

**COURSE
GUIDE**

**ARD 308
PRINCIPLES OF COOPERATIVE PRACTICES (2 UNITS)**

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INTRODUCTION

Welcome to ARD 308: Principles of Cooperative Practices which is a two credit unit's degree course for students who have registered for Bachelor of Agriculture (B. Agriculture.) Agricultural Economics and Agrobusiness. The course will be useful to you in your academic pursuit, as well as in your workplace as agribusiness or farm managers and administrators. Other students who may desire to know about how to form and sustain a well managed cooperation among people of similar interest would find this course very helpful.

Cooperative Society can be defined as an organization wherein people voluntarily associate together as human beings, on the basis of equality, to promote common economic interest of themselves. There are many types of cooperative societies; depending on the common interest of members and the set objectives of the society. Cooperatives, like other business organization is aimed at maximizing gain from their business activities in order to improve the welfare of the business owner(s). The peculiarity of cooperative business is that members of a society are equally the owners of every business venture of the society. Cooperators derive a lot of benefits from the activities of their society, however, there are few problems associated with cooperatives. In order to attain good management in cooperatives, the guiding cooperative values and principles that curtail the activities of individual member within the society are regarded as the foundation upon which the cooperatives are built. Also, there are cooperative bye laws put in place to ensure smooth management of the society. The Director of Cooperative Services, in each state of the federation, is the government representative empowered by law to register, monitor, audit, inspect, discipline and liquidate cooperative societies. This course therefore, would provide you the essential knowledge on principles of cooperative practices.

COURSE CONTENTS

This course guide is meant to provide you with necessary information about the course, the nature of the materials you will be using and how to make the best use of the materials towards ensuring adequate success in your programme, as well as the practice of cooperative management. The course consists of modules which are subdivided into units. Also included in this course guide are information on how to make use of your time and how to tackle the tutor-marked assignments (TMAs) which will be made available in the assignment file.

COURSE AIMS

The main aim of the course is to equip you with adequate information on principles of cooperative practices to enable you acquire sufficient knowledge to manage and advise cooperative societies. The course also aims at making you have a greater appreciation of the role of cooperative societies in agricultural development and more importantly, the benefits of cooperatives to farmers' welfare.

COURSE OBJECTIVES

For the purpose of achieving the aims set the course has a set of objectives. Each unit has specific objectives which are usually included at the beginning. You should read these objectives before you study the unit. You may wish to refer to them during your study of the unit to check your progress. You should always look at the unit objectives after completing each unit. By doing so, you would be able to locate your level of attainment of the objectives of the unit.

Below are the comprehensive objectives of the course as a whole. By meeting these objectives, you should have achieved the aims of the course as a whole. After going through this course, you should be able to:

- Explain the meaning of cooperatives
- Describe the structure of cooperative societies
- Understand history of cooperatives
- Identify types of cooperative societies
- Explain cooperative as a form of business
- Discuss motive and survival of cooperative societies
- State advantages and disadvantages of cooperatives as compared to other businesses.
- Mention benefits and limitations of agricultural cooperatives.
- identify cooperative as agribusiness ventures
- Explain cooperatives' principles and Values
- Identify cooperative books, records and finances
- Describe cooperative management

WORKING THROUGH THIS COURSE

For you to complete this course successfully, you are required to read the study units, reference books, and other resources that are related to the unit which may be provided by the National Open University of

Nigeria. Each unit contains self assessment exercises and also Tutor Marked Assignment (TMA) which is to be done immediately and submitted to your tutorial lecturer/course facilitator for assessment. You will write a final examination upon your completion of the course. The course should take you about a total of seventeen weeks to complete. Listed below are all the components of the course.

COURSE EVALUATION

Every unit of this course has an assignment known as Tutor Marked Assessment (TMA) attached to it. You are required to keep an assignment file. After every unit the assignment should be done. At the end of the course, the evaluation shall be as follows:

Assignment – 30 % Examination – 70%
Total =100%

Out of all the four Tutor Marked Assessment you will do, the best three will be selected to make up to 30% of your assessment. The examination at the end of the course shall cover all aspect of the course which would be 70%.

COURSE MATERIALS

The main components of the course are:

- The Course Guide
- Study Units
- Tutor Marked Assessments

STUDY UNITS

In this course, we have discussed the topic of the course content titled Principles of Cooperative Practices under different topics. Based on this, the following units have been designed for the course.

Module 1 Evaluation of Cooperatives especially farmer, marketing and Purchasing cooperatives

Unit 1	Meaning of Cooperatives
Unit 2	Structure of Cooperatives
Unit 3	History of Cooperatives
Unit 4	Types of Cooperative Societies

Module 2 Cooperative as a form of business; purpose and advantages of cooperatives in agriculture as compared to other businesses

- Unit 1 Cooperative as a form of Business
- Unit 2 Motive and Survival of Cooperative Societies
- Unit 3 Advantages and Disadvantages of Cooperatives as compared to other businesses.
- Unit 4 Benefits and Limitations of Agricultural Cooperatives.
- Unit 5 Cooperative Agribusiness ventures

Module 3 Principles and operating techniques essential for successful cooperative activities, limitations and possibilities for cooperatives in Nigeria

- Unit 1 Cooperatives and its Values
- Unit 2 Cooperative Principles and Operation Guidelines
- Unit 3 Cooperative Books and Records
- Unit 4 Loan Management
- Unit 5 Cooperative Finance
- Unit 6 Cooperative Financial Statement

Module 4 Management of Cooperatives

- Unit 1 Functions of Cooperative Management
- Unit 2 Cooperatives Meetings
- Unit 3 Leadership Styles in Cooperative
- Unit 4 Cooperative Inspection
- Unit 5 Cooperative Audit
- Unit 6 Cooperatives Liquidation and Dissolution

The course is divided into four modules that are made up of a total of twenty one (21) units. Each unit consists of an introduction, objectives, the main content, self assessment exercises conclusion, summary, tutor-marked assignment (TMA), references and other resources.

THE PRESENTATION SCHEDULE

Specific dates for particular activities, such as submission of assignment (TMAs), tutorial schedules and examination dates shall be made available to you by the School Authority. This will enable you plan your activities in the same line. The method of submitting your assignment and receiving other course materials shall be stipulated and

communicated to you at the appropriate time. You should endeavour not to be falling behind the schedule whenever it is given.

TUTOR-MARKED ASSIGNMENTS(TMA)

In doing the Tutor-Marked Assessment, you are to apply what you have learnt in the contents of the study units. These Tutor-Marked Assessments which are many in number are expected to be submitted to your Tutor for grading. They constitute 30% of the total score for the course.

Your answers should be hand-written by you and should be concise. Leave a margin of 1.5 inches of the side and about 5 lines before the answer to the next question for tutorial facilitator's comments. Currently, it should be noted that all TMAs are now online and no more handwritten.

FINAL EXAMINATION AND GRADING

At the end of the course, you will write the final examination. It will attract the remaining 70%. This brings the total score to 100%.

Utilize the time between finishing the last unit and sitting for the examination to revise the whole course. You might find it useful to review TMAs and comment on them before the examination. The end of course examination covers information from all parts of the course.

HOW TO GET THE MOST FROM THIS COURSE

1. In distance learning, the study units replace the university lecture. This is one of the great advantages of distance learning: you can read and work through specially designed study materials at your own pace and at a time and place that suits you best. Think of it as reading the lecture instead of listening to the lecturer. The study units tell you what you should know and the text materials or recommended books.
2. Each of the study units follows a common format, the first item is an introduction to the subject matter of the unit, and how a particular unit is integrated with the other units and the course as a whole. The next to this is a set of learning objectives. These objectives let you know what you should be able to do, by the time you have completed the unit. These learning objectives are meant: to guide your study. The moment you finish reading a unit, you must go back and check whether you have achieved the objectives. If you make this a habit, then you will significantly improve your chances of passing the course.
3. The main body of the unit guides you through the required reading from other sources. This will usually be either from your reference or from a reading section.

4. The following is a practical strategy for working through the course. If you run into any trouble, telephone your tutor or visit the study centre nearest to you. Remember that your tutor's job is to help you when you need assistance. Do not hesitate to call and ask your tutor for help.
5. Read this course guide thoroughly, it is your first assignment.
6. Organize a study schedule- design a course overview to guide you through the course. Note the time you are expected to spend on each unit and how the assignments relate to the units. Important information (e.g. details of your tutorials and the date of the first day of the semester) is available at the study center. You need to gather all information into one place, such as your diary or a wall calendar. Whatever method you choose to use, you should decide on a work schedule and write in your own dates and schedule for each unit
7. Once you have created your own study schedule, do everything to stay faithful to it. The major reason students fail is that they get behind with their course work. If you get into difficulties with your schedule, please let your tutor know before it is too late for help.
8. Turn to Unit 1 and read the introduction and the objectives for the unit.
9. Assemble the study materials. You will need your references and the unit you are studying at any point in time.
10. Visit your study centre whenever you need up to date information.
11. Well before the relevant due dates (about 4 weeks before due dates) visit your study centre for your next required assignment. They have been designed to help you meet the objectives of the course and therefore, will help you pass the examination, Submit all assignments not later than the due date.
12. Review the objectives for each study unit to confirm that you have achieved them. If you feel unsure of any of the objectives, review the study materials or consult your tutor. When you are confident that you have achieved a unit's objective you can start on the next unit., proceed unit by unit through the course and try to space your study so that you can keep yourself on schedule.
13. When you have submitted an assignment to your tutor for marking, do not wait for its return before starting on the next unit. Keep to your schedule. When the assignment is returned, pay particular attention to your tutor's comments both on the Tutor Marked Assignment form and the ordinary assignment.
14. After completing the last unit, review the course and prepare yourself for the final examination. Check that you have achieved

that unit's objective (listed at the beginning of each unit) and the course objectives (listed in the course Guide).

FACILITATORS/TUTOR AND TUTORIALS

There are many ways of learning at a distance. You learn when you interact with the content in your course material just as a student interacts with the teacher in a conventional institution. You also learn when you are guided through the course. Though you are not taught the course, your course material is however your teacher and as such, you will not be able to get answers to any question which may arise from your study of the material. For this reason, apart from the course material which you have received, the delivery of this course is aided by tutorial facilitation and counselling support services. These services are not compulsory but you are encouraged to, maximally, take advantage of them.

A number of hours have been scheduled for this course, and they form a part of your learning process; you also have an opportunity to receive face-to-face interaction with your informal facilitator and to receive answers to questions or classifications which you may have. Also, you may contact your tutorial facilitator by telephone or e-mail.

As a learner at a distance, you are expected to prepare ahead of time by studying relevant study units, write your questions so as to gain maximum benefit from tutorial sessions. Information about the location and time schedule for facilitation will be available at your study centre.

Note that tutorial sessions are flexible arrangements between you and your tutorial facilitator. You will need to contact your study centre to arrange the time schedule for the sessions. You will also need to obtain your tutorial facilitator's phone number and e-mail address.

Tutorial sessions are optional, however; participating in them provides tremendous benefits because they provide a forum for interaction and group discussions which will maximise the isolation you may experience as an open and distant learner. This is the only chance you have to have a face to face contact with your course facilitator and to ask questions which he or she would answer instantly. You can raise any problem you encounter in the course of your study. To gain much benefit from course tutorials, prepare a question list before attending the classes. You will learn a lot from participating in the discussions. Your tutorial facilitator guides you by doing the following things.

- i. Providing answers to your questions during tutorial sessions on phone or by e-mail

- ii. Coordinating group discussions
- iii. Providing feedback on your assignments
- iv. Posing questions to confirm learning outcomes
- v. Coordinating, marking and recording your assignments/examination score(s)
- vi. Monitoring your progress.

English language is the language of instruction for this course. The course material is available both in print and on CD. It is also on the National Open University of Nigeria website. However, on your part, you are to prepare ahead of time by studying and writing your questions so as to maximally benefit from facilitation.

Information about the location and time of facilitation will be available at your study centre. This is a flexible arrangement between you and your tutorial facilitator. You should contact your tutorial facilitator whenever:

- i. you do not understand any part of the study unit;
- ii. you have difficulty with the self assessment exercises;
- iii. you have a question or a problem with an assignment, or your tutorial facilitator's comments on an assignment or with the grading of an assignment.

We wish you success in the course and hope that you will find it both interesting and useful.

Thank you.

**MAIN
COURSE**

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MODULE 1 MEANING, STRUCTURE, TYPES AND HISTORY OF COOPERATIVES

Unit 1	Meaning of Cooperatives
Unit 2	Structure of Cooperatives
Unit 3	History of Cooperatives
Unit 4	Types of Cooperative Societies

UNIT 1 MEANING OF COOPERATIVES

CONTENTS

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Definition of Cooperatives
3.2	Why Cooperation?
3.3	Cooperative Societies as a non-Governmental Business Organisation
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
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1.0 INTRODUCTION

The rationale behind the need for cooperation is the belief that activities can be more effectively and economically performed by a group rather than by an individual. Hence, Cooperation was the bed rock upon which Cooperatives was built. Therefore, the Cooperation among people who had common felt-needs and who could not individually compete with the economically stronger middle and upper class capitalists in Europe and Asia developed to Cooperatives. However, in the African setting, native (traditional) form of Cooperatives also developed from the common felt needs for mutuality beneficial assistance among individuals in performing financial and physical tasks which are of larger magnitude than what an individual can cope with. For instance in the South Western part of Nigeria, ‘_esusu’ which is a saving together arrangement, has the advantage of providing members with lump sums of money which can form a useful capital base for investment and other expenditure. This is extremely useful where it is difficult or impossible for an individual to raise enough capital for trade.

Similarly, "owe" - a working together arrangement, provides the labour force for a larger scale of production than would normally be produced by an individual.

Other Names for Cooperative Societies are Cooperative Institutions, Social Enterprise, Friendly Society, and Mutual Organizations.

2.0 OBJECTIVES

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

- Define Cooperatives;
- Identify the key elements of Cooperatives
- Explain the role of Government in Cooperatives;
- Discuss reasons why people go into cooperation.

3.0 MAIN CONTENT

3.1 Definition of Cooperatives

Cooperative, this is an English word obtained from two different words Co and Operate. Co means together with another or many others. If Co is used as a prefix to the word Operate it will give us a word, Cooperate meaning Work Together. From the word Cooperate we get our desired word Cooperative which means Willing to cooperate or work together. That is to say cooperative does not involve compulsion but free-will or personal desires of persons involved in it.

There are many definitions of Cooperatives in literature. All the definitions are the same in meaning irrespective of how they are worded. Let us consider some of the definitions: Cooperative can be defined as a business owned and controlled by the people who use its services. They finance and operate the business or service for their mutual benefit. By working together, they can reach an objective that would be unattainable if acting alone (Epetimehin, 2006).

Helm (1968) defines Cooperative Societies as a registered voluntary association of persons with membership not less than ten persons, with a common interest formed and operated along democratic principles, for the purpose of economic and social interests at least costs, to its members who contribute the capital and manage the business so established by delegating some powers to elected management.

A Cooperative can also be viewed as an autonomous association of persons united voluntarily to meet their common economic, social and

cultural needs and aspirations through jointly-owned and democratically controlled enterprises (ICA, 1994).

Cooperatives can be said to be a voluntary organization without gender, social, racial, political or religious discrimination. They are democratic organizations controlled by their members who actively participate in management decisions and policies (Birchall 1998).

International Labour Organization (ILO) has defined a cooperative as an association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organization making equitable contributions to the capital required and accepting a fair share of the risks and benefit of the undertaking in which the members actively participate.

Cooperatives can also be defined as institution within whose framework Cooperation or joint activities by people take place in a formalized, long term, deliberate aids, to a great extent, specific form in the social and especially economic spheres of human endeavour Chukwu (1990).

From the above explanations, a Cooperative Society can be defined in a simple language as an organisation wherein people voluntarily associate together as human beings, on the basis of equality, to promote common economic interest of themselves.

For the purpose of clarity let us consider some key words and phrases in the definition:

- i. Organisation
 - ii. Voluntary Association
 - iii. Human being
 - iv. Basis of Equality
 - v. Promotion of Common Economic Interest
 - vi. Themselves (the members)
- (i) Organisation: A cooperative Society cannot just exist unless a person or a group of individuals who knows its importance educates the neighbour or co-workers and makes efforts to bring them together to form a society. So it has to be organized by somebody who has a cooperative vision and knows its value in the community.
 - (ii) Voluntary Association: Although the formation of this society is to be initiated by a person or group of persons, yet membership must be voluntary. Interested persons join of their own free will. Cooperative Society must not be joined by or coercion,

membership should be flexible so that people can freely come in or withdraw when they feel like.

- (iii) **Human Beings:** Cooperative Society is expected to be a gathering of human beings, and not of animals. Only people with good characters and acceptable behaviour can practise the tenets of Cooperatives. Whenever a bad head is admitted in such society, its progress would be retarded. Therefore, a member of any Cooperative Society should not be selfish nor has ulterior motive to defraud others. Rather he should be considerate, always ready to help others so that he too could be helped through the spirit of cooperation
- (iv) **Basis of Equality:** This is to say that cooperative members are equal irrespective of their sex, age, status or position in the community, religious belief, tribe and so on. The fact that somebody has some assets more than other members in the society does not give him a control over them. It is a matter of one man one vote, even if one is an officer of the society. Any decision taken by the Committee members must be ratified by the General Meeting before it could be enforced. The General Meeting has the final say, not any individual.
- (v) **Promotion of Common Economic Interest:** The members should know that this is their common goal and should join hands together to achieve it. All members must make sure that none of them suffers economically. For example, in CICS and CTCS, loans are to be approved for productive purpose only. Members should not divert the loan to unproductive uses, but rather work hard to ensure repayment so other members can benefit. Cooperative Society members would not find things too hard even when the economy is bad if they are hardworking and loyal to their society. On the other hand, Committee members should know the financial condition of any member when he applies for a loan, and they should counsel him properly on the proposed investment in order to avoid bankruptcy.
- (vi) **Themselves (i.e the members):** As many people as have willingly joined a Cooperative Society should enjoy its benefits. Though the benefits may affect the neighbourhood positively yet these benefits are initially meant for the members.

SELF-ASSESSMENT EXERCISE

- i. Define Cooperatives
- ii. Itemize key words in your definition

3.2 Why Cooperation?

There are many reasons why people go into cooperation, you may probably ask yourself such question as ‘Why do I cooperate with others to achieve certain goals?’ The answer to this question is found in the essence of Cooperatives. According to Adelaja (1996), cooperation between individuals has the following essence:

- (i) The desire to improve individual socio-economic position, and expectation of increased socio-economic benefits;
- (ii) The desire to increase returns on factors of production through more efficient utilisation and the adoption techniques
- (iii) The belief that one is more secured socio-economically under the umbrella of a group/co-operative;
- (iv) The urge to tap economics of scale
- (v) The urge to maximize services rendered through cooperation with others - production, storage, marketing etc
- (vi) The urge to render more mutual and selfless services to the immediate community
- (vii) The urge to overcome individual shortcomings and weaknesses
- (viii) The urge to effect some corrections in current market tendencies through collective action which lends greater negotiating/bargaining power to the group
- (ix) The urge to supplement/complement Government efforts at providing welfare infrastructure and services and this further attract Government favours
- (x) The urge to spread business risks and reduce individual losses in case of any business failure
- (xi) The urge to research and tap the fruit of researches which could be expensive or be out of reach of individuals.

SELF-ASSESSMENT EXERCISE

Mention ten reasons why people go into cooperation.

3.3 Cooperative Societies as a Non-Governmental Business Organisation

Cooperative society has always been formed and run by individuals within the society who have common interest. In advance countries like USA, Isreal and Europe; the responsibility of forming and running a Cooperative society is solely lies on the members of the public. Government only register the societies, just like any other business, and provide them with enabling environment in order to thrive well.

