - A. the contribution of every member depends on the members ability.
 - B. a minimum of ten people in the same line of business can form the union.
 - C. the legal processes involved in their formation are rigid.
 - D. membership is compulsory to people in the same line of business.

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8. Some of the advantages of co-operative society are
 - A. encouragement of savings.
 - B. democratic in management of meetings.
 - C. members benefit from low prices of goods.
 - D. managers lack administrative and expert knowledge.

SSCE 1992

9. Four problems of co-operative societies are
 - A. high rate of embezzlement.
 - B. insufficient capital.
 - C. membership is open to any interested persons.
 - D. weak management.
 - E. all of the above

SSCE 1992

10. The one business organisation where dividends are shared among members on the basis of patronage is:
 - A. Commercial Bank.
 - B. Co-operative.
 - C. Merchant Bankers.
 - D. Stock Exchange Market.
 - E. Public Cooperations.

Project

1. Make a list of all the co-operative societies in your locality.
2. Make a visit to at least two shops of co-operative societies in your locality and write out the goods being sold or stocked. Compare their prices with those of other retailers.