Although in Nigeria members of the public, like what happen in the advance countries, form and run the Cooperatives. They are also solely responsible for the finance, management, control and decision making of the Cooperative. They are non-governmental organisation. Unlike the advance countries, Government induces and mobilise people to form Cooperatives. Beyond formation, through the ministry of Community Development and Cooperatives, government officials advise, register, educate and control the members to enable them run the societies well; government plays supervisory role.

Whenever there is any mismanagement, misappropriation of fund by some enemies of Cooperation, Government officers are duly bound to descend on the perpetrators heavily. This may result to suspension of corrupt committee members and forceful recovery of loans from defaulted members.

4.0 CONCLUSION

In this unit, which is our very first one, we have discussed how people voluntarily associate within a framework called Cooperatives, relate on equal basis and engage in activities that will promote their common economic interest as well as improve individual welfare. The association is financed solely by it members; it is nongovernmental.

5.0 SUMMARY

During the course of this unit, we have learnt about the definition of cooperative, the role play by Government in Cooperative formation and management, we also studied classes of Cooperative Societies as well as Cooperative organisational structure.

6.0 TUTOR-MARKED ASSIGNMENT

1. Briefly explain the following:
 - i. Cooperatives
 - ii. Cooperative Societies as a non Governmental Business Organisation
2. Enumerate the essentials of cooperatives.

7.0 REFERENCES/FURTHER READING

Adelaja, M. A. (1996). Cooperative management and supervision in Oludumu. O.L and

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UNIT 2 STRUCTURE OF COOPERATIVES

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- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Structure of Cooperative Societies
 - 3.1.1 Classification of Cooperatives
 - 3.1.2 Organizational Structure of Cooperatives
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

When considering the structure of cooperative societies in Nigeria, you would be put through different cadre of societies such as primary, secondary and tertiary organizations. You will also learn how these organizations link together, either by function, area of operations, sector of the economy they belong and so on.

2.0 OBJECTIVES

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

- Distinguish different classes of Cooperative Societies;
- Organisational structure of Cooperative Societies.

3.0 MAIN CONTENT

3.1 Structure of Cooperative Societies

When considering the structure of cooperative societies in Nigeria, we shall consider different classes of Cooperative Society and Organizational Structure of Cooperative Societies

3.1.1 Classification of Cooperatives

There are many ways you can classify cooperatives. The best way to categorize is by basing it on one major criterion at a time. You need to read carefully as we classify Cooperatives based on the following criteria:

- (a) **Classification according Legal status of the Cooperatives**
 You can categorize Cooperative on legal status by checking by examining certain indicators.
- (i) **Registered Cooperatives:** These are Societies that have been formally registered with the appropriate legal authorities.
 - (ii) **Unregistered Cooperatives:** These are Societies which, unlike the registered ones, have not been formally registered with the appropriate legal bodies.
- (b) **Classification according to the Type of Liability**
- (i) **Liability limited by shares:** the joint liability of the member in the event of liquidation is limited to the value of the shares held by the member irrespective of any other outstanding debts of the cooperative
 - (ii) **liability limited by guarantee:** the joint liability of the member is limited not simply to the value of the shares held by the member, but to the value of a specified and mutually agreed multiple, (e.g. 5 times) of the value of shares held. The member thus agrees to lose not only the value of the shares held, but also guarantees further payments to the tune of additional five times the value of shares held by him as a maximum, irrespective of any other debts of the co-operative still outstanding
 - (iii) **Unlimited liability:** the liability of the member (jointly and severally) is not limited beforehand to any specific amount and, furthermore, each member can be individually held liable for all the outstanding debts of the cooperative. This can mean loss of all the assets of the individual member held both inside and outside the co-operative. Although the extent of this form of liability can be said to be "limited" to the total size of the outstanding debts of the co-operative, in the sense referred to here, whereas the limit of the material/monetary value of the liability is known before hand in the first two cases, this is not so in this case.
- (c) **Classification according to Area Covered**
 Cooperatives can also be classified according to level of cooperation or area covered as primary cooperative and secondary cooperatives.
- i. **Primary Cooperatives** are the cooperatives in the rural areas.

- ii. **Secondary Cooperatives** are the Cooperatives that cover larger areas than the Primary Cooperatives. Secondary Cooperatives are divisible into the tiers explained below:

The first, second, third and fourth tiers of Secondary Cooperatives cover the districts, regions or states, nations and international geographical boundaries respectively.

(d) **Classification according to Purposes**

Cooperatives can also be classified according to the types of functions they perform. Base on this we have Single Purpose Cooperatives and Multi-Purpose Cooperatives.

- i. **Single Purpose Cooperatives** are the cooperatives formed to perform specific duties. For example Agricultural produce cooperatives, Agricultural supply cooperatives, and Agricultural Marketing Cooperatives.
- ii. **Multi-Purpose Cooperatives** are the cooperatives that perform more than one functions. An example of Multi-Purpose Cooperatives is Credit, Thrift and Multi-Purpose Cooperative Societies; and Cooperative Banks.

(e) **Classification by Function**

- i. **Service Cooperatives:** These are societies responsible for procurement, marketing and expansion services, loan disbursement, sales of consumer goods and members' education.
- ii. **Producer Cooperatives:** The producer cooperatives objectives are to promote the use of modern technology and contribute to national development through production.

(f) **Sector of the National Economy:** This classification is based on the sector of the economy in which the cooperatives are engaged.

- i. **Agricultural Cooperative:** All Cooperatives that engage in activities within agricultural sector.
- ii. **Industrial Cooperative:** These societies engage in small-scale Industrial sub-sector.
- iii. **Trading/Wholesale/Retail Cooperative:** These societies engage in the trading sector of the economy.
- iv. **Service Cooperative:** They engage in the service sector e.g Banking, Health etc

- (g) **Cooperatives by ownership structure**
- (i) **Centralized cooperatives:** Centralized cooperatives are owned directly by their members and are typically local with a single branch. Many cooperatives in Nigeria are centralized cooperatives. State and national cooperatives may also be centralized, although it is not as common. Larger centralized cooperatives may have several branches or retail outlets but operational control and authority are centralized at the headquarters of the cooperative.
- (ii) **Federated cooperatives:** A federated cooperative is a cooperative owned and controlled by other cooperatives. Local cooperatives elect, through their board or elected delegates, the board of the federated state/national cooperative. Board directors at the state level typically represent geographic districts weighted by the number of local cooperatives in a given area.
- (iii) **Hybrid cooperatives:** Some large cooperatives have both centralized and federated features. In these cooperatives, called combination or mixed, both individuals and autonomous cooperatives are direct members.

SELF-ASSESSMENT EXERCISE

Distinguish between the following:

- i. Single purpose and multipurpose Cooperatives
- ii. Service cooperatives and Producer Cooperatives
- iii. Limited liability by share and Limited liability by guarantee

3.1.2 Organizational Structure of Cooperatives

Organizational Structure of Cooperative Societies means the arrangement of the components or membership of cooperative societies in Nigeria in order of superiority.

- (a) **Primary Cooperative Societies**
- Members of primary Societies are individuals who have decided to become members in the organisation voluntarily. They appear in two forms. One form is a situation whereby the individual members already has his/her individual enterprise or business. Such member use the services render by the Cooperative to expand his/her existing business. Example of such benefits includes giving loans, advice and supplying farm input to members.

The other form is a situation whereby the members collectively or jointly run a business enterprise and the benefits derived from this is for the members in general or as a group. Example of this could be found when members of a society engage in collective farming. Examples of Primary cooperative Societies are Farmers Cooperative societies, Consumer Cooperative societies, Cooperative thrift and Credit Societies e.t.c. For Primary Societies to be able to carry out above-mentioned functions, they must be financed by their members.

(b) Secondary Cooperative Societies.

Members of Secondary Cooperative Societies are corporate bodies or primary cooperative societies. When Primary societies join together, they become an association which may affiliate to a secondary society or a union. The union renders services to primary Societies as primary Societies render services to individuals. Such services that are rendered to primary societies by secondary ones include among others, giving advice, loans, grants, keeping the books and records of primary societies affiliated to them. Secondary Cooperative Societies are financially supported by their affiliated primary societies.

(C) Tertiary Cooperative Societies or Apex Organisation.

Secondary Societies or Unions form Tertiary Cooperative societies. An Apex Organisation is formed to render better services to Secondary Societies. Areas where Tertiary societies useful to Secondary Societies include promotion of education, representing the affiliates nationally and internationally, linking with the government and so on.

There are three types of Apex Organisations. The first type is the national apex Organisation. Examples of this are the Cooperative Federation of Nigeria (CFN), and National Association of Cooperative Credit Union of Nigeria (NACCUN). The second type is the regional Apex Organisation. Examples of this are: Cooperative Supply Association (CSA), Association of Nigerian Cooperative Exporters (ANCE). The Third type is the State Apex Cooperative Organisations. Examples are state Cooperative Federation like Lagos State Cooperative Federation, Ogun State Cooperative Federation, Federation of Kano State Cooperative e.t.c.

SELF-ASSESSMENT EXERCISE

Name the three tiers in cooperative organizational structure

4.0 CONCLUSION

In this unit, which is second one, we have discussed generally the structure of Cooperatives. We also discussed the various components of Cooperatives and identified the key elements in the definition. We also compared the role play by Government in developed and underdeveloped countries in formation and management of Cooperatives. Methods of classifying Cooperatives was also discussed in order to be able to categorize Cooperatives. Primary, Secondary and Tertiary Cooperative Societies and how they related in hierarch and function were also discussed

5.0 SUMMARY

During the course of this unit, we have learnt about the definition of cooperative, the role play by Government in Cooperative formation and management. We also studied classes of Cooperative Societies as well as Cooperative organisational structure.

6.0 TUTOR-MARKED ASSIGNMENT

1. Mention various classes of Cooperative Societies
2. Distinguish between the Primary, Secondary and Tertiary Cooperative Societies in Nigeria.

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UNIT 3 HISTORY OF COOPERATIVES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Origins of the Modern Cooperative
 - 3.2 Historical Background of Nigerian Cooperatives
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

Co-operatives had existed in various forms in all parts of the world since man started to live in groups. Man had learnt to co-operate with others with whom he lived to carry difficult physical or financial burdens together to reduce the weight on individuals. Evidences of such forms of co-operation existed in ancient Rome, China and Greece during the early times, the Middle ages, the Christian era, the Islamic era, and in recent history.

In Nigeria, indigenous forms of co-operation have existed and survived to the present day under different names. In Yoruba land, some forms of co-operation are called "Owe" and 'aaro' which are co-operative forms used to share physical work burdens among the members. Other forms are called "ajo" or "esusu" or —Adashil in which members co-operate to solve financial problems together.

But these forms of mutual assistance are not cooperatives in the strict sense of the word. Since they are based on reciprocity (you help me today and I help you tomorrow), they may be called "mutuals". They are pre-literate, informal, fragile and temporary activities. They are not project-oriented. They are not permanent institutions for the regular production of goods and services. They are not registered! They have no written bye-laws or accounting records. They have no capital investment, no recurrent expenditure, and no permanently hired staff.

On the other hand, modern co-operatives are formal, contractual organizations engaging in business undertakings in which men, money and materials are employed on a permanent basis for the production of goods and/or services. They are registered in law and based on sound principles and written records. Modern co-operatives are essentially business enterprises.

2.0 OBJECTIVES

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

- Discuss the history of the modern Cooperatives
- Describe the development of Cooperatives in Nigeria

3.0 MAIN CONTENT

3.1 Origins of the Modern Cooperative

A fire insurance cooperative was organized in the UK in the early 1700s. In France, around 1750, a group of cheese makers gathered to form a cooperative, undoubtedly the first consumer cooperative in the developed world. During this period, there were some attempts to initiate cooperative banking or credit institutions in Germany. By 1830 there were 300 cooperative societies officially recognized in the UK, and the first Congress of Cooperatives met in the UK in 1831. One of the first known cooperatives in the United States was the Philadelphia Contributorship, a mutual insurance company founded in 1752 by Benjamin Franklin. Contributorships were companies owned in equal shares by a large number of business people, merchants and professionals to indemnify each other in case of fire and other natural catastrophes which had plagued the large cities in Europe and in the New World.

Also in the mid-eighteenth century, a group of French, English, and German social and political activists designed and initiated a number of cooperative communities.

Phillipe Buchez, Etienne Cabet, and Francois Marie Charles Fourier in France experimented with cooperative communities founded mostly on utopian principles. Later Robert Owen and William Thompson, social reformers in Britain, both tried their hands at organizing cooperative communities. Hans Crüger in Germany wrote and worked on cooperative ideals with the strong conviction that society ought to be designed not with self-interest as its base but with faith in the —ideal goodl in human nature. In 1825 Owen established his ideal utopian community of New Harmony, Indiana, in the US. Even though New Harmony failed, probably due to financial mismanagement, the idea caught on and cooperatives were formed by the thousands.

In 1844, toward the end of the industrial revolution and almost 100 years after the first fire insurance and cheese making cooperatives were formed, a group of 28 weavers in the industrial town of Rochdale, England, established a small cooperatively owned store that sold a few

necessities and, later, entire shelves of weavers' supplies, food, and agricultural products. Spurred on by having been relieved of their jobs by their local manufacturing company and after an unsuccessful strike, the 28 weavers pooled 140 British pounds and began purchasing oatmeal, sugar, butter, and flour. They codified their experience in the —Rochdale Principles of Cooperation‖ that have been amended over time and are now the —Principles of the International Cooperative Alliance (ICA)‖ and became the foundation for modern day Cooperative Societies.

3.2 Historical Background of Nigerian Cooperatives

The foundations of Co-operative organization in Nigeria are generally thought to have been laid in the period between the first and-second World wars, and more especially in the mid - 1930s, with the passing, by the colonial administration of the co-operative societies ordinance of 1935. However, prior to this, there had been successful attempts, not only by the colonial government but also by indigenous groups, to form what might be regarded in some cases as 'pre-cooperative societies'.

Prominent among the early indigenous groups were the Ibadan Agricultural Society (1904), the Agege Planters' Union (founded in 1907) and the Egba Farmer's Association (1910). These organisations were founded, in the major cocoa growing areas of Nigeria, wholly independent of government support or initiative.

The period 1935 marked a major era in the development of the Nigerian Co-operative. In that year, the co-operative ordinance was enacted and the movement became formalized and consolidated. The Nigeria Co-operative Ordinance of 1935, and the Regulation which followed in 1936, have formed the basis for Co-operative development in Nigeria until the present time. The ordinance created a specialised branch of the secretariat knowledgeable on co-operative matters. The branch is headed by the Registrar of Co-operative Societies who is conferred with considerable executive power over societies. The Registrar of Co-operative Societies could register, audit, inspect, hold inquiries on, settle disputes among Co-operatives. He could also liquidate unsuccessful registered Co-operatives.

In addition, the ordinance gave the co-operative societies that achieved registration under the ordinance a legal entity, thus safe guarding their own interest and those of the public business transactions in which the societies were involved.

Major Haig, the first Registrar of Co-operative Societies for Nigeria, established the Co-operative office at Moor Plantation, Ibadan, with a

small number of Nigerian Staff and he took over from the Department of Agriculture the Supervision of the Societies. The first task of the new Registrar was to re-organise the cocoa farmers' societies and the Ibadan Union. Besides, the two major objectives originally aimed at were the improvement in the quality of cocoa and market reform. Other objectives, included: the establishment of a sound credit system, the encouragement of savings deposit by members and the fostering of Co-operative spirit in the societies. The second task of the Registrar was to bring the societies under the protection of the law. Thus, in August 1937, the Gbedun Co-operative Cocoa Sales Society became the first primary society to be registered, while the Ibadan Co-operative Cocoa Marketing Union became the secondary society to be registered in February, 1937. By 1943, the First Co-operative Training Institute in the Western part of the country, the Federal Co-operative College, was established in Ibadan.

SELF-ASSESSMENT EXERCISE

- i. Relate the association of 28 weavers in Rochdale, England, 1844 to the modern day cooperatives.
- ii. List the functions of the first Registrar of Cooperative in Nigeria

4.0 CONCLUSION

This unit has provided an understanding of the origin of the modern day Cooperatives. We have learnt that although different forms of Cooperation existed in Nigeria since undated past but the modern forms of co-operatives started in England in 1844 when the poor faced very serious economic hardship, and a group of 28 craftsmen decided to come together to find ways of making their conditions better. The group later became known as the Rochdale Pioneer Society (RPS). They established regulations to guide their operations. These regulations soon evolved into ten principles which became the foundations of modern-day Co-operative societies.

5.0 SUMMARY

In this unit have been able to trace the origin of Cooperatives from the 1700s when the first formal Cooperative started, its development over the years, to the formation of the modern day Cooperatives. In 1844, we learned that a group of 28 weavers in the town of Rochdale, England, established a Cooperative. The Cooperative was guided by -Rochdale Principles of Cooperation which was later transformed to the modern day Cooperative principles.

6.0 TUTOR-MARKED ASSIGNMENT

1. Discuss the origin of the Modern day Cooperatives.
2. Describe the historical background of the Cooperatives in Nigeria.

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UNIT 4 TYPES OF COOPERATIVE SOCIETIES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Agricultural Cooperative Societies
 - 3.2 Produce and marketing Cooperative Societies
 - 3.3 Consumer Cooperative Societies
 - 3.4 Thrift and credit Cooperative Societies
 - 3.5 Industrial Development Cooperative Societies
 - 3.6 Multipurpose Cooperative Societies
 - 3.7 Marketing Cooperative Societies
 - 3.8 Cooperative Investment and Credit Societies
 - 3.9 Building and Housing Cooperative societies
- 3.10 Artisan/Salary Earners Cooperative Societies
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

In the previous units, you learnt that Cooperative is an association of people who use a common force to achieve a common goal in a democratic way. This association that is Cooperative is of various types. The formation of any kind of Cooperative therefore, depends on the various type of activities and interests of the people involved. While the interests form the basis of the class of each cooperative type, the human activities dictate the specific type.

2.0 OBJECTIVES

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

- Explain the types of Cooperative Societies
- Identify the common interest of people involved in various Cooperatives types.

3.0 MAIN CONTENT

Let us consider ten basic types of co-operative societies; you may probably be familiar with some of them. These societies cut across agricultural and non - agricultural concerns.

They include:

- Agricultural Cooperative Societies
- Produce and marketing Cooperative Societies Consumer Cooperative Societies
- Thrift and credit Cooperative Societies Industrial Development Cooperative Societies Multipurpose Cooperative Societies Marketing Cooperative Societies
- Cooperative Investment and Credit Societies Building and Housing Cooperative societies Artisan/Salary Earners Cooperative Societies
- You can think of any Cooperative society, it would have had its foundation in at least one of these basic types.

3.1 Agricultural Cooperative Societies

Agricultural Cooperative societies are farmers Cooperatives formed basically to promote agricultural production among members. This type of Cooperative is particularly important in the era of dwindling farm resources, especially labour. Members pool resources to allow for easy procurement of farm inputs and improved technology for production of food crops on individuals' farms. In some instances, members could jointly own large farms on which they joint work on specific days. They can also organise group works on individuals' farms on rotational basis. There could also be arrangements whereby members' farm products are marketed collectively as a way of attracting relatively higher uniform product prices.

In agriculture, there are broadly three types of cooperatives: a machinery pool, a manufacturing/marketing cooperative, and a credit union.

- (i) **Machinery Pool:** A family farm may be too small to justify the purchase of expensive farm machinery, which may be only used irregularly, say only during harvest; instead local farmers may get together to form a machinery pool that purchases the necessary equipment for all the members to use.
- (ii) **Manufacturing/marketing cooperative:** A farm does not always have the means of transportation necessary for delivering its produce to the market, or else the small volume of its production may put it in an unfavourable negotiating position with respect to intermediaries and wholesalers; a cooperative will act as an integrator, collecting the output from members, sometimes undertaking manufacturing, and delivering it in large aggregated quantities downstream through the marketing channels.

- (iii) **Credit Union:** Farmers, especially in developing countries, can be charged relatively high interest rates by commercial banks, or even not available for farmers to access. When providing loans, these banks are often mindful of high transaction costs on small loans, or may be refused credit altogether due to lack of collateral - something very acute in developing countries. To provide a source of credit, farmers can group together funds that can be loaned out to members. Alternatively, the credit union can raise loans at better rates from commercial banks due to the cooperative having a larger associative size than an individual farmer. Often members of a credit union will provide mutual or peer-pressure guarantees for repayment of loans. In some instances, manufacturing/marketing cooperatives may have credit unions as part of their broader business. Such an approach allows farmers to have a more direct access to critical farm inputs, such as seeds and implements. The loans for these inputs are repaid when the farmer sends produce to the manufacturing/marketing cooperative.

The formation of agricultural cooperatives in Britain began between 1867 and 1880 when agricultural and horticultural cooperatives were formed for selling supplies to farmer members. This kind of cooperatives has also been reported to be successful in Ireland. The activities of the early formed agricultural cooperatives in England (1901) and Scotland (1905) consisted mainly of sale of agricultural inputs such as fertilizers as well as foodstuffs to their members.

In Nigeria, as you have learnt in the earlier unit, the early forms of agricultural co-operatives were in form of work groups known as "Aaro" and "Owe" in Yorubaland, "Mgba-Olu" among the Igbos, and "Gayya" in Hausaland. All these are efforts to pool human resources to do some tasks that could not have been possibly or easily done by an individual farmer.

The first attempt to modernise cooperation among Nigerian farmers came in form of the formation of farmers union in Agege called Agege Planters Union (A.P.U) among cocoa farmers in 1907. The farmers arrived at this union through their resolution to pool their resources together to save their economic life. Prominent among the objectives of the union were, to educate members on measures to improve cocoa quality, labour supply, provide credit facilities to members, construct and/or improve roads for easy transportation of produce to buying centres, and to arrange for the direct sale of products abroad. The activities of the union later spread to Abeokuta among Egba farmers union and to Ibadan Agricultural society. The societies have achieved tremendous success which led to the large and increasing number of

agricultural co-operatives in existence in Nigeria today. This is supported by the fact that over 60% of the Nigerian population is still involved in agriculture which makes the economy largely agrarian.

3.2 Produce and Marketing Cooperative Societies

Produce and marketing cooperatives were the first type of cooperative in Nigeria. They assist members in production and marketing of cash crops like cocoa, kola, coffee, cotton, rubber, palm-oil and palm-kernel. Areas of assistance include joint procurement of inputs and implements like chemicals, seeds, spraying pumps, etc. as well as in some processing, sorting and grading of crop produce.

The cooperative societies are at vantage positions in bulk handling of the produce, exercising strong bargaining power for prices of the produce during and outside production seasons, as well as eliminating middlemen who often reap the greater percentage of the producers' (farmers') benefits. They are also able to relate with commodity boards and other agencies on behalf of the producers for financial and technical assistance towards their farm production. The cooperative's activities of guaranteeing good commodity prices act as incentive to the farmers to increase their production. Because of the nature of their activities, they are mostly based in rural areas.

3.3 Consumer Cooperative Societies

Consumer cooperatives assist their members to procure goods and services at reasonable prices. They are often engaged in bulk purchase of consumer items which are re-sold to their members at prices usually lower than those prevailing in the open market. The large quantity purchases make for relatively lower unit prices. Also as groups, they have access to direct purchase from producing companies and distributors. Items involved usually include industrial commodities such as sugar, soaps, milk, tyres and tubes as well as food items like vegetable oils, rice, beans, palm-oil, etc. which in recent times have been branded scarce 'essential' commodities. The consumer co-operative are becoming increasingly important due to increasing scarcity of these essential commodities.

Due to the prevailing high prices and scarcity of commodities generally, almost every type of cooperative now engage in similar activities of the consumer co-operatives. For instance, it is common these days to find agricultural production cooperatives pooling resources to purchase farm inputs such as cutlasses, fertilizers, seeds and agro-chemicals in large quantities for re-sale to members at relatively lower prices than it exist in the open market. Similarly, some thrift and credit cooperative

societies now procure exercise books in large quantities from producers for re-sale to their members at relatively cheaper prices. They are able to do this because profit making at the expense of members is not the primary objective of the cooperative.

3.4 Cooperative Thrift and Credit Societies

Thrift and Credit Co-operatives are the most prominent or common cooperative society type. They mobilise savings among members and assist them to provide credit for the development of individuals' businesses. In Nigeria, traditional ones include "Esusu" or "Ajo" among the Yorubas, "Isusu" among the Ibos and "Adasi" among the Hausa in Nigeria.

In modern form, the Thrift and Credit cooperatives in their various shades and colours are able to attract large number of participants. They raise the capital needed through members share capital, savings, interest on loans and penalties paid by offending members. The societies could also seek and obtain loanable funds from some financial institutions like the Cooperative Bank for on-lending to members at a minimal fees. Such funds assist beneficiaries to invest in profit yielding ventures which guarantee prompt repayment of the loans as well as improving the welfare of members.

3.5 Industrial Development Co-operatives

Cooperative industrial societies are cooperatives in non -agricultural ventures. Prominent trades in which this type of cooperatives exist include tailoring, black-smithing, plumbing, radio/TV repairer etc. They assist members to develop their ventures/trades by different means like finance schemes, technical advice, and such other services that help members to expand their trades.

3.6 Multipurpose Cooperatives

Cooperative multipurpose societies cut across several aspects of business activities such as production, consumer, marketing, credit, thrift, investment, etc. The operations of this type of cooperative are both multi-objective and multi-dimensional. The membership is, therefore, heterogeneous in nature consisting of individuals with different interests such as thrift credit, industrial development, agricultural investment, transportation business, etc.

Because of the diversity in the composition of this type of cooperatives the membership is often larger than other specific cooperatives. They are both rural and urban based.

3.7 Marketing Cooperative Societies

The function of Marketing Cooperative society is to market goods of its members. In most cases, the members are usually farmers or producers of a commodity. The members sell or supply their harvested products to their society. The society in turn sells the products to consumers at appropriate markets. Such agricultural products sold by this type of society include Tomatoes, beans, yam maize plantain etc. The societies may also source for suitable markets for their members.

3.8 Cooperative Investment and Credit Societies

This type of Society is mainly for businessmen/women. The members will save into the society for some time and the bulk of the money will then be invested into a type of business the member's desire. The type of business the members can invest in include building houses for rental purposes or for members, buying land and reselling when the value appreciates, engaging in transport business, buying goods for resale to members and the general public, e.t.c.

Apart from these types of business mentioned which the members can invest in, they may also give Credit to individual members which he or she may further invest in his/her business.

3.9 Building and Housing Cooperative societies

A building society is formed so as to mobilize members to pull their resources together which will enable them acquire land that can be allotted in plots for the members of the Society. Each member will have a plot and would take loan from the Society to build his/her own house. It can also build house for members whereby each member will be paying gradually until the cost of the house is paid fully to the Society. In addition, it can build houses and give it out to members of the public on rental basis to the benefit of all members.

3.10 Artisan/Salary Earner Cooperative Societies

If you have understood the nine basic types of Cooperative societies discussed above, then you are to note that Artisan/Salary Earner Cooperative societies are formed from the basic cooperative types. Several societies evolve along specific professions, interests and places. Many Societies are formed under the Artisan/Salary Earner Cooperative Societies. Artisans are people who are specialists in one type of work or the other. In view of this, we have people of different types of profession forming the type of society relevant to their profession. Examples of such societies are Bricklayers Cooperative

Society, carpenters Cooperative Society, ASUU Cooperative Society, NNPC Staff Cooperative Society, Ogun State Civil Service Cooperative Society, etc.

SELF-ASSESSMENT EXERCISE

List various types of Cooperative Societies in Nigeria

4.0 CONCLUSION

You have seen that for you to identify different types of Cooperatives you need to understand the activities or interest that people are involved in. You are also to appreciate the fact that while some Cooperative Societies are basic, others can be formed from the basic societies' common professional activities or interest.

5.0 SUMMARY

In this unit you learned that there are ten main types of Cooperative Societies, cutting across agricultural and non - agricultural concerns, namely: Agricultural Cooperative Societies, Produce and marketing Cooperative Societies, Consumer Cooperative Societies, Thrift and credit Cooperative Societies, Industrial Development Cooperative Societies, Multipurpose Cooperative Societies, Marketing Cooperative Societies, Cooperative Investment and Credit Societies, Building and Housing Cooperative societies, Artisan/Salary Earners Cooperative Societies.

6.0 TUTOR-MARKED ASSIGNMENT

1. List ten and briefly explain five types of Cooperative Societies
2. Examine different types of Cooperative Societies and identify the common interest of the members.

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MODULE 2 COOPERATIVE AS A FORM OF BUSINESS IN AGRICULTURE AND OTHER BUSINESS

Unit 1	Cooperative as a form of Business
Unit 2	Motive and Survival of Cooperative Societies
Unit 3	Advantages and Disadvantages of Cooperatives as compared to other businesses.
Unit 4	Benefits and Limitations of Agricultural Cooperatives.
Unit 5	Cooperative Agribusiness ventures

UNIT 1 COOPERATIVE AS A FORM OF BUSINESS

CONTENTS

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Objectives of Cooperatives as a form of Business Organisation
3.2	Cooperative Business Structures
3.3	The Place of Cooperatives in Developing Business Skill and Activities
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Reading

1.0 INTRODUCTION

A business concern is an organization established for the main purpose of coordinating and managing private or public resources so as to cover the risk of economic activities and thus avoid loss. While you may agree with me that Cooperative Societies are business organization, this unit will show you that Cooperatives do have other objectives which may not necessarily be for profit making.

2.0 OBJECTIVES

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

- State the main objectives of Cooperative Societies
- Differentiate various business structures in Cooperatives
- Mention ways Cooperatives help in developing business Skill of members

3.0 MAIN CONTENT

3.1 Objectives of Cooperatives as a form of Business Organisation

Let us consider cooperatives as a business organization. Cooperative societies have a number of main objectives. You might have read about business organizations in your lower level courses. You would have observed that organizations are considered to be jointly controlled by those working at the organization and those receiving services from the organization - so in essence, there are high levels of cooperation between these two parties of people. Cooperative societies originally came about to unite business owners with their staff members. They led to the practice of private companies being 'split' into shares, which were given to employees at various levels of the company. Essentially giving each individual within a firm a small piece of it raised productivity, as people gained the sense that they were very much part of the organization, rather than just somebody working for it. The following points describe some of the main objectives of Cooperative society has.

a) Enhanced Cooperation

Cooperative societies aim to encourage complete cooperation between everybody involved with an organization. They are generally against the idea of any sort of hierarchy, and consider everyone to be equal. This can improve relationships between staff members and senior management, as well as between service providers and customers.

b) High level of service

Better working relationships naturally lead to higher productivity levels, so a better service is given to customers. This raises customer satisfaction levels, which is the primary aim of many cooperative societies. For instances, student accommodation units may be cooperative societies. Students will be happier with their accommodation and staff members will find their working life much easier.

c) Higher profits

Like other business concerns around you, many cooperative societies are essentially out to make a profit, and believe that enhancing relationships will lead to high profit levels. Of course, this plan may not always work, but in many cases it has proved effective.

SELF-ASSESSMENT EXERCISE

Highlight the objectives of cooperatives as a form of business organization

3.2 Cooperatives Business Structures

Cooperatives can use several other types of structural arrangements, apart from operating directly as a society, to take advantage of economic opportunities. Four of such business structures are:

- i. **A subsidiary:** This is a corporation organized, owned, and controlled either directly or through trustees by a parent cooperative. To legally isolate the parent cooperative from the subsidiary, there needs to be clear separation of management and profits between the two organizations. The purpose of the subsidiary is to assume certain duties and functions of the parent cooperative.
- ii. **A joint venture:** This is an association of two or more participants, persons, partnerships, corporations, or cooperatives that carry on a specific economic operation, enterprise, or venture. The identities of these participants, however, remain separate from their ownership or participation in the venture. Use of joint ventures among cooperatives involves a partnership arrangement between two or more cooperatives. This type of activity has become common place among both local and state cooperatives. More recently, cooperatives have become involved in joint ventures with investor-owned firms.
- iii. **A holding company** is a corporate entity with controlling ownership in one or more operating companies. This degree of ownership can vary widely, as long as the holding company can exercise control through the operating company's board of directors. Normally, the holding company generates no revenues from operations. Income is limited to returns from investments in the operating companies.
- iv. **An information sharing organization** comprises two or more cooperatives that market and price independently, but exchange production and market information. Improved information allows participating cooperatives to improve their marketing and pricing efforts.

3.3 The Place of Cooperatives in Developing Business Skill and Activities

In our earlier discussions you would have appreciated that Cooperative society as a business organization is capable of providing resources beyond the capability of individual members. Hence, cooperatives

provide entrepreneurial resources to their members in areas mostly related to functional management skills which appear to be crucial to business success. According to Aihonsu (2013), the management skills of an entrepreneur are said to indicate the extent to which he can understand, appreciate and perform important tasks in an enterprise. The cooperatives are in position to assist the entrepreneurs to acquire these. These skills include:

- (a) **General Management Function:** - possessing general management skills and making use of diverse information/communication technology and experts. Learning how to plan enterprises before their establishment.
- (b) **Production/Operational Function:** - Acquiring raw materials and other production factors at relatively lower prices falling from bulk purchases. Entrepreneur's awareness and knowledge of competitors is needed to outplay others in the business.
- (c) **Financial Function:** - Provision of finance or funds for the operations through appropriate loans and advances.
- (d) **Purchasing Function:** - Via cooperative bulk purchases and services of cooperative shops, as well as various essential commodities purchases arrangements.
- (e) **Human Resource/Personnel relations function:** - This involves training and retraining of members through various training seminars and workshops from time to time.
- (f) **Marketing Functions:** - assisting member entrepreneurs to identify markets for their produce and encouraging cooperative marketing which will go a long way to take advantage of the controlling the price in the market. Assistance can be obtained also in other marketing functions viz: processing, packaging, sorting and branding etc. inclusive of these is also developing efficient customer service and entrepreneur's market orientation.
- (g) **Administrative Functions:** - assistance can be obtained in the area of training the managers of business organizations with respect to knowledge acquisition in administrative functions. This also includes inculcating efficient book-keeping culture into them.
- (h) **External relations functions:** - This entails learning about public relations by the staff as well as provision of quality products and services to the outside world.

SELF-ASSESSMENT EXERCISE

Mention four types of business structures in cooperatives

4.0 CONCLUSION

We have gone through the main objectives of Cooperative Societies. You must have learnt that these objectives are not different from some of the objectives of other business organizations. We did examine, apart from the general objectives, that Cooperatives can structurally organized itself in order to profitably invest in businesses.

5.0 SUMMARY

We have discussed the main objectives of establishing Cooperative societies. They are namely: Enhance Cooperation, high level of service and higher profit. We have also identified certain structural arrangement through which cooperatives can conduct businesses such as subsidiary, joint venture, holding company and an information sharing organization. The opportunity in cooperatives to help entrepreneurs to acquire certain skill was also discussed.

6.0 TUTOR-MARKED ASSIGNMENT

1. Explain briefly the main objectives of Cooperative societies
2. Mention eight ways cooperatives develop business skills of its member

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UNIT 2 MOTIVE AND SURVIVAL OF COOPERATIVE SOCIETIES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Economic and Non-Economic Motive of Cooperative Societies
 - 3.2 Why Cooperatives Fail and Thrive
 - 3.2.1 Why Cooperatives Fail
 - 3.2.2 Why Cooperatives Thrive
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

Cooperative movement is said to be a group action which evolve from the common felt needs of the people. This implies that for every cooperative society has members who have at least one common interest. There can be many reasons why people form a cooperative society. You will learn, in this unit, about the likely economic and non-economic motives of establishing a cooperative society.

2.0 OBJECTIVES

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

- State the economic motives for forming a cooperative society
- Mention sociological motives for forming a cooperative society
- Enumerate the factors that can determine the survival or otherwise of cooperatives

3.0 MAIN CONTENT

3.1 Economic and Non-Economic Motive of Forming Cooperative Societies

In the previous unit above, you have seen the basic objectives of Cooperatives as a business organization but there more reasons why people form or join Cooperative Societies. Characteristically, according to Oludimu et.al (2001), these reasons or goals of forming Cooperative

societies are many and one would expect it to be economic in nature. However, there are some non-economic motives for establishing co-operatives.

Economic Motives

The formation or joining of Cooperative includes:

- (a) Activities that have a direct bearing on the economic functioning and results of the individual member's economy by way of increased incomes;
- (b) To reap relatively higher economic advantages by making available goods and services which are regarded as important but hitherto were either not available, were available but beyond the reach of the members, or the member enjoyed them but at very high cost;
- (c) To provide goods or services to members at reduced costs and engage in joint marketing to reap the benefit of economies of large scale production.

Non-Economic or Sociological Motives

These are some of the reasons for forming or joining cooperatives. These factors influence persons joining Cooperatives even though they cannot be measured in direct monetary terms.

- (i) The search for security;
- (ii) Isolation and loneliness;
- (iii) The search for protection;
- (iv) To satisfy personal admiration of some person(s);
- (v) The desire to adhere and keep up to the family customs or tradition;
- (vi) To avoid being 'the odd man out'.
- (vii) The possibility of using the Cooperative as a springboard to attain higher social or political position in the community.

3.2 Why Cooperatives Fail and Thrives

You have seen from the previous units that Cooperatives is a unique enterprise whose success or otherwise depend on certain factors. For instance, despite the scarcity of financial resources available to many cooperative societies, a large proportions of these societies are able to management their little resources to maximize their members welfare. Also, in spite of the large number and variety of cultural settings that characterize cooperatives, members surprisingly report similar feelings and attitudes about their experiences in the cooperative society. The

National Cooperative Business Association has identified lists of factors for failure and success of cooperatives.

3.2.1 Why Cooperatives Fail

The following are the factors which contribute to the failure of Cooperative Societies:

- (a) Poor selection of directors, especially those who fail to support their cooperative;
- (b) Members who join but never use their cooperative and bypass it for a small gain elsewhere;
- (a) Members who use cooperatives but fail to take responsibility. Each member must be ready to accept responsibility when asked, or as the need arises. Every member should have an equal opportunity to be president of the cooperative;
- (b) Members who never ask questions and who let a few persons make policy;
- (c) Members who don't attend annual meetings and directors who fail to attend board meetings;
- (d) Lack of consistent membership education about the problems cooperatives face and the challenges they must meet;
- (e) Not supporting the cooperative with enough money (risk capital) to get the job done;
- (f) Not closely watching the formation of cliques and special interest groups within the cooperative;
- (g) Concealing facts about a cooperative. All facts, both good and bad, should be placed on the table not under the table;
- (h) Errors in financial policy, such as over-extension of credit, too little capital, poor accounting records, or lack of a financially sound and systematic program for reimbursement of equity;
- (i) Errors in educational and social work. This begins by failing to teach cooperative ideals to members unfamiliar with how cooperatives function, neglecting general educational programs, failing to develop member loyalty or countering the development of factions within the association;
- (j) Management errors, such as inadequate inventory, poor location, improper equipment, neglected appearance of physical facilities, employee dishonesty, ineffective management, incompetent directors, nepotism, poorly conducted meetings, or admittance of disloyal and dissatisfied members.

3.2.2 Why Cooperatives Thrive

Having learned the factors that may cause failure in cooperatives, let us consider factors that will enhance the existence of cooperative societies. These factors will bring growth and stability to the society.

- (a) Cooperatives is providing only the goods and services members use;
- (b) The society is mainly financed by the members. The greater the financing (risk capital) supplied by the members, the more efficient the cooperative;
- (c) Using all major fixed assets at the 75 percent level, or more;
- (d) Low administrative and overhead costs;
- (e) More individualized and specialized services, particularly in the marketing area;
- (f) Maintaining an open line of communication with members. Individual members will then become more influential;
- (g) Selecting and developing a quality management team;
- (h) Placing more emphasis on electing business-oriented directors;
- (i) Developing and implementing a systematic method of cooperative education for members, employees, directors, and paid management;
- (j) Aggressively positioning for changes in operations, markets, and member needs.

SELF-ASSESSMENT EXERCISE

State non-economic reasons why you should be in a cooperative societies

4.0 CONCLUSION

Formation or joining of a cooperative society depends on the common felt needs of the individuals involved. Their motives can be economical, social and other non-economic reasons. Also we have learnt that for a society to thrive or survival certain factors have to be considered, otherwise the society will fail.

5.0 SUMMARY

In this unit we have discussed identified the motives of co-operators for forming or joining the cooperatives. Factors such as increased incomes; reap relatively higher economic advantages and reap the benefit of economies of large scale production are considered a economic motives. While factors such as the search for security; isolation and loneliness; the search for protection; to satisfy personal admiration of some

person(s); the desire to adhere and keep up to the family customs or tradition; to avoid being _the odd man out; the possibility of using the Cooperative as a springboard to attain higher social or political position in the community. Factors that can determine the success or failure of a cooperative society have also been discussed.

6.0 TUTOR-MARKED ASSIGNMENT

1. List the economic and non-economic motives of forming a cooperative society
2. Highlight reasons why cooperatives thrive or fail.

7.0 REFERENCES/FURTHER READING

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UNIT 3 ADVANTAGES AND DISADVANTAGES OF COOPERATIVES IN AGRICULTURE AS COMPARED TO OTHER BUSINESSES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Advantages and Disadvantages of Cooperatives
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

In this unit, we are going to examine Cooperative societies as a form of business organization and compared it with other forms of businesses. Cooperatives as a form of business organization are distinct from the more common investment driving profit-making business organizations. While both are organized as corporations; the investors pursue profit maximization objectives, whereas cooperatives strive to maximize the benefits they generate for their members.

2.0 OBJECTIVES

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

- explain the advantages of Cooperatives as a form of business
- list the disadvantages of Cooperatives as a form of business

3.0 MAIN CONTENT

3.1 Advantages and Disadvantages of Cooperatives

Cooperative society as an entity has its own advantages. However, there are few disadvantages associated with Cooperative society's. In this unit, we shall consider the advantages and disadvantages of Cooperatives in agriculture as compared to other businesses. Let us consider it one after the other:

1. Easy to form

The formation of a cooperative society is very simple when compared with the formation of any other form of business organisations. Any ten

adults can join together and form a cooperative society. The procedure involved in the registration of a cooperative society is very simple and easy. No legal formalities are required for the formation of cooperative society. This is not so with other forms of business organisation. The procedures are cumbersome and require a lot of formalities and approvals from the Government.

2. No obstruction for membership:

Unless and otherwise specifically debarred, the membership of cooperative society is open to everybody. Nobody is obstructed to join on the basis of religion, caste, creed, sex and colour etc. A person can become a member of a society at any time he likes and can leave the society when he does not like to continue as member. Whereas, the number of partners in other business organizations is characterized by restricted entry and exit.

3. Limited liability

In most cases, the liabilities of the members of the society are limited to the extent of capital contributed by them. Hence, they are relieved from the fear of attachment of their private property, in case the society suffers financial losses. This is not applicable in other business organizations. In a case of business collapse, the owners solely bear the business liabilities and loss of some private properties.

4. Members welfare

Cooperative society members are provided with better goods and services at reasonable prices. The society also provides financial help to its members at concessional rates. It assists in setting up production units and marketing of produce. In other business organizations, profit maximization is the driving force. Hence, less attention is paid to people's welfare.

5. Democratic management

The cooperative society is managed by the elected members from and among themselves. Every member has equal rights through its single vote but can take active part in the formulation of the policies of the society. Thus all members are equally important in the society. Autocratic management is often used in other business organizations. The business owner(s) unilaterally makes decisions for every member of the organization.

6. Stability and continuity

A cooperative society cannot be dissolved by the death, insolvency, lunacy, permanent incapability of the members. Therefore, it is stable and may continue to exist for a longer period. New members may join and old members may quit the society but society continues to function unless otherwise all members unanimously decided to close the same. In other forms of business organizations, the death, insolvency, lunacy, permanent incapability of the owners often result into total collapse of the business. In other words, other business organizations have shorter life span and high level of instability.

7. Economic operations

The operation carried on by the cooperative society is highly economical due to the eliminations of middlemen. The services of middlemen are provided by the members of the society with the minimum cost. In the case of cooperative society, the recurring and non-recurring expenses are very less. Cooperative societies enjoy the economies of scale in productions and purchases, as the procurement price of inputs/goods is minimised. Unlike cooperatives, other business organizations operate under market price competition. The forces of demand and supply determine their prices, cumulated by the activities of the middlemen, hence raising their cost of production.

8. Surplus shared by the members

The society sells goods to its members on a nominal profit. In some cases, the society sells goods to outsiders. This profit is utilised for meeting the day-to-day administration cost of the society. Some portion of the surplus is spent for the welfare of the members; some portions are reserved while the balance may be shared among the members as dividend.

9. State patronage

Government provides special assistance to the societies to enable them to achieve their objectives successfully. Government also extends various types of subsidy to cooperative societies in order to strengthening their financial stability and sustainable growth.

3.2 Disadvantages of Cooperative Society

Despite many advantages, cooperative societies suffer from certain limitations and drawbacks. Some of these limitations include:

- 1. Limited resources**

Cooperative societies' financial strength depends on the capital contributed by its members and loan raising capacity from cooperative banks and unions. Often time membership contribution is limited hence, they are unable to raise large amount of resources as many of their members belong to the lower and middle class.
- 2. Inefficient management**

A cooperative society is managed by the members only. They may not possess adequate managerial and special skills required for proper management. Thus, may result in inefficiency of management which in turn may affect the success of the societies.
- 3. Lack of secrecy**

The cooperative society does not maintain any secrecy in business because the affairs of the society is openly discussed in the meetings. But secrecy is very important for the success of a business organisation. This paved the way for competitors to compete in better manner.
- 4. Cash trading**

The cooperative societies sell their products to outsiders only in cash. But, they are usually from the poor sections. These persons, unlike other business organizations, require credit facilities which is not possible in the case of cooperatives. Hence, marketing is a shortcoming for the cooperatives.
- 5. Excessive Government interference**

Government put their nominee in the Board of management of cooperative society. They influence the decision of the Board which may or may not be favourable for the interest of the society. Excessive state regulation, interference with the flexibility of its operation affects adversely the efficiency of the management of the society.
- 6. Absence of motivation**

The members may not feel enthusiastic because the law governing the cooperatives put some restriction on the rate of return. Absence of relationship between work and reward discourage the members to put their maximum effort in the society.

7. Disputes and differences

The management of cooperative societies are made up of personnel from different social, economical and academic background. Many a times they strongly differ from each other on many important issues. This becomes detrimental to the interest of the society. The different opinions and disputes may paralyse the effectiveness of the management.

SELF-ASSESSMENT EXERCISE

- i. List the advantages of Cooperatives
- ii. Mention the weaknesses of a cooperative society

4.0 CONCLUSION

In this unit, you must have learnt the advantages that cooperative business have over other businesses. Also you have been informed of the factors that may account for the failure or success of Cooperative Agricultural ventures. With the above, it entails that managers of cooperatives and Agricultural ventures should have foresight enough to see the problems as they come and appropriately tackle same. Cooperative societies and their ventures especially agricultural enterprises must be managed along proper business lines.

5.0 SUMMARY

In this unit we have identified the following points as the advantages cooperatives, as a business, have over other forms of business enterprises; these are namely: easy to form, no obstruction for membership, limited liability, members' welfare, democratic management, stability and continuity, economic operations, surplus shared by the members and state patronage. You have also been taught, disadvantages of Cooperative Society to be: limited resources, inefficient management, lack of secrecy, disputes and differences, absence of motivation and excessive government interference.

6.0 TUTOR-MARKED ASSIGNMENT

Compare the advantages and disadvantages of Cooperatives as a form of business with other forms of business organizations.

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UNIT 4 BENEFITS AND LIMITATIONS OF AGRICULTURAL COOPERATIVES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Benefits of Cooperatives
 - 3.2 Limitations of Cooperatives
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

Successful cooperatives can benefit their farmer members and others in many ways. But even the most successful cannot be all things to all members. Understanding the more common benefits and limitations of cooperatives will help clarify their roles in agriculture. Warren and Homer (1990) in their research concluded that the benefits of cooperatives are difficult to measure. They identified some as tangible or direct as in the case of net margins or savings. Others are intangible or indirect such as cooperatives' effect on market price levels, quality, and service. Some are most evident at the time the cooperative is organized but become more obscure as the years pass. Benefits are greater for some types of cooperatives or in specific areas. Most benefits are evaluated in economic terms but some also may be social.

2.0 OBJECTIVES

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

- discuss the benefits of agricultural cooperatives to farmers
- state how rural communities can benefit from agricultural cooperatives
- enumerates the limitations of Agricultural Cooperatives.

3.0 MAIN CONTENT

An agricultural cooperative otherwise known as the farmers' cooperatives has peculiar features that distinguish it from other cooperative societies. Its peculiarity is as a result of the nature of agricultural production and agricultural produce.

3.1 Benefits of Agricultural Cooperatives

Agricultural cooperatives have benefited farmers in divers' ways. In some direct and indirect ways non farmers and communities have also reaped some benefits of agricultural cooperatives. Let us consider some of the benefits.

(a) Benefits to Farmers

In several major ways, cooperatives benefit farmer-members, and often nonmembers.

i. Ownership and Democratic Control

Cooperatives enable farmers to own and control, on a democratic basis, business enterprises for procuring their supplies and services (inputs), and marketing their products (outputs). They voluntarily organize to help themselves rather than rely on the Government. They can determine objectives, financing, operating policies, and methods of sharing the benefits.

ii. Increased Farm Income

Cooperatives increase farm income in a number of ways. These include:

(1) Raising the general price level for products marketed or lowering the level for supplies purchased; (2) reducing per-unit handling or processing costs by assembling large volumes, i.e., economies of size or scale; (3) distributing to farmers any net savings made in handling, processing, and selling operations; (4) upgrading the quality of supplies or farm products handled; and (5) developing new markets for products.

iii. Improved Service

A basic objective of cooperatives is to serve their members' needs. They do this by providing services not available or by improving existing services rural electric cooperatives and artificial insemination associations are outstanding examples of making a new service available in rural areas. Credit and thrift societies provides loans for the farmers in rural areas.

iv. Quality of Supplies and Products

Farm supply cooperatives have been noted for providing supplies giving the greatest value-in-use to the farmer. Their objectives have been to provide the feed, seed, and fertilizer that gave the farmer maximum

gains or yields rather than those that returned the largest net margins to the cooperatives.

In marketing farm products, cooperatives' pricing practices have been based on differentials for quality. And they have provided information and advice on ways to produce quality products and to maintain that quality in the marketing process. Basically, cooperatives encourage production oriented to market requirements by developing producer payment plans based upon meeting grade, size, tune, and other market specifications.

Marketing cooperatives have led in demanding industry grade standards, then using them in offering top quality products to buyers. Their efforts to improve quality, reliability, and integrity of exports can increase the cooperatives' share of the export market.

i. Assured Sources of Supplies

Cooperatives provide members with a dependable source of reasonably priced supplies, especially during shortages or emergencies. This service may require cooperatives to forego larger net margins from other domestic or foreign business to meet the needs of their member-owners.

ii. Enhanced Competition

Strong successful cooperatives introduce desirable competition that raises the going market prices for farm products, the type of services provided, and the quality of supplies farmers purchase. Individual farmers have little bargaining or purchasing power, but by joining in cooperatives they can acquire "muscle in the marketplace." Farmers in many areas are forced to deal with fewer product buyers or supply sellers. In some industries, only a few large companies control a substantial share of the market at various integrated levels in the marketing process.

iii. Expanded Markets

Through pooling products of specified grade or quality, many marketing cooperatives can meet the needs of large-scale buyers better than can individual farmers. A number of cooperatives have developed markets in other countries and their exports provide outlets for more production than members otherwise could sell.

iv. Improved Farm Management

Progressive managers and field staffs of cooperatives provide valuable information to members on farm production and management practices. Advice may be offered on the quality of seeds, fertilizers, and pesticides, and on feeding and cropping practices. Also, many cooperatives provide market and economic information about various products or enterprises. Many cooperatives assist county extension agents in implementing the recommendations of Agricultural Development Projects and Research Institutes. Many farmers are looking to their cooperatives for more complete purchasing and marketing services.

v. Legislative Support

Another financial benefit, not easily measured, is the legislative support cooperatives provide for their members. This is supplied by the large centralized cooperatives, National and State cooperative federations.

vi. Local Leadership Development

Successful, growing cooperatives often develop leaders among directors, managers, and other employees. And members, by participating in business decisions on a democratic basis, become more self-reliant and informed citizens in their communities. The practical business experience acquired as directors or committee members is often supplemented by specialized formal training. This experience of working with the cooperative contributes to improved rural leadership.

i. Family Farmer Control of Agriculture

These benefits, which vary among cooperatives, all indicate ways cooperative enterprises help the family farm stay in business and thus keep control of production.

The credit and supply cooperatives help the family farmer enlarge and operate his production units more efficiently on an independent basis. The marketing and processing cooperatives provide members market access and help them sell their products to advantage—either in the original state at harvest or later following storage, or in a processed form.

(b) Benefits to Rural Communities

Cooperatives benefit the economy of rural areas in a number of ways.

(i) Added Community Income

Most of the additional income farmers get through cooperatives is spent with hometown firms for goods and services. Successful cooperatives also have substantial payrolls and their employees' patronage of local businesses adds to the economic well-being of the community. The cooperatives also spend money for supplies, utilities, insurance, and local taxes.

(ii) Stronger Rural Communities

A local cooperative usually has several hundred members who use its services frequently. This in turn helps bring patrons to other types of business in the community. In small towns, the cooperative often is the major or only business. Without it, people would have to go elsewhere for goods and services.

A majority of the farmer cooperative plants and other facilities are located in rural areas—a plus value in stimulating home ownership and retaining rural industry. Participation in cooperatives often encourages participation in other community projects and in State and local government. Cooperatives often provide funds for community fairs, health centers, fund drives, and the like. As a result of working together in cooperatives, members better understand how to unite in solving community problems. And leaders developed in cooperatives also become leaders in other community organizations.

(iii) Goods and Services to Non-farmers

Rural producers' cooperatives serve many rural nonfarm residents. Likewise, diversified supply cooperatives supply fuel oil, car care, fertilizers, pesticides and various home supplies and equipment to non-farmers. Some cooperatives also provide custom services related to these supplies and distribute patronage refunds to these customers.

Good performance by farmer-owned cooperatives promotes their image with the public and helps obtain outside support in case adverse legislation or regulations are proposed.

(c) **Benefits to Consumers**

Although farmer cooperatives are organized to serve their members, they also operate in the public interest.

(i) **Quality Products**

Producers in many cooperatives hire trained people to help them produce quality farm products—all the way from the seed to fertilizing, cultivating, harvesting, and transporting products to the cooperative packing or processing plant.

(ii) **Varied Services**

Cooperatives have been alert and responsive to the changing demand for convenience foods, good packaging, and effective merchandising. Some conduct dealer and consumer education programs on proper care and handling of their products and ways to use them. A number use another merchandising device, the test kitchen, where they develop recipes for consumer use.

(iii) **Lower Production and Marketing Costs**

Lowered production costs on the farm and marketing efficiencies brought about by cooperatives help hold down food costs to consumers. Farm credit cooperatives make credit available to farmers at reasonable rates. Farm supply cooperatives make important contributions in controlling production costs.

By eliminating transfer of ownership and some of the stages of marketing and by keeping marketing and processing costs per unit at minimum levels, cooperatives influence the performance and margins of other firms. Some benefits of these more efficient distribution systems accrue to consumers.

(iv) **Improved the General Welfare**

The additional income farmers receive through ownership in cooperatives is spread among thousands of farmers in communities throughout the country. Cooperatives help reduce members' costs for supplies and services by distributing most of their net savings above costs of operation back to member-patrons on a patronage basis.

Cooperatives also employ thousands of employees who largely reside in rural communities. The cooperatives' substantial payrolls are spent for consumer goods and services in small towns and cities.

In addition, cooperatives are good customers of many other businesses that provide supplies, building, equipment, fuels, utilities, advertising, and the like.

The economic literacy and leadership qualities of rural people are also improved, thus making for stronger communities and citizens.

All of these contributions to farmers, rural communities, small towns, and consumers promote the general welfare of our country.

(d) Benefits to People Overseas

Many cooperative employees and leaders have gone abroad on specific assignments to help build cooperatives, or strengthen existing ones, in emerging countries.

Hundreds of trainees and representatives of cooperatives and governments in other countries come to Nigeria each year to learn about our cooperatives. Leaders and managers here hold conferences and conduct tours to explain the operations and services provided.

SELF-ASSESSMENT EXERCISE

What are the benefits a farmer can derive from being a member of agricultural cooperatives?

3.2 Limitations of Cooperatives in Agriculture

Cooperatives are subject to the same economic forces, laws, and human relationships that contribute to the success or failure of other types of businesses. Cooperatives, however, have various intrinsic limitations. Some relate to the agricultural industry and others pertain to their objectives and the inherent nature of cooperative organizations. Let us consider some of these limitations.

(i) Production Control

Agricultural surpluses have plagued farmers from time to time since the Civil War, stimulating cooperatives to attempt production controls. It became increasingly clear that if production controls programs were to be effective they would require the help of the Federal government with its power to allocate output, to offer incentives for restricting production, and to secure compliance with such programs.

Furthermore, at the present time, it is not legal for cooperatives to control members' production. The basic role of cooperatives is to

market the available supply in the most effective manner possible, not to limit production.

(ii) Farming Based on Labor Input

Cooperative farming usually refers to a cooperative enterprise where a number of farmer-members pool their land, capital, equipment, and labor, and share in the returns on the basis of their labor input. Although in Nigeria this type of cooperative generally has not been successful. There are few cases of such cooperative farming; it has the following problems:

- (a) frequently incentives are lacking,
- (b) problems occur in decision making, and
- (c) dissatisfaction results from the distribution of net income.
- (d) Another major problem has been the transfer of equities from one generation to another.

Another type of Cooperative farming is the modified type. Where the cooperative leases or buys land and the members assume production responsibility for the acreage allocated to them. If cooperatives operate farms, the following are their limitations:

- (a) they may in effect compete directly with many of their members. They would compete in the farm labor market, and during periods of surpluses
- (b) many members might believe that cooperative farming contributes to reduced farm prices.
- (c) the question might arise as to how much resources should be used and how many risks should be assumed by the entire membership for the benefit of one group of producers or type of product.

The basic question of risk-taking by the cooperative becomes apparent. Any gains made through production efforts are, of course, returned to the members. But, if substantial losses are incurred, members may not be willing to accept them.

(iii) Price Fixing

Experience demonstrated that cooperatives could not fix prices because of their inability to control production. While cooperatives often could influence demand for the particular product they marketed through emphasizing improved production, better merchandising, and more effective bargaining, they were unable to substantially influence the overall demand for farm products.

Some question whether cooperatives handling a large share of a commodity's total production, could fix prices. This, however, does not take into account the basically inelastic nature of most agricultural consumption and the fact that consumers usually have a wide variety of food choices available to them, including those resulting from competition among cooperatives. Further, some farmers may choose to market independently and take advantage of the cooperative price umbrella rather than be a part of the cooperative. Should prices for any of these products increase too much, consumers may substitute other products.

(iv) Middlemen Functions

Cooperatives generally cannot short-circuit the marketing system or functions within it. The usual steps are necessary in serving buyers although cooperatives may influence market structure and where and how marketing functions are performed. While not eliminating functions, they may improve or change inefficient marketing practices and replace middlemen who perform them. These changes can reduce marketing margins.

At the same time cooperatives cannot do the impossible in the marketplace. For example, they cannot always market members' surplus or poor quality products to advantage. Neither can they provide the highest quality nor the most complete services and still have the lowest prices for the supplies they sell.

(v) Market Power

Not all cooperatives acquire the leadership and financial abilities to deal effectively with other firms in the marketplace. Leaders of some local cooperatives want only to do an efficient job at the assembly and storage stage of the marketing process. They may acquire sufficient size and strength to influence the level of service and margins and thus return higher proceeds to members, but have little or no influence on the basic price level for a farm product or supply item. The heavy dependence on member-patron equity capital is a critical limiting factor in acquiring size and diversification.

Because of a lack of vision, leadership, managerial ability, capital, or for other reasons, some cooperatives do not or cannot vertically integrate their operations, either individually or jointly with other cooperatives in federated associations. They do not acquire strength at the processing or manufacturing level where the real market power may be found in the industry.

Furthermore, should large regional supply cooperatives acquire substantial market power, the likelihood of their abusing it with members is limited. Members would not permit them to charge exploitative prices, and if the cooperatives realize unusually large net margins, these usually must be distributed back to member patrons on the basis of their patronage.

(vi) Influence on Prices and Services

When a cooperative is first organized, the general tendency is for gross margins of all firms serving the area to narrow. Prices for farm products increase and prices for supplies or services decrease to varying degrees. The cooperative's influence is clearly evident but after a few years it becomes obscure. Members tend to forget the situation prompting formation of the cooperative and young farmers never experienced it. Thus, cooperative leaders cannot state with certainty what the level of market prices, margins, or services currently would be if the cooperative did not exist.

(vii) Reserves Accumulation

Where cooperatives operate fully on a cost basis by distributing to patrons any net margins remaining over operating expense, management sometimes feels this limits the cooperatives' ability to accumulate capital reserves similar to those in other businesses. This method of operation also may limit the use of carry-back and carry-forward provisions concerning any losses that might occur.

(viii) Restrictions by Inherent Characteristics

Although such features as ownership by farmer-users and operating at or near a cost basis give cooperatives some advantages, they also present limitations. Some are self-imposed. Some have been alluded to earlier.

(ix) Frailties of Human Nature

Cooperatives are subject to the same "people problems" as any business, but have additional problems stemming from being owned by those who use them. Some of their members and directors are misinformed; some have little realistic knowledge about business activities or how effectively their cooperative is operating or what it can be expected to accomplish. And directors and managers at times can neglect their responsibilities or take advantage of their positions, resulting in poor performance or failure of the cooperative.

(x) Limited Objectives

Members may organize a cooperative to market only one specific product or to handle only specified kinds of farm supplies. Also, their objectives may preclude handling supplies used by both farmers and non-farmers, distributing patronage refunds to non-farmers, or handling unrelated products on which a net income could be realized. These restrictions may limit the cooperative's volume and opportunities to reduce per-unit costs or to serve all farmers or all rural residents in the area.

(xi) Decisions by Large Numbers

While boards of directors may have authority to make major decisions, they may first wish to discuss them with the membership. This sometimes requires time or delays action. Also, hired management has a more difficult job than the comparable chief executive in other types of businesses. He must give attention to member relations as well as strictly business activities. He must try to keep members satisfied as patrons and also informed of their responsibilities as member-owners.

(xii) Member Attention and Support

Their voluntary nature is a weakness of some cooperatives, especially those not using annual marketing or purchasing agreements with members. Farmer-members thus may not always participate in annual meetings, provide adequate capital, or fully support the cooperative with their patronage. A lack of commitment by members may greatly limit a cooperative's ability to fully develop its potential for serving farmers.

SELF-ASSESSMENT EXERCISE

- i. What are the problems associated with cooperative farming?
- ii. Explain the term 'modify cooperative farming'

4.0 CONCLUSION

During your study of this unit, you have learnt that Agricultural Cooperatives are beneficial not only to the farmers, but also to consumers and the general community members. However, it has its limitations.

5.0 SUMMARY

In this unit, we have studied the benefits and the limitations of Agricultural cooperatives. Some of the benefits mentioned are:

Increased farm income, improved service, quality of supplies and products, assured sources of supplies, enhanced competition, expanded markets, and improved farm management and so on. Some of the limitations of Agricultural Cooperatives you have learnt include: Production control, price fixing, middlemen function, market power to mention few.

6.0 TUTOR-MARKED ASSIGNMENT

1. List and Explain the benefits of Agricultural cooperatives
2. Enumerate the limitations of Agricultural cooperatives

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UNIT 5 COOPERATIVE AGRIBUSINESS VENTURES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Cooperative Agribusiness Ventures
 - 3.1.1 Failure factors in Cooperative Agribusiness Enterprises
 - 3.1.2 Other identified failure factors in Cooperatives Agribusiness Ventures
 - 3.1.3 Strategies for Overcoming Problems of Cooperatives Agribusiness Enterprises
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

In this unit we shall study cooperative as a business organization and observe closely its involvement in agricultural venture or enterprises. This section would help you to know the place of cooperatives in business and be able to appreciate the relevance of cooperative in business development; as you shall study the later in detail in future units.

2.0 OBJECTIVES

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

- Compare Cooperatives as a business with other forms of business organizations
- List and explain failure factors in Cooperative Agribusiness Ventures
- Identify Strategies for Overcoming Problems of Cooperatives Agribusiness Enterprises

3.0 MAIN CONTENT

3.1 Cooperative Agribusiness Ventures

You may need to recall the definition of Cooperatives discussed in module 1 unit 1. Can you try and define Cooperatives according to ILO? Let me remind you that Cooperatives was defined in unit 1 as —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 of the undertakings in which members actively participate

A venture is said to be an agribusiness enterprise when the processes involved add value to the raw products of agriculture. It is as simple as the woman that fried plantain for sale as chips and as complex as those of big industrial concerns that either process cocoa to beverages or maize and other agricultural products to feeds for poultry or com flakes etc. for human consumption. Whichever way, it satisfies an end; either by providing economic means to the ones engaged in the business or by providing jobs for others employed in the process. It includes the following:

- (a) Cassava processing and marketing,
- (b) Palm produce processing and marketing
- (c) Cocoa processing and marketing
- (d) Plantain processing and marketing
- (e) Groundnut oil processing and marketing
- (f) Fruit processing and marketing
- (g) Fish processing and marketing etc

The link is that both being economic endeavours involve taking risks. From the definition of cooperative above, ILO admits that the equitable contributions being made by individual members to achieve the common economic end is prone to either eventually bring in some benefits or risks which will be jointly shared. Every business including those of cooperative and agribusiness could either succeed or fail. The besetting factors that account for the failure of an enterprise comes up in one form of problem or the other. In some cases, it may be such that the owner(s) of such businesses could help but at times, the investor may be helpless. Where they are controllable, it takes a painstaking efforts of the manager(s) to see such well in advance in order to avoid such business failing.

3.1.1 Failure Factors in Cooperative Agribusiness Ventures

Some identified failure factors for Co-operatives and Agribusiness Enterprises are discussed below:

1. **Poor Feasibility**

A good feasibility study is principal to the success of any business ventures and should come as the very first step. But this is either not done at all, poorly done or hastily done for most cooperative and Agribusiness Enterprises. In cooperatives, it is recommended by law that an economic survey, similar to a feasibility study, be done before a cooperative society is initiated. The non compliance with this and also the fact that most Agribusiness Enterprises have no feasibility study has lead to the failure of these ventures.

2. **Power Supply**

One major factor affecting production generally in the country today is power supply, it has adversely affected all facets of production. Attempts to solve same by providing alternate supply only lead to increased cost of production. Hence if an Agribusiness enterprise or any business enterprise engaged in by a cooperative society (ies) requires electricity to function, it becomes a limiting factor. A number of businesses have wound up on account of this.

3. **Finance**

This is very germane. It behooves on cooperative members to fulfill their obligations of shares and savings in their societies regularly and also pay back any loan accesses as at when due with accruing interest. The reverse is usually the case in our societies. Of course, to start even the smallest scale of an agro allied ventures, capital is needed.

4. **The Leadership Question**

The problem of Shortage of Skilled Personnel constitutes the main stumbling block towards the smooth growth of these ventures. This is because it is generally believed that the success or failure of any society depend largely on the management ability or competences of the personnel or officers and officials. Good managers with technical skill and administrative competence are highly priced everywhere. To engage them, cooperatives and Agribusiness enterprises must be prepared to compete with the other private sectors in order to attract them. But because of poor financial position of these ventures, they are not able to afford the remunerations that go with skilled labour. The result has been a static and sometimes retrogressive

Cooperative and Agribusiness enterprise management system. Another very important factor is the leadership incompetence or where competent, uncooperative members of the board. This serves as a very limiting factor to the growth of these businesses.

5. Quality of Products (Standard)

To enjoy good patronage, quality products are required. More so, these days that NAFDAC (National Food and Drugs Administration and Control) has been instituted as a regulatory body. Many Agribusiness enterprises have been forced to shut down due to their inability to meet the required NAFDAC standard. But in most cases, the scale of production may not allow for a very high quality hence constituting another major failure factor. Where products are of good quality, it commands better price and patronage.

6. Inconsistency in Government Policy

This has consequences of counter-production and applied to Cooperative Agribusiness ventures. Government institute different kinds of programmes that are not nurtured from one administration to the other. Consequently Cooperative Agribusiness ventures that were initiated die with the founding administration e.g Better Life, FEAP etc. Many cooperative societies that registered under these auspices have since faded away and a number of facilities provided to assist Cooperative Agribusiness ventures under this programmes are rattening away due to poor implementation that left them unsuccessful for the supposed beneficiaries.

7. Nature of Agricultural Products

Agricultural production is plagued by certain constraints and this invariably is imparted on Cooperative Agribusiness ventures. Some natural causes of distortions include vulnerability of climatic changes, seasonality of output, inelasticity of supply and pest and diseases. Let us consider some of these factors:

(i) Storage

Given that agricultural products are highly perishable, storage becomes very essential to preserve same either as raw materials or at one stage of the production or the other. Even some finished products require refrigeration to keep their taste. In most cases the cost of acquiring modern storage facilities is prohibitive and as such not affordable for small and medium scale investors. Where crude methods are employed, prevention against pests and diseases becomes important.

(ii) Seasonality of Output

Agricultural practices especially crop production by divine design is seasonal. Hence, agriculture produce are seasonal products. During season they are available at very large quantities with a large number of the harvests rotting away due to storage problems. Off season, a few available from irrigated farms or storage attracts high prices. Therefore, Cooperative Agribusiness ventures that rely on fresh supply would probably be off production during off season or would have some difficulties at getting raw materials. Such ventures may suffer drastically at these periods.

(iii) Inelasticity of Supply

Due to long gestation period, seasonality, where there is no irrigation and other production factors, the supply of agriculture produce cannot be increased on a short term.

(iv) Pest, Diseases and vulnerability to Climatic changes

These normally affect agricultural production adversely and could eventually lead to very poor output. When such happens on a large scale, it would invariably affect Cooperative Agribusiness ventures dependent on such agricultural product(s).

SELF-ASSESSMENT EXERCISE

- i. Give examples of agribusiness ventures of cooperative societies.
- ii. List the features of agricultural products.

3.1.2 Other identified failure factors in Cooperatives Agribusiness Ventures

There are a number of other factors, apart from the ones discussed above, those can directly or indirectly result in the failure of Agricultural enterprises when managed by Cooperative societies. You should take your time to study these factors and try to write down how this factor can result in failure of Cooperative agricultural ventures.

- (a) Lack of patronage
- (b) Credit sales
- (c) Dishonesty of society's employees
- (d) Difficulty of society's officers

- (e) Difficulties in obtaining government facilities
- (f) Lack of facilities
- (g) Insufficient capital
- (h) Management incompetence
- (I) Misappropriation of funds
- (j) Embezzlement of funds
- (k) Get-rich-quick mannerism (syndrome)
- (I) Overdue - or outright non - repayment credit facilities
- (m) Non involvement of cooperatives in government policy formulation.
- (n) Weak membership commitment
- (o) Insufficient/lack of cooperative education.
With particular reference to Agricultural cooperatives societies, the following could also be identified:
 - (a) Inadequate and untimely supply of farm inputs
 - (b) Inaccessible and high costs of farm machines and tractors.
 - (c) Conflicting roles of farmer's union and Agricultural cooperatives.
 - (d) Poor credit facilities
 - (e) Poor channels of distribution and transformation.

3.1.3 Strategies for Overcoming Problems of Cooperatives Agribusiness Enterprises

Despite the various constraints that have plagued the Nigerians Cooperative movement and Agricultural enterprises, the prospects for improvement are many and bright.

1. Many more people still seek membership of cooperatives societies as they become aware of the roles and potentials of cooperatives. The increase participation will have a concomitant effect on the financial base of cooperatives as subscriptions will become larger both in size and sum total. This will place cooperatives in a better financial position which would permit them to attract qualified and skilled personnel to their management systems, better financial base for its operations is credited and a good management of this will make it blossom.
2. There is absolute necessity to ensure that our cooperative societies and agricultural ventures are developed, not only in stages, but also to become service and profit oriented that are run and managed along proper business lines.
3. Cooperative and agro allied ventures should not only seek financial assistance from government but should also utilize the services of banks like the Nigerian Agricultural, Cooperative and Rural Development bank (NACRDB) and the Cooperatives (Skye) banks.

4. The interference of government in the day-to day activities of cooperatives should be discouraged and reduced to the barest minimum. The role of government should be to provide leadership and legislative frame work.
5. The need for proper business practices by cooperatives in agricultural ventures through proper selection, training and development of effective management of professional managers should be adopted e. g No credit sales, No un-guaranteed loan.
6. For effective control, cooperatives should adopt the practice of inspection, auditing, and budgeting and provide appropriate sanctions to keep the members and workers on alert. Good channels of communication should be worked out. Individual's job descriptions must be clearly spelt out
7. Management by objectives strategy: This concept has been widely used in industry with varying degrees of success. This process includes among other things, a clear definition of the purpose and objectives of the cooperative and agricultural ventures and achieving these goals objectively with the aid of established control system.
8. Cooperative societies must be ready to take such bold steps that will make them overcome the long known problem of overdue loan and favouritism. Steps for arbitration should be initiated not minding whose ox is gored. This must be followed to logical conclusion to ensure that what is taken out is also returned appropriately. Such steps will surely stem down the habit of overdue loan pervading many societies.

SELF-ASSESSMENT EXERCISE

Mention five factors that can lead to failure of cooperative agribusiness ventures

4.0 CONCLUSION

Cooperatives involve in different forms of ventures in order to raise their capital base. You have learnt in this unit, the distinguish feature of Agricultural ventures own by cooperative societies and the failure and success factors in these agricultural ventures manage by cooperatives.

5.0 SUMMARY

In this unit, we have considered Agricultural ventures as one of the main areas of investment by cooperatives. Some of the failure factors of Agricultural venture, as you have learnt, are: poor feasibility, power supply, finance, leadership problem, quality of products, nature of agricultural products, storage, and seasonality of output and so on.

While we also identified the strategies to overcome many of these challenges.

6.0 TUTOR-MARKED ASSIGNMENT

1. List and explain failure factors in Cooperative Agricultural Ventures.
2. Mention Strategies for Overcoming Problems of Cooperatives Agricultural Enterprises.

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MODULE 3 PRINCIPLES AND OPERATING TECHNIQUES ESSENTIAL FOR SUCCESSFUL COOPERATIVE ACTIVITIES IN NIGERIA

Unit 1	Cooperatives and its Values
Unit 2	Cooperative Principles and Operation Guidelines
Unit 3	Cooperative Books and Records
Unit 4	Loan Management
Unit 5	Cooperative Finance
Unit 6	Cooperative Financial Statement

UNIT 1 COOPERATIVES AND ITS VALUES

CONTENTS

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Cooperative values as a basis for Cooperative principles
	3.1.1 Organizational Values
	3.1.2 Members Ethical values
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Reading

1.0 INTRODUCTION

To begin with, in this unit, you may need to ask what value is. Value is a quality in a thing that makes it desirable in itself or more desirable than something else. I.C.A (1995) defined value as basic convictions about what is good or bad, right or wrong, important or trivial, good, better or best. As such, cooperatives values are an essential part of the cooperative identity or personality (Onuoha et.al.). A cooperative evaluates itself on the basis of its value system. Membership of cooperatives is therefore; open to everyone as long as they share the Cooperative values and principles. Cooperative members show these values by working together for everyone's benefit, and are encouraged to play a full part in the Society.

2.0 OBJECTIVES

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

- Name the ethical values believe by Cooperative members
- List and explain the Cooperatives values

3.0 MAIN CONTENT

3.1 Cooperative Values as a basis for Cooperative Principles

There are a number of cooperative values that guide Cooperative principles these are namely: self-help, self-responsibility, democracy, equality, equity, and solidarity. According to the Northcountry Cooperative Foundation, these are the values on which the modern cooperative movement was founded.

The cooperative values are divided into groups. The first set (self-help, democracy, equality, equity and solidarity) directly underlie the organizational structure of cooperatives, while the second set (honesty, openness, social responsibility and caring for others) are concerned with moral behaviour. Let us consider these values one after the other.

3.1.1 Cooperatives Organizational Values

Cooperative values are an essential part of the cooperative identity or personality. A cooperative evaluates itself on the basis of its value system. The values are internalized through education. When they are assimilated they become directives for autonomous behaviour and criteria for self regulated conduct. They become standards of behaviour and guides for action. Let us consider these values:

i. Self-help

This is the notion that a Cooperative is an organization that will directly benefit its members and community by the actions it takes and the decisions its members make. Therefore, a Cooperative is not a charity; instead it is a tool for individuals and groups to use to directly improve their lives and communities through their own work and effort.

ii. Self-responsibility

Self-responsibility is a major aspect of cooperation. In a Cooperative, all members are in charge; so individuals must be accountable for their actions, responsibilities, and duties. Thus, a Cooperative cannot function

properly if the members are neglectful of their responsibilities to their job, the Cooperative, their fellow members, and themselves.

i. Democracy

Cooperative members are the owners of the Society. Each member has a say in the way the Cooperative business is run.

ii. Equality

Cooperatives are based on equality. The basic unit of the Cooperative is you as a member, who is either a human being or a grouping of human beings. This basis in human personality is one of the main features distinguishing a cooperative from firms controlled primarily in the interests of capital. Members have rights of participation, a right to be informed, a right to be heard, and a right to be involved in making decisions. Members should be associated in a way that is as equal as possible.

i. Equity

While —equality is about giving people access to the same resources and treating them the same – —equity is the concept of providing disadvantaged folks and privileged people with fair accommodation and treatment according to their needs - in order to put them on equivalent ground.

This is important in situations where an —equal action would continue to keep one person in an unfair position over another. People are born into different positions and our society provides certain individuals with privileges that others do not share. Therefore, equitability seeks to account for these unfair advantages that certain individuals inherit by giving people access to the proper resources, treatment, and more – in order to help them gain equal and fair social, economic, and political conditions.

ii. Solidarity

This is the value of —fellowship among members of a cooperative (worker-owners or member-owners) and more, including: other cooperatives, organizations, and individuals who are linked by a shared concern or cause. Solidarity is the recognition that, in the cooperative movement, the betterment of individuals' immediate and distant futures depends on the improvement of others' lives and the fulfilment of their goals (and especially for those who are from less privileged backgrounds). Thus, it is essential for cooperatives and cooperators to

recognize the importance of working together to support others in their struggles, goals, and efforts – and for others to do the same for them.

3.1.2 Membership Ethical Values

The second group of cooperative values is ethical in character. Here, the cooperative movement declares its commitment to certain moral values, particularly those of honesty, openness, social responsibility, and caring for others. In other words, cooperatives are morally bound to avoid dishonesty; secretiveness, anti-social behaviour, and selfishness in all their dealings. These values are in accordance to the tradition of the founding fathers of Cooperatives. Whenever you are in any form of cooperation the following ethical values are very important to believe:

- i. **Openness:** Cooperatives have a bias towards openness. They are public organizations which regularly reveal considerable information on their operations to their members, the public and government alike. There should never be any deep, dark secrets in a cooperative. This Characteristic distinguishes cooperatives from other business outfits. To retain the confidence of their members, cooperatives publish their accounts regularly while companies seek refuge in the darkness.
- ii. **Honesty** has been a long-standing tradition in the cooperative movement. The Rochdale Pioneers insisted on honest weights and measures, unadulterated goods and fair prices. Agricultural cooperatives have been committed to high quality produce, with honest labels. Credit cooperatives have a reputation for their honesty in calculating interest payment. Worker cooperatives had always set up honest systems of open management. Cooperatives must be straight forward in dealing with their members and non-members. Behaviours like stealing, cheating, tax-evasion, smuggling, bribery etc. -must not feature in their dealings with customers, government, members and non-members.
- iii. **Social responsibility:** People join cooperatives in order to take responsibility for their own condition and for the community at large. Cooperators are not egoistic, self-centred individuals. They willingly accept group and social obligations for the benefit of the wider population. They take action and make sacrifices in order to improve the lot of the poorer sections of humanity. They conduct surveys, identify the root causes of community problems and set up projects to address those problems.

On the other hand, cooperatives aspire to be good corporate citizens of their country and their local community. They will not engage in anti-social behaviour in any form. They will be law-

abiding and peace loving. They will protect the environment and encourage their members to economize scarce human and natural resources. Both in their consumption behaviour patterns and in their processes of production, they will strive towards sustainable human development.

- i. **Caring for others** Within their financial capacity to do so, co-operatives assist the poor and the handicapped in society. A part of the net surplus is allotted to this annually. Cooperatives in wealthy nations extend their assistance to the growth of cooperatives in developing countries. Though cooperatives are not primarily charitable organizations, like the Red Cross, they are, nevertheless, altruistic and caring, with compassion for suffering humanity all over the world.

SELF-ASSESSMENT EXERCISE

Highlight the key values of cooperative societies

4.0 CONCLUSION

We have learnt in this unit that any Cooperative society that will thrive must as a matter of importance hold on to the Cooperative values. These values include self-help, self-responsibility, democracy, equality, equity, and solidarity. You are also to note that as a member of Cooperatives you are to believe in the ethical values of the Cooperatives. All these values serve as character guide to co-operators.

5.0 SUMMARY

Our discussions in this unit focus on the six Cooperative values namely: self-help, self-responsibility, democracy, equality, equity, and solidarity. Openness, Honesty, Social responsibility and Caring for Others are discussed to be the watch word for members.

6.0 TUTOR-MARKED ASSIGNMENT

1. List and briefly explain the six Cooperative Values
2. Discuss the ethical values of Cooperative members

7.0 REFERENCES/FURTHER READING

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UNIT 2 COOPERATIVE PRINCIPLES AND OPERATION GUIDELINES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Principles of Cooperation
 - 3.2 Operation guidelines of Cooperation
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

In the previous units you have learnt that in many respects, cooperatives resemble other businesses. You should have understood that Cooperatives like other business organizations have similar physical facilities, perform similar functions and follow sound business practices. They usually incorporate under state laws and require bye laws and other necessary legal papers. Members elect a board of directors to represent their interests. The board sets policy and hires a manager to run the cooperative's day to day business.

You will learn in this unit the distinguishing principles of cooperatives, these principles differentiate cooperatives from other forms of business organizations and recognized as criteria for a business to qualify as a cooperative. These principles are more than just good practices, policies or common sense.

2.0 OBJECTIVES

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

- State the principles of Cooperatives
- List the operational guidelines of Cooperative practice

3.0 MAIN CONTENT

3.1 Principles of Cooperation

A principle is a basic truth or general law determining the existence, and regulating the conduct, of an organism or organization and

distinguishing it from other systems. Whereas, the ICA defines a cooperative as: "An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise" (ICA, 1995).

The principles of cooperation are, therefore fundamental and universal rules lay down by cooperative leaders to define cooperatives, guide their conduct and lead them on to enduring and successful performance. The International Cooperative Alliance defined cooperative principles as guidelines by which cooperatives put their values into practice (ICA, 1995).

Epetimehin (2006) describes cooperative principles as the norms that should prevail in all cooperatives regardless of what they do and where they exist. They are in the nature of maxims or aspirations, stating what cooperatives ought to be rather than what they are. They derive more from intuition and common sense than from empirical scientific investigation. They, therefore, need to be re-stated from time to time to bring them in line with the contemporary world.

The seven principles of the Rochdale Cooperative, as adopted by the International Cooperative Alliance (ICA) in 1995, provide that a true cooperative will:

- i. offer voluntary and open membership,
- ii. govern by democratic member participation (one member, one share, one vote),
- iii. operate by equal and —fairl investment by themembers,
- iv. remain free of intervention from governments or any other outside power (for example, corporations),
- v. educate its members and the community about the nature, principles, values, and benefits of the cooperative,
- vi. encourage cooperation among cooperatives, and
- vii. (vii) protect the environment and contribute to the sustainable development of the community.

The first six of these principles are essentially the original Rochdale principles; the seventh merely clarifies and extends the cooperative's responsibility to the community.

These seven principles are now strongly recommended to all cooperatives around the world by the International Cooperative Alliance (ICA). In practice, cooperatives around the world have found it necessary to modify one or more of the seven principles to fit local cultural or legal constraints.

1st Principle: Voluntary and Open Membership

Cooperatives are voluntary organizations; open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

This first principle, voluntary and open membership, has often been circumscribed by law in Nigeria. While membership, participation, leadership, and benefits have been available regardless of race, creed, gender, sexual orientation, or other social boundaries, the corporate and financial communities have ensured that the benefits of cooperatives are confined to their members e.g. employees of specific corporations, interest groups, or neighbourhood residents.

2nd Principle: Democratic member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.

This principle of democratic member control ensures that no member has a greater voice in the operation of the cooperative than any other member. The basic principle is –one share, one member, one vote.¶ This principle is frequently modified in the case of networks of cooperatives where the principle could actually result in inequities. For example, the members of a smaller cooperative may end up with more decision-making power than members of larger cooperatives, or of the umbrella cooperative itself.

3rd Principle: Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

You can call this third principle, of —fair investment¶ of common ownership, often makes the task of generating the necessary equity very

difficult. Some cooperatives solve this problem by encouraging large loans with promissory notes of repayment with interest. Such loans are not shares nor do they imply a greater voice in the development or operation of the enterprise. The incentive of wanting the cooperative to succeed because of its value to the community and to individuals often inspires members to provide large interest-free loans. For others, a fair interest rate is a sufficient incentive to individual lenders both inside and outside of the membership. Loans and grants can then help to keep membership fees at reasonable rates so as not to hinder community members with fewer resources.

4th Principle: Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

Like the first principle, the fourth principle of complete autonomy and independence can create legal difficulties, especially in Nigeria, and often cannot be followed absolutely. Cooperatives in every state in Nigeria exist under the supervision of the Ministry of Community Development and Cooperatives. Hence, the cooperative societies may not have the absolute autonomy and independence.

5th Principle: Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.

The fifth principle of educating members and the community has seen success in some cooperatives but not others. One of the challenges of this principle is to avoid setting up a huge -marketing| program under the aegis of —education.| At the same time, effective membership must be based on effective education about the mission and values of cooperation. For cooperatives to succeed, education ought to extend to youth and to others in the community for a broader understanding of the nature and benefits of cooperation.

6th Principle: Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.

This principle is largely self-evident. As cooperatives of various types proliferate within a community, a need arises to link them in some kind of network. People in the community need to know about the existence of cooperatives, and the various cooperatives can often facilitate their educational and marketing efforts much more effectively through a community association of cooperatives than they can by individual efforts. In Nigeria, Cooperative Federation of Nigeria (CFN) helps to achieve this function on a national level. The International Cooperative Alliance (ICA) acts on an international level. In addition to those organizations.

7th Principle: Concern for Community

While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

This seventh Principle of Cooperation states a concern for the environment and sustainable living. For example, Biodiesel Cooperatives salvage cooking oil from restaurants and fast food outlets and process it into a fuel that can be used in internal combustion engines. These cooperatives provide an alternative to the rapidly depleting supply of petroleum. There are also cooperatives for recycling and other forms of conservation

SELF-ASSESSMENT EXERCISE

Enumerate seven principles of cooperatives

3.2 Operational Guidelines of Cooperatives

Certain business practices have developed that implement and facilitate the basic principles of cooperation, as you have learnt above. Cooperatives follow certain operational guidelines. These are practical response to local needs. Some are adopted from standard international practices, others are local innovations. But all these are aimed at perfecting cooperative operations. They further differentiate a cooperative from other forms of doing business.

They are:

- (i) **Capital Formation** Starting a new cooperative can create a need for substantial capital. A problem develops when trying to operate with limited membership equity capital. The task of financing a new cooperative with member equity alone is usually impossible. Therefore, the best source of additional funds needed is from members in the form of: a) membership fee or purchase of stock; b) agreement to withhold portion of net earnings (profits); c) by assessment based on units of products sold or purchased.
- (ii) **Cash Trading**- This is business done on a cash and carry basis. The customer enjoys at least the use of the goods and services for the cash payment he/she gives. Cash trading promotes equality since anybody with cash can enjoy the service patronage. This practice can train members to observe the habit of balanced spending. Furthermore, the cooperative would be able to avoid bad debts and stabilize business operations. Finally, it is a way of increasing growth.
- (iii) **Selling at market price**- Cooperatives offer goods and services at prevailing market prices. This promotes stability. It can cope with operational expenses and cover up the negative effects of shrinkage, depreciation and losses. It helps maintain the prices of goods;
- (iv) **Cooperatives can avoid destructive competition**- Fostering constructive competition among cooperatives will safeguard the interests of consumers. Cooperatives are encouraged to cooperate in unison and bring their joint power in the market up to the level achieved by enterprises that are operated for the benefit of other stakeholders. They cooperate in order to get a fair deal from the large scale buyers of their products. Consumers cooperate to get a better deal from manufacturers and suppliers. Credit unions are formed to counter the power of large scale financial institutions. Price fixing agreements and cartel methods are prevented.
- (v) **Constant expansion**- As organizations, cooperatives have to grow for community services. Expansion is a must. It is done intensively and extensively. New members should be recruited to accumulate more capital and savings to support operation of the expanded business and services which in the long run will provide more benefits for them. However, members in this regard should undergo continuous education and training to learn various management practices/techniques and effective financial supervision.
- (vi) **Quality standardized goods**- Cooperatives are intended to develop communities through the production of high quality goods and provision of better services. Cooperatives could help by patronizing only standardized products and services of high

quality. Hence, different types of cooperatives will strive to improve their goods and services to stand competition with business establishments. This in turn will be instrumental in improving life in the country.

- (vii) **Cooperative wholesale business or interlending (cooperative bank).** Cooperatives can be organized with enough people and capital. They respond to the needs of the community. Needs arise when there are people. The expansion of membership may result in wholesale business. In fact, to be effective, wholesale business, interlending (cooperative bank), could be done by primary societies. Defects from retail business could be avoided.
- (viii) **The benefits from the wholesale are considerable.** Members can market and acquire the goods and services at the right price and quality. They can even lower and raise savings. They can also influence the production of badly needed goods and services;
- (ix) **Minimize expenditures** A significant factor favouring the growth of cooperative is its being a community project. Their officers do not receive remuneration. If they get compensation, it is only in the form of allowances, per diems, or honoraria. When audit shows that the cooperative is not capable or can afford the minimum wage, only employees get paid regularly. The government can give exemption. Furthermore, laws may allow exemption from income and sales taxes. Minimizing expenses should not be taken as a remedy to cover up the weaknesses of the system. It is not to be conceived as a form of dole-outs, but rather, it should be considered as motivation to make the movement stand on its own and soon attain its objectives. Once its objectives are achieved, the movement can take its rightful place in the development of the country.

SELF-ASSESSMENT EXERCISE

Mention three ways capital formation from members is carried out in cooperatives

4.0 CONCLUSION

We learned that Cooperative operations, unlike other forms of business organizations, rested mainly on the cooperative principles. These principles provide a guide to all the activities of Cooperative societies; including the practice of cooperatives, loan disbursement and recovery.

5.0 SUMMARY

In this unit you have learnt the seven principles of cooperatives, namely: offer voluntary and open membership, govern by democratic member

participation (one member, one share, one vote), operate by equal and —fairl investment by the members, remain free of intervention from governments or any other outside power (for example, corporations), educate its members and the community about the nature, principles, values, and benefits of the cooperative, encourage cooperation among cooperatives, and protect the environment and contribute to the sustainable development of the community. You have also learnt types of loan, procedures of issuing loans, conditions governing loan, lending policies, credit policies, loan delinquency and disciplinary measures.

6.0 TUTOR-MARKED ASSIGNMENT

1. State and explain the seven principles of Cooperatives
2. List the operational guidelines of cooperative practice

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UNIT 3 COOPERATIVE BOOKS AND RECORDS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Meeting Records
 - 3.2 Accounting Books
 - 3.3 Other Books and Records
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

Records are very important part of any organization. This is because it will enable you to measure how well you have been able to achieve your set objectives. It is a measure of efficiency in any organization. A well kept record can be very useful in many ways and even determine the continuous existence or otherwise of the organization. In Cooperatives, there are many records that are important for good tracking of society activities. In this unit, we shall consider the important records.

2.0 OBJECTIVES

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

- Itemize records necessary for good cooperative meetings
- List and explain various financial records use in cooperatives
- Mention other useful records of cooperatives

3.0 MAIN CONTENT

You will notice in this unit that cooperative records are discussed under three sub-heading. The first set of records has to do with the meetings, financial records are discussed next and lastly, we shall consider other useful records.

3.1 Meeting Records

(a) Membership and Attendance Register

The membership and attendance register is kept and maintained up-to date. This record contains:

- (i) Names of all members of the society
- (ii) Address
- (iii) Occupation
- (iv) Date of admission to membership
- (v) Reference to nominee
- (vi) Signatures
- (vii) Date of cessation of membership.

You should note that this record helps to monitor Members' attendance, lateness and absenteeism at cooperative meetings.

(b) Minutes Book:

This is the record of activities at the committee and general meetings. It is usually written and kept by the secretary to the society. (Ajibode and Ogunbayo, 1997) This record can reveal the frequency at which committee and general meetings are held. Decisions at meetings and proceedings are neatly kept in the minute's book.

SELF-ASSESSMENT EXERCISE

Name two records necessary in cooperative meeting

3.2 Accounting Books

These records are meant to manage, monitor and control financial activities of the cooperatives

(a) Cash Books

The cashbook shows the receipts, payments and balances on each day or month of business. It has two sides, namely: the debit side (Dr), which is the left side and the credit side (Cr), which is the right side.

(b) Cash Receipt Book

This is one of the source documents for recording all monies received. It is usually in duplicate, which has to be carbonized when transactions are being recorded on them. It has on each an identification number, a column for the name of the organization/person issuing the receipt, the name of the person/organization paying the money, the total amount paid in words

(c) Payment Voucher

This is another source document on which all payments in cash or by cheques are recorded, it has column for indicating the name of the society, the account to be debited, date column, description column, rate and amount columns. It also has a column for the president's signature that authorizes payment and column for the receiver of the money.

(d) General Ledger

The general ledger contains accounts, which are general in nature and not particular to individual members. The accounts include all of the following records:

- i. Affiliation or entrance fees;
- ii. Annual subscription to Union;
- iii. Audit and supervision fees
- iv. Annual subscription to State Union;
- v. Fares;
- vi. Interest on deposit
- vii. Interest on Thrift Savings;
- viii. Interest on Loan from Credit Union/Bank;
- ix. Salaries and wages
- x. Postage and stationery
- xi. Entertainment;
- xii. Entrance fees from members;
- xiii. Fines
- xiv. Interest on loans to members;
- xv. Interest on loans to Union;
- xvi. Interest on deposit in Union;
- xvii. Interest on investment;
- xviii. Bank interest;
- xix. Development levy from members;"
- xx. Donation
- xxi. Deposit in credit Union;
- xxii. Deposit in Co-operative Bank;
- xxiii. Shares in credit union;
- xxiv. Savings in credit union;
- xxv. Loans to members;
- xxvi. Interest due from union;
- xxvii. Dividend due from shares on Co-operative Bank;
- xxviii. Interest due from Bank;

- xxix. Investment interest due,
- xxx. Building and equipment;
- xxxi. Appointment account;
- xxxii. Sundry debtor (to be listed separately in a list)
- xxxiii. Shares in other Co-operative Enterprises;
- xxxiv. Thrift Savings;
- xxxv. Share capital;
- xxxvi. Special Savings
- xxxvii. Reserve funds;
- xxxviii. General reserve fund;
- xxxix. Education fund;
- xl. Provision for entertainment xli. Loan from Union
- xlii. Sundry creditors (to be named in a list)

(e) Journal Book:

There are two types of journal in cooperative book-keeping these are:

- (i) **Journal proper:** This is used for making entries that does not involve the receipt or payment of money and inter ledger transfers.
- (ii) **Journal for adjustment:** This is used for making adjustments particularly at the end of trading period. It has a column for date, narration, ledger folio and Debit and Credit columns.

(f) Personal Ledger

The personal ledger contains accounts, which are particular to an individual member, depositor or creditor. Some of the items contain in the account of a member in the personal ledger include the following:

- i. Serial number and name of each member
- ii. Member's signature;
- iii. Address;
- iv. Date admitted;
- v. Date membership ceases; and
- vi. Reason for cessation of membership.
- vii. The ruling of the Personal Ledger account are headed as follows:
 - viii. Date;
 - ix. Particulars (of the business transaction) e.g. Savings, Shares and Loans,
 - x. Reference (to cash receipt or payment voucher number)
 - xi. Shares: Dr, Cr, and Balance;
 - xii. Savings: Dr, Cr, and Balance;

- (i) Loan: Dr, Cr, and Balance;
- (ii) Deposits: Dr, Cr, and balance;

(g) Monthly Analysis Book:

It shows a breakdown of the payment made by every member each month. It shows:

- (i) Name of member;
- (ii) Total amount paid in the month;
- (iii) Amount paid as shares,
- (iv) savings,
- (v) entrance fees,
- (vi) loan interest,
- (vii) development levy, etc.

The personal ledger of each member is posted from the monthly analysis book.

(h) Forms of Application for Loan:

The name of the applicant, his address, amount required, purpose of loan, names of sureties are normally indicated in his form.

(i) Loan Bond:

The bond is a written agreement between the society and the member borrowing money from the society. It contains details of the name of the borrower, the amount.

(j) Loan Register:

The loan register shows the record of all loan transactions of members. It has columns for the following particulars.

- (i) Serial number,
 - (ii) Name of member;
 - (iii) Name of sureties
 - (iv) Amount required
 - (v) Estimated value of borrower crops or article of trade
 - (vi) Purpose of loan;
 - (vii) Minute book page;
 - (viii) Date of loan
 - (ix) Loan bond number
 - (x) Payment voucher number
 - (xi) Amount granted

- (xii) Borrowers signature in receipt
- (xiii) Cash book folio;
- (xiv) Date of completion;
- (xv) Amount paid;
- (xvi) Loan interest

SELF-ASSESSMENT EXERCISE

Enumerate important accounting books/records use in cooperatives

3.3 Other Books and Records

(a) Authority for Deduction

In societies where members contributions are deducted at source, (from members salary) forms of authority for deduction from salary at source are normally completed by members and sent to the head of the account department who makes the deduction monthly and sends the list to the society together with a cheque concerning the amount deducted.

(b) Investment Register

This is used to record investment of societies in other organizations. It has columns for serial number, particulars, date amount invested and expected yield.

(c) Building and Equipment Register

This is used to record various assets acquired by the society. It has column for serial number, particulars, date asset bought, value of asset, expected number of useful life of the asset, depreciation rate and residual value.

4.0 CONCLUSION

You must have learnt the diversity of records kept by cooperative societies. These records are very important and vary in contents and usefulness. Records related to the financial activities of the cooperative dominate the bulk of the record kept. This is because cooperative, as you have learnt in the previous units, is a form of business organization that monitors its income and expenditure as well as debit and credit very closely.

5.0 SUMMARY

In this unit, you have studied the various records use in cooperative societies. These records are into three categories namely: Meeting, Financial and Other records. The meeting records include the membership register and the minutes' book. Financial records include cashbook; cash receipt book, payment voucher, general ledger, journal book, personal ledger and so on.

6.0 TUTOR-MARKED ASSIGNMENTT

1. Outline the various records use in Cooperatives
2. Name twenty records that can be regarded as part of general ledger in cooperatives

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UNIT 4 LOAN MANAGEMENT

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Loan Management in Cooperative
 - 3.1.1 Types of Loan
 - 3.1.2 Procedures of issuing loans
 - 3.1.3 Condition Governing Loan
 - 3.1.4 Lending Policy
 - 3.1.5 Important Elements of Credit Policy
 - 3.1.6 Causes of Loan Delinquency in Cooperatives
 - 3.1.7 Prevention of Problem Loan
 - 3.1.8 Loan Collection Techniques
 - 3.1.9 Rules and Disciplinary Measures to Prevent High Delinquency Rates
- 4.0 Conclusion
- 5.0 Summary
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1.0 INTRODUCTION

Issuance and recovery of loan is one of the main businesses of Cooperative societies. While it is a statutory role of Cooperatives to give out loan to members, it is mandatory for members who intend to utilize loan from the society to abide by the loan policy or guideline of the cooperatives.

2.0 OBJECTIVES

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

- Identify different types of loans
- Explain the procedure of issuing loan in Cooperatives
- List loan policies in cooperatives
- Enumerate techniques in loan recovery.

3.0 MAIN CONTENT

3.1 Loan Management in Cooperative

Loan is defined as something lend or borrowed from another person with utmost intention of returning it on agreed date and time, with

interest or without interest. Loan can be defined as contributions of individual or group of people who are ready to part with some money as loan to another people or group of people with intention to pay back on the agreed date and time with interest or without interest. This can be regarded as loan. What money is to business, so also blood to human life. Therefore, money is the life wire of any business without which there is no way the business can live or prosper.

Since money is the life wire of any business, it means business enterprise is a product of the funds available for that business. These funds can be derived from different sources, shareholders, creditors, banks, retained savings, or loans. To this end, (money) loan involves two parties, the person who wants to get the loan and the person who intend to give the loan (a lender and a borrower).

3.1.1 Types of Loan

Loan can be classified by the tenure or primary purpose. It can be short-term loan, long-term loan, or by other types of loans which include personal loan, real estate, or housing loans. These loans are for acquisition, renovations or development. These loans can be sourced from employers by employees or from cooperatives. Commercial/industrial loans which represent the bulk of the loan, always involve the banks on a daily basis. These types of loan has maturity day from one day to fifteen years. Commercial and industrial loans constitute the bulk of loans which have to be processed by banks and other financial institutions. They are classified as follows:

- (i) Term loan - (short, medium and long term).
- (ii) Seasonal loans-for Agricultural loans
- (iii) Equipment leasing
- (iv) Documentary letter of credit
- (v) Export finance facility
- (vi) Permanent/Capital loans (Revolvers)

It is pertinent to note that particular types of loan cut across more than one or two groups. Hence, the above classifications are not water-tight, but are simply based on convenience. For the purpose of this lecture, we shall deal with the term loan. Term loan is convenient for the cooperators. Term loan is as the name implies— it is just for one year or maximum of 3 years. It is for a specific purpose and with small interest from 1-18% on monthly basis.

Who are the beneficiaries of this loan? Every member of cooperative who:

- a) Has spent at least 6 months
- b) Has been regular and update his/her account.
- c) Has at least satisfied the conditions for taking loan

3.1.2 Procedures of Issuing Loans

- a) Application -Members have to apply in writing, or on prescribed application forms, stating how much she/he wants, purpose of the loan, name of sureties or collateral to be attached and when to liquidate the loan. The Committee then verifies all necessary things about the borrower, reconciles approval of the loan with all conditions as stated in the relevant bye-laws.
- b) Security of Loans - Normally, there are three ways of securing loans in cooperatives.
 - (i) The first is to appoint two sureties who should be members of the society. The duty of the sureties is to repay the loan if the borrower defaults which is usually stated in the bye-laws.
 - (ii) The second method is to present additional and acceptable collateral e.g. landed property, motor vehicle, shares, etc. The original receipts, Certificate of Occupancy (C of O) or share certificates or other necessary documents on the collateral must be submitted /deposited with the society. However, the borrower is expected to submit an affidavit of voluntary submission of the documents pledging not to dispose it off until the loan and its interest are paid fully.
 - (iii) The third method is self-quarantining the loan whereby a member wishes to take a loan below his total assets in the society. Such borrower can be granted loan without sureties or collateral. Before this condition could be granted, the borrower must not have stood as surety for any other unpaid loan.

2.1.3 Conditions Governing Loans

No loan shall be granted to:

- a) any individual other than a member of the society.
- b) any member whose installments of shares are in arrears.
- c) any member who has not made thrift savings under Bye-law 47

Further conditions as stipulated by Bye-law 57 are as follows: No loan shall be granted:

- a) for a period exceeding the time limit fixed by the General Meeting.
- b) If it would bring a member's total indebtedness at the time of the loan to an amount exceeding his maximum credit limit.
- c) Unless approved by a majority of the members of the Committee who are present at the meeting at which the application is considered. Other special areas that need to be taking care of when approving loans are:
 - i. The maximum credit limit - The Committee must bear in mind that availability of funds and the principle of making funds available to as many members as are qualified and the genuineness of the securities offered.
 - ii. Interest fixed - Interest on loans shall be fixed by the Committee and approved by the General meeting. In case of default in repayment, penal interest shall be charged at twice the normal rate.
 - iii. Bonds/Securities - Every borrower must have bonds or sureties. In the case of primary societies, two sureties are required. No extension of period of repayment shall be granted without the consent of sureties.

3.1.4 Lending Policies

What is the lending policy?

- a) There must be a loan committee.
- b) There must be procedures.
- c) The person must be a member of cooperative for at least six months.
- d) The person must possess the 5 Cs which includes:
 1. Character
 2. Capability
 3. Collateral
 4. Capital, and
 5. Conditions
 1. **Character:** The character of the person who want to borrow money is one of the most considerations in evaluating a credit request. The committee has to draw from knowledge of psychology and sociology of human behaviour when considering loan for a person.
 2. **Capacity:** Relates to the prospective borrower's financial ability to repay when it is matured or as they fall due. The credit

- committee should critically appraise the borrower's strengths, powers and track record.
3. **Collateral:** This is security pledged to secure loan. The appropriateness/adequacy of any collateral for loan would largely depend on the type or nature, amount or tenure and structure of the loan requested.
 4. **Capital:** (Financial Conditions): This represents the amount of equity (capital) the person has in his/her account. The equity (capital) participation represents some caution of assets in the event of a loan default and the higher the equity capital, the more comfortable the loan committee would be.
 5. **Conditions:** Refers to economic conditions at the time of request. The cooperative union's/society's liquidity can impact ability to make a loan

3.1.5 Important Elements of Credit Policy

Policies are general guidelines developed and approved by the cooperatives organization's Board of Directors. It may be society, unions, etc. The reasons for the policies are to promote consistency and common goals, provide answer and assist with decision-making and to reduce personal liability for board members. The steps in the credit policy are:

- a) Mission - That is, credit/loans should be given to member who have good reputation and are credit-worthy.
- b) Boards of Directors of Credit unions are to formulate, review and adjust loan policies.
- c) Eligibility - That is, smaller loans are to be given to new members and there should be a graduation period.
- d) Loan payments - This could be monthly, quarterly or even daily.

3.1.6 Causes of Loan Delinquency in Cooperatives

- a) Weakness in loan policies and regulations and failure to orient the members on their responsibilities to pay back the loan on time, can cause loan delinquency in cooperative societies.
- b) Approval of loan application on the basis of friendship or paternalism.
- c) Approval of new loans to members who are still delinquent, poor example by leadership, loss of credit culture, etc.

All of the causes described in this category may be overcome easily if we take them into account before granting the loan and during the loan analysis and approval process.

3.1.7 Prevention of Problem Loan

A problem loan is one, which cannot be paid according to terms or in an un-satisfactorily manner. It carries risk, which is out of proportion to return, and there maybe probability of total loss. We shall consider the 4 Ps of problem loan prevention.

- a. Philosophy
 - b. Policy
 - c. Procedures
 - d. People
- a. **Philosophy:** Preventing problem loan starts at the very top of the organization and depends equally on the lending culture that is created and the strategic decision of committee/management.
 - b. **Policy:** The organization policy embodies management instructions, which are designed to guide lenders to follow the general lending policy. The general lending policy of the organization is the primary means of communicating the organization's lending philosophy. It outlines the organization's definition of safe and sound lending practices best practice. Policies are like laws which must be abide with and nobody can claim ignorance.
 - c. **Procedures:** Procedures consist of the systems and controls which assure that policy exceptions are brought to management attention. It includes loan approval and review procedures, loan rating systems and system to provide management type of information on the portfolio.
 - d. **People:** These are the committee members, if good loan decision are made in accordance with the lending policies and procedures. If they are thoroughly analyzed and well-documented. Many problems loans can be avoided. Members of loan committee should be given free hand to operate.

3.1.8 Loan Collection Techniques

The committee should be vigilant especially, when the repayment is becoming irregular:

- a) Call the attention of the borrower
- b) Suasion methods
- c) Report to immediate family and later friends
- d) Report to parent body
- e) If borrower invest on a business and it has good case, you can use either of these techniques:
 - (i) Loan him additional money with close monitoring.

- (ii) The committee should take up the management of the business.
- f) Lastly, take him or her to court. Don't take the law into your own hands.

3.1.9 Rules and Disciplinary Measures to Prevent High Delinquency Rates

It is important to know the consequences of delinquency and put into practice measures to prevent it. A good start for avoiding and achieving control over delinquency is by choosing the rules and disciplinary measures:

- a. The cooperative union/society must have and enforce correct and sound loan and collection policies.
- b. Must grant loans only on the basis of the analysis of the ability to pay, appraisal of the securities and confirmation of income.
- c. Cooperative unions/societies must never grant a loan out of friendship, paternalism and or affinities of any type.
- d. For no reason and under no circumstances must a new loan be approved to a delinquent member.
- e. Bear in mind the concept that every member borrows because he can pay.
- f. Charge off bad loan from the society's account on a quarterly basis.
- g. Cooperatives must not restructure or renew loans for any reason.
- h. Apply all the penalties for delinquency permitted by the laws and sanction delinquent members.

SELF-ASSESSMENT EXERCISE

- i. Define loan
- ii. What are the lending policies?
- iii. List four loan collection techniques you know

4.0 CONCLUSION

We learned that Cooperative operations, unlike other forms of business organizations, rested mainly on the cooperative principles. These principles provide a guide to all the activities of Cooperative societies; including the practice of cooperatives, loan disbursement and recovery.

5.0 SUMMARY

In this unit you have learnt the seven principles of cooperatives, namely: offer voluntary and open membership, govern by democratic member

participation (one member, one share, one vote), operate by equal and —fair investment by the members, remain free of intervention from governments or any other outside power (for example, corporations), educate its members and the community about the nature, principles, values, and benefits of the cooperative, encourage cooperation among cooperatives, and protect the environment and contribute to the sustainable development of the community. You have also learnt types of loan, procedures of issuing loans, conditions governing loan, lending policies, credit policies, loan delinquency and disciplinary measures.

6.0 TUTOR-MARKED ASSIGNMENT

1. Mention types of loan you know
2. Highlight procedure of issuing loan in cooperative
3. Explain the causes of loan delinquency in cooperatives

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UNIT 5 COOPERATIVE FINANCE

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Sources of Capital in Cooperative Societies
 - 3.1.1 Directly from members themselves
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1.0 INTRODUCTION

In this unit you would learn how cooperatives source for their capital investment as well as the running capital. The purpose of cooperative finance is to make you appreciate various financial activities of cooperatives that differentiate them from other financial institutions such that they are able to offer above-average service along with competitive rates in the areas of lending and investment dealings.

2.0 OBJECTIVES

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

- List and explain the various sources of capital available to Cooperative societies
- Describe three methods of matching patronage and equity obligations in Cooperatives

3.0 MAIN CONTENT

3.1 Sources of Capital in Cooperative Societies

You have learnt from the previous sessions that cooperatives, like other business organizations, require capital to function. The greater the

amount of capital held by the cooperative, the greater its ability to purchase more efficient technology, invest in staff training and education and make other improvements to the running of the business. Capital for the operation and improvement of the cooperative business can come from three main sources:

- (a) directly from members themselves
- (b) retained surpluses generated by the cooperative business
- (c) outside sources.

Let us consider these sources one after the other.

3.1.1 Directly from members themselves

This source of fund is direct contributions from the members of a cooperative society. It includes the following:

(i) Entrance Fees

Before anyone could gain admission into a society, he must pay entrance fees. It is usually a token sum of money affordable by intending members. It is usual to keep this fee very low and the amount is usually decided upon by the general meeting of members at the onset of the society. This is the money the Society can lay hand on to meet some initial expenses at the initial stage of the society's formation. The money is not recoverable by members and payment is mandatory for all members.

(ii) Share Capital

Member share capital represents individual member commitment to the cooperative form of business. It also identifies the individual member's financial stake. It is withdrawn only when the member leaves the cooperative.

The society offers shares for sale like in a company and a share normally has a value e.g. a share may be N1, 000.00 each. As agreed in the General Meeting, a minimum share holding is normally fixed for each member of the society to buy. Owojuyigbe (2007) noted that there is also maximum shares capital holding. The purchase of shares by a member makes the member an owner of the business and it is when each member has paid for the minimum share holding that he/she becomes a full member of the society and can enjoy all rights/privileges of a member.

The bye laws regulate the minimum and maximum share capital holding. This ensures a good capital base for the society.

The share capital can be paid once or instalmentally to make it easy for the members. However, members can exercise their full rights only when they have paid the minimum share capital. It should be noted that share capital is refundable to a member on withdrawal from the society.

The limitations are that the share capital will be reduced by members' withdrawal. Also, part of share capital is withdrawable if the share capital is more than the minimum.

(iii) Interest on Loans and Investments.

Cooperative societies as business enterprises give loans to members and it is mandatory for loan beneficiaries to pay interest on loan taken. This is also a source of capital for the society. The Societies may invest their money in buying shares from companies, trading, land speculation and the dividend or interest that accrue to the society from these, build up the capital in such organization. The interest on loans and dividends from investments can be reinvested into the business of the society.

(iv) Savings.

Individual member deposits with the cooperative which may be used for cooperative business. Every member is expected to save into the society in respect to the financial capability of such member. The savings must be regular, preferably on monthly or weekly basis. The General Meeting decides what the minimum savings should be and no limit is usually placed on the maximum.

Two types of savings are available to Cooperatives. One is the regular savings which is dependable regular source of income for the society. This is the one each member must pay regularly to the society and it makes each member to be thrifty. The second one is the special savings. This is compulsory for all members, but any member that has a financial obligation before him/her especially payment of school fees, funeral ceremonies, or future use of money, may engage in this type of savings. It is usually done on agreed duration at the expiration of which the money will be withdrawn by the member.

(v) Deposit from members and non-members

Members may be asked to deposit some amount of money in the Society as may be decided by the general meeting of the society. To make the society have more money, non-members may be encouraged to deposit some money in the society in form of savings. As a result of non- members' deposits, they may have to enjoy some of the benefits that are exclusively for members. For

example, non-members may be paid interest on capital deposited in the society but will not be allowed to take loan in the society.

(vi) Annual Subscription.

Members may agree to pay this fee into the society once in a year. This is why it is called annual subscription. It is aimed at ensuring that the society has more capital.

(vii) Fines

Fines are paid in cooperative Societies by defaulters. A member may default by not attending meetings or getting to meetings late. He/she may also default by not abiding by the rules and regulations of the society. Fines also swell the capital of Cooperative Societies in one way or the other and they are not recoverable by the payee.

(viii) Development/Special Levy

The members of the Society may agree to contribute Development levy or special levy. This is to enable the society accumulate more capital and ensure the society has the ability to compete with other business organizations.

3.1.2 Retained surpluses generated by the cooperative business

Funds created through the retention of cooperative business surpluses that are not directly allocated to members are another important source of cooperative capital. This is a long term source of funds; some cooperatives' rules allow these funds to be distributed only when a cooperative is liquidated. Some the examples of such sources are:

(i) Deferred Payment

Deferred payment to members for part or all of their produce delivered to the cooperative is another source of finance to cooperative societies. The society can make use of the earnings from the sales of members produce, though the society will pay interest on such earning to their members.

(ii) Reserves

Reserves come into being only when a Cooperative society makes a surplus. The bye-law mandates a Cooperative society to put a part of the surplus in the society as reserve. The society can have reserve only if the members of the society have done good job. It cash be regarded as the

Society's hard-earned money which can be ploughed back into the business. It should be clear that reserve is at the expense of member's patronage refund.

3.1.3 Outside Sources

In addition to institutional capital and member capital, cooperatives often make use of external sources of funds to run their operations or to finance investments. These non-member sources of funds may include cooperative or commercial banks, suppliers, government or donor agencies and so on. External funding may be provided in different ways:

(i) Loans

A cooperative society may get loan from the union it affiliates to, or from financial institutions like Banks or from the Government in cash or kind. Loan from government may be interest free or with low interest. At times, Government sureties' societies, to be able to take loans from financial institutions.

The limitations to the loans taken by Cooperatives Societies are that the Societies at times lack collateral security, loans are at times delayed by bureaucracy and loans from financial institutions are usually with high interest rate. Also, when cooperatives take loans from the Federal or State Government, it misinterpreted to be their share of the national cake and they would not be willing to repay the loan.

(ii) Donations

This is usually received through appeals at the commencement of the society's operations where the members of the Society go down on their knees to beg the government or members of the public to donate to the establishment of the society or for a development project. This was common in the past especially in the 1940's and 1950's but not nowadays because members of societies now realize that they are not beggars. This apart, they now understand that cooperative societies are business ventures to be financed and run by them.

(iii) Grants

Grant is a gift to the Cooperative society. Grant is usually given by the Government in the past. But nowadays, the Government rarely gives grants to Cooperative Societies. When it was being given, it was usually regarded as a share of national cake by beneficiaries and would not be used profitably. However, Cooperatives are advised to shun grant from

Government because it is usually accompanied with control from the government and the control makes the members lose their initiatives.

(iv) Subsidies

When Grant is compared with subsidy, the total amount involved in grant is gift while part of subsidy is gift and the other part is money contributed or owned by the Society. Subsidy may also lead to control of the society by the donor. Also, with the mentality of Nigerians, subsidy may be misused.

SELF-ASSESSMENT EXERCISE

Mention three main sources of capital in cooperative

3.2 Methods of Matching Patronage and Equity Obligations

Capitalization is the amount and source of money needed to fund and operate the cooperative. The committee of a newly set up cooperative or existing one recommends a plan of capitalization including: Determine whether the capital structure is to be stock or non-stock, estimate the amount of member investment (risk capital) and estimate the amount and source of borrowed money needed (debt capital).

Three methods of matching patronage and equity obligations have achieved general acceptance: revolving fund plans, special plans, and base capital plans. Although the systems are often viewed as unrelated, they may, in fact, operate together.

3.2.1 Revolving Fund Plan

"Revolving fund financing" refers to systems in which patrons make annual capital contributions; typically through retained patronage refunds or per-unit retain allocations. The cooperative, in turn, redeems earlier capital contributions on a regular basis. Redemption is usually on a first-in, first-out basis. The cooperative determines what its total capital requirements are and the excess is redeemed each year, the earliest or "oldest" equity being revolved out first.

A revolving fund plan is frequently described as "systematic" if older equities are retired on a regular basis, usually a given number of years after they were issued. In a systematic plan, member investment is related to recent and current use. Newer members usually add equity to their account during their early years in the cooperative. The accounts of established members are adjusted each year to better reflect current patronage. They make new investments based on

current year's patronage and have their earliest year's equity redeemed. The accounts of former members are commonly paid off during the life of the revolving cycle, usually beginning the year after they cease patronizing the cooperative.

Redemption is normally dependent on a board of directors' determination that funds for revolvment are available. This insures that there is room for flexibility if the situation warrants it. For instance, if there is a shortfall in new equity or a need to increase the cooperative's total equity, equity requirements can be met by lengthening the revolving cycle (the cooperative keeps equity for a longer period of time).

This tactic should be used sparingly, as it deviates from the objective of having current users finance the cooperative. Also, it can create member relations problems if the members have the expectation that their oldest equities will be redeemed on a fixed schedule, sometimes without regard for the cooperative's financial condition.

3.2.2 Special Plans

A special plan is one in which a specific event or condition, such as a member's death, triggers equity redemption. The most common events covered are death, retirement or reaching a specified age. Once the condition is verified, the member's equity may be returned at once or over a prescribed number of years.

Special plans are often popular with members, who see redemption of their equity investments supplementing retirement income or their estates. But special plans can complicate financial planning for the cooperative. One problem is forecasting how much equity will be redeemed in a given year.

Another difficulty is dealing fairly with members who are partnerships or corporations and whose business activity or life may continue well beyond that of individual partners or shareholders. One approach is for the association to redeem that portion of the member firm's equity equal to the ownership interest in the firm of the person meeting the special redemption condition. Then the firm would be expected to make up the difference just as if it had been underinvested by the amount of the redemption.

Special plans are sometimes combined with revolving fund or base capital plans.

3.2.3 Base Capital Plan

A "base capital plan" is a special equity capital management plan. It focuses directly on the current proportion of capital a patron should have in the cooperative at a particular time, based on the degree of use. Development of the base capital plan involves several steps.

- (i) The cooperative determines its total equity capital needs.
- (ii) The equity capital needs are allocated among patrons based on the proportion of the cooperative's business each patron did with the cooperative during a base period, typically the past 3 to 7 years.
- (iii) Each year the cooperative's equity requirements are re-viewed and adjusted as the board of directors finds appropriate. Each patron's share of the equity requirement is also adjusted to reflect (a) any change in the total requirement of the cooperative and (b) any change in the patron's proportional share in the new base period.
- (iv) Under invested patrons must add to their equity account, usually through the current year's retained patronage refunds or per-unit retains, or by direct contribution.
- (v) Fully invested and overinvested patrons generally are paid a cash rebate of current year's patronage refunds and per-unit retain allocations. Overinvested patrons may receive an additional payment in redemption of their excess share of the equity.

The proportional share of former patrons will fall each year, reaching zero at the end of the base period beginning the first year after they cease patronizing the cooperative.

SELF-ASSESSMENT EXERCISE

Mention three methods of matching patronage and equity obligations in a cooperative society

4.0 CONCLUSION

In this unit, you must have appreciated the peculiarity of cooperative as a business organization. Sources of income available for a cooperative society, as a form of financial institution, are numerous. Also, Cooperatives have distinct ways of matching patronage and equity obligations. All these peculiarities in Cooperative finances differentiate them from other financial institutions such that they are able to offer above-average service along with competitive rates in the areas of lending and investment dealings.

5.0 SUMMARY

We have discussed Sources of capital in cooperative societies. These sources are categorized into three namely: directly from members themselves, retained surpluses generated by the cooperative business, and income from outside sources. We have also learnt methods use by cooperatives in matching their patronage and equity obligations. The methods identified are: revolving fund plan, special plans and base Capital Plan.

6.0 TUTOR-MARKED ASSIGNMENTT

1. List sources of capital in cooperative societies
2. Describe methods by which cooperatives match patronage and equity obligation

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UNIT 6 COOPERATIVES FINANCIAL STATEMENT

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 The balance Sheet
 - 3.1.1 Key Financial Definitions
 - 3.2 The Statement of Operation
 - 3.3 Financial Ratios
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- 5.0 Summary
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1.0 INTRODUCTION

Your knowledge from the previous units would suggest to you that to run the modern day cooperatives successfully, it is crucial that the management committee members understand the financial situation of their cooperative. Regular review of financial statements is necessary to make prudent business decisions, to protect the equity invested by members, and to make sound long-term strategic plans. Reviews should be conducted at least once annually. The fact that management committee members may not have formal training in accounting and financial analysis does not decrease their financial responsibilities. Competent accountants and other financial analysts should be hired to help the society evaluate and interpret cooperative finances. The balance sheet and operating statement (also called profit and loss statement, income statement, or earnings report) are the most essential financial statements and should be provided to the board and management monthly. Together they provide a picture of the cooperative's financial position, its performance, and its ability to meet its financial obligations.

2.0 OBJECTIVES

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

- Define key financial terms used Cooperative societies
- Demonstrate the use of Balance sheet
- Prepare cooperative statement of operation
- Outline main financial ratios

3.0 MAIN CONTENT

3.1 The Balance Sheet

The balance sheet presents a financial snapshot of a cooperative at a specific point in time (generally the last day of the business year). It also typically includes the balance sheet for the prior year to allow for comparisons. A sample balance sheet is shown in table 1. Key financial terms are defined in 3.1.1. The balance sheet is broken into three parts: assets, liabilities, and equity. The parts must always balance because the total resources or assets of a business equal the amount owed to others. In other words, $\text{Assets} = \text{Liabilities} + \text{Members' Equity}$

Assets are normally divided into three categories (current, fixed, and other) according to the time it takes to convert the asset into cash. Current assets are expected to be converted within the year. They include cash, accounts receivable, and inventories. The reported value for inventories is equal to the lesser of their cost or market value. Fixed assets are not expected to be sold (hence the name fixed). They include the "bricks and mortar" of the cooperative, the buildings, equipment, and land. Their net book value, not their market value, is reported. The net book value equals the original cost minus depreciation. All fixed assets, except land, are subject to depreciation. Depreciation accounts for an asset's loss of value due to normal wear and tear over time. A new car is worth more than a 5-year old car, for example. Other assets include investment in state cooperatives and other investments.

Like assets, liabilities are also segmented according to time (current, long-term, and other). Current liabilities are debts due within one year. They include trade accounts, seasonal operating loans, cash patronage refunds due members, and taxes and insurance. Long-term liabilities are debts or portions of debt with more than a one-year due date. They include long-term loans from banks (e.g., mortgages) and long-term contracts. Deferred or other liabilities are obligations without specific payment terms. They include deferred income tax liabilities and deferred compensation to employees.

Members' equity (also called net worth or owners' equity) represents the capital members have invested in the cooperative, or the portion of cooperative assets they own. Equity is often called risk capital because it is the last to be paid (or the first loss) in bankruptcy and it alone bears the risk of asset value fluctuations (since liabilities will stay fixed). Members' equity is typically divided into three categories on the balance sheet: common stock, deferred patronage refunds (or allocated equity), and unallocated equity.

3.1.1 Key Financial Definition

- (i) **Gross margins** : income - cost of goods sold
- (ii) **Income**: The naira value of products and services sold by the cooperative, also called gross sales.
- (iii) **Cost of goods sold**: Beginning inventory at cost + purchases of goods to be sold - cost of inventory at the end of the period.
- (iv) **Gross income**: gross returns + other income.
The revenue (after purchasing and service expenses) the cooperatives realizes from selling its products and services.
- (v) **Gross returns**: gross margins + service income
- (vi) **Other income**: incidental revenue - incidental expenses + patronage refunds + dividends + interest on investments. It is also called non-operating income.
- (vii) **Savings**: gross income - total expenses.
Residual funds after expenses and income taxes are deducted from income, also called net earnings or net profits.
- (viii) **Local net margins**: total net margins - patronage refunds received from regional coop
- (ix) **Local net worth**: net worth - investments in other coops
- (x) **Net assets**: total assets current liabilities
- (xi) **Net funds available**: (net margins + depreciation) - (increases in investments in other coops + cash patronage refunds paid + dividends paid on stock + income tax)
- (xii) **Net local assets**: total assets - current liabilities - Investments in state co-ops
- (xiii) **Working capital**: current assets - current liabilities

Table 1: ABC Cooperative society balance sheet for two years

	YEAR (N)	1	YEAR 2 (N)
ASSETS			
Current assets			
Cash	154,263		497,156
Account receivable	579,215		417,853
Inventories	609,041		469,782
Others	<u>236,250</u>		<u>77,756</u>
Total current assets	1,578,769		1,462,547
Fixed assets			
Land	175,111		175,111
Buildings & equipment	3,524,572		3,560,822
Less: Accumulated depreciation	<u>(1,393,027)</u>		<u>(1,560,589)</u>
Total fixed assets	2,306,656		2,175,344

Other assets		
Investments in State Coops	877,416	907,839
Total other assets	<u>877,416</u>	<u>907,839</u>
TOTAL ASSETS	<u>4,762,841</u>	<u>4,545,730</u>
LIABILITIES & MEMBER EQUITY		
Current liabilities		
Account payable	188,701	8,253
Seasonal operating loan	0	0
Current: Long-term debt	142,000	142,000
Accrued expenses/other	<u>211,893</u>	<u>294,568</u>
Total current liabilities	542,594	444,821
Long-term liabilities		
Notes payable: bank	921,980	779,980
Notes payable: members	<u>0</u>	<u>0</u>
Total long-term liabilities	921,980	779,980
Members' equity		
Common stock	15,650	15,650
Deferred patronage refunds	2,404,601	2,398,027
Unallocated equity	878,016	907,252
Total members' equity	<u>3,298,267</u>	<u>3,320,929</u>
TOTAL LIABILITIES & MEMBER EQUITY	<u>4,762,841</u>	<u>4,545,730</u>

Source: Kimberly and Robert, 1980.

SELF-ASSESSMENT EXERCISE

- i. Define the following:
 - (a) Gross margins
 - (b) Gross income
 - (c) Gross returns
 - (d) Savings
 - (e) Local net worth
 - (f) Net local assets
 - (g) Working capital
- ii. Name the two main parts of a balance sheet

3.2 The Statement of Operation

The operating statement records the cooperative's operations for a given period, usually for one business year. Like a student's report card, it shows the progress the cooperative has made. It also typically includes

the operating statement for the prior year to allow for comparisons. The operating statement has three sections: income, expenses, and savings. A sample statement of operations is presented in table 2.

Table 2: ABC Cooperative Statement of Operation.

	YEAR 1(N)	YEAR 2 (N)
INCOME		
Grain Sales	2,089,852	1,972,194
Farm Supply Sales	<u>+12,699,517</u>	<u>+12,007,710</u>
Total Sales	14,789,369	13,979,904
Cost of Goods Sold	<u>12,127,283</u>	<u>11,874,601</u>
GROSS MARGINS	2,662,086	2,105,303
OTHER INCOME		
Service Income	252,781	225,275
Finance Charges	<u>+70,204</u>	<u>+66,622</u>
Total Other Income	<u>322,985</u>	<u>291,897</u>
GROSS INCOME	<u>2,985,071</u>	<u>2,397,200</u>
EXPENCES		
Personal Expenses	<u>1,357,663</u>	<u>1,143,445</u>
Fixed Expenses		
Interest	162,821	165,874
Depreciation	181,324	174,087
Insurance	26,113	25,140
Property Taxes	<u>50,410</u>	<u>48,975</u>
Variable Expenses	<u>902,816</u>	<u>825,476</u>
TOTAL EXPENSES	<u>2,681,147</u>	<u>2,382,997</u>
SAVING		
Local Savings (Loss)	303,924	14,203
Patronage Refunds	<u>23,990</u>	<u>47,770</u>
NET SAVINGS	<u>327,914</u>	<u>61,973</u>
(LOSS)		

Source: Kimberly and Robert, 1980.

Income includes all revenues received by the cooperative during the period being reported. The total or gross income accounts for all cooperative sales, what the cooperative pays for its raw materials or product (cost of goods sold), and any other income received. Other income includes finance charges, rent, and investment income.

Expenses reflect what the cooperative pays to do business. They are generally divided into three categories: personnel, fixed, and variable. Personnel expenses include employee salaries and benefits (insurance, retirement, and social security). Fixed expenses are incurred regardless

of the cooperative's volume of business. They consist of interest payments on loans, depreciation, property taxes, and insurance premiums. Variable expenses are directly related to the cooperative's daily operations and comprise equipment and vehicle maintenance, utilities, advertising, and other expenses related to production and management.

Savings is simply income minus expenses and represents the net profits of the cooperative for the year being analyzed. Local savings is the figure that cooperatives want to pay attention to since this is actually what they control. Patronage refunds received from state cooperatives may be important, but do not actually reflect the viability of their cooperatives' business.

SELF-ASSESSMENT EXERCISE

Highlight the three sections of operating statement in cooperatives.

3.3 Financial Ratios

To make informed business decisions, the financial statements have to be interpreted and analyzed. Comparisons across time and with industry standards are an important piece of the analysis. However, care needs to be taken when making comparisons. Since size and volume make comparing different cooperative businesses difficult, financial ratios are often used. Ratios are also helpful when comparing a single business' results across time. Financial statements are usually analyzed using four categories of ratios: profitability, liquidity, efficiency, and solvency.

- (i) **Profitability** reflects the cooperative's ability to generate savings and includes ratios for returns on sales and returns on assets.
- (ii) **Liquidity** measures the ability of the cooperative to meet current financial obligations on time and can be gauged using short-term cash flow, the interest coverage ratio, working capital-to-sales ratio, the current ratio, and other ratios.
- (iii) **Efficiency** evaluates the productivity of the firm with ratios, such as expenses-to-sales and labor-to-income.
- (iv) **Solvency** reveals the long-term financial health and stability of the cooperative (the ability to stay in business over the long run). It includes debt-to-fixed assets and equity-to-assets ratios.

To gauge the financial performance of the cooperative, the board of directors and management need to establish financial standards (a target value or range) for various performance indicators (choosing only a few to track over time). Next, they should compare their cooperative's measures with the established standards. Benchmarking raises red flags and helps in financial planning. However, it should be remembered that

each cooperative is unique and therefore, may have reasons for not achieving industry standards. Finally, all financial measures are historical and are not perfect predictors of the future.

SELF-ASSESSMENT EXERCISE

Name the four categories of ratios use in analyzing financial statements. Financial statements are usually analyzed using four categories of ratios: profitability, liquidity, efficiency, and solvency.

4.0 CONCLUSION

Adequate financial skills and sufficient data will help ensure that the cooperative management committee makes sound financial and business decisions. This unit provides a very brief introduction into some financial basics; committee members and managers are encouraged to attend training sessions for more in-depth information.

5.0 SUMMARY

In this unit, you have been taught cooperatives financial statements. You should have appreciated the importance of understanding financial situation of cooperatives in order to make prudent business decision. Balance sheet is one of the important records for financial decisions; it equates assets to liabilities plus equity. Some key financial definitions such as gross margin, gross income, savings, and net assets and so on are mentioned. Statement of operations and financial ratios are also important to make informed business decisions.

6.0 TUTOR-MARKED ASSIGNMENTT

Explain the following terms:

1. Balance sheet
2. Net assets
3. Gross return
4. Liquidity
5. Solvency

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MODULE 4 MANAGEMENT OF COOPERATIVES

Unit 1	Functions of Cooperative Management
Unit 2	Cooperatives Meetings
Unit 3	Leadership Styles in Cooperative
Unit 4	Cooperative Inspection
Unit 5	Cooperative Audit
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UNIT 1 MANAGEMENT FUNCTIONS IN COOPERATIVE

CONTENTS

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Management functions
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3.1.4	Controlling function
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1.0 INTRODUCTION

In this unit you will learn how cooperative societies coordinate and harness their resources in a manner to achieve their set objectives. Management combines ideas, processes, materials, facilities, and people to effectively provide needed services to member-owners. Management is the decision making element of the cooperative. Broadly speaking, its role entails formulating and executing operating policies, providing good service, maintaining financial soundness, and implementing operating efficiencies to successfully meet its objects.

2.0 OBJECTIVES

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

- Explain the four management functions
- List characteristics of a good cooperative plan
- Mention types of good control in cooperative

3.0 MAIN CONTENT

How successfully a cooperative society achieves its objectives, and satisfies social responsibilities depends to a large extent on its management committee. Let consider the four main management functions and examine how it applies in cooperatives.

3.1 Management functions

There are four main management functions namely: planning, organizing, leading and control. You might have been taught the management function in some courses in the past but in this unit we shall consider its applicability.

3.1.1 Planning Function

Planning determines where the organization is going and how it will get there. It sets organizational objectives and goals. Planning is the first and perhaps the most important function of management. The essence of planning is to prepare for and predict future events. Planning goes beyond attempting to attain stated organizational objectives. It involves the development of strategy and procedure required for effective realization of the entire plan. It entails determination of control, direction and methods of accomplishing the overall organizational objective (Aihonsu and Otunaiya 2006). Planning involves the establishment of objectives, strategies to achieve the objectives and a step by step determination of the activities and resources necessary to achieve them.

(a) Importance of Planning in Cooperatives

Planning is particularly important in cooperative society where resources are relatively scarce. Planning to avoid waste of money and other resources is very compelling. A Plan is a blueprint for action. Many projects have failed in our cooperatives because adequate plans were not made to identify all the important variables likely to bear on the projects that would determine their failure or success.

(b) Planning by Terms

Very often, planning is classified in terms of

- i. short-range and
- ii. long-range.

(c) Six Steps in the Planning Process

- i. Stating Organizational objectives
- ii. Identification of Opportunities
- iii. Formulation of Specific Targets
- iv. Selection of Course of Action
- v. Implementation
- vi. Feedback

(d) Characteristics of a Good Plan

Certain features distinguish a good plan from a bad one. Some of the distinguishing features include the fact that good plans:

- i. are realistic and capable of implementation,
- ii. have clearly defined objectives in terms of scope,
- iii. accuracy, clarity and definitiveness.
- iv. must be comprehensive.
- v. are flexible but stable.
- vi. have economic effectiveness.

3.1.2 Organizing function

Every cooperative is made up of human and physical resources. These resources are brought together in order to accomplish a predetermined goal. In order to accomplish these objectives, tasks must be identified, the tools and technology required must be provided and a structure of relationships must be identified. It is the function of management to determine the best structure that will optimize the utilization of resources. Management organizes these resources. Organizing is a bridge connecting the planned objectives to specific projects for accomplishing these objectives.

3.1.3 Directing Function

Directing deals with the use of communication, leadership and motivation to guide subordinates towards the attainment of organizational objectives. Although individual is admitted into cooperative society in order to realize predetermined organizational goals, he comes to the organization with his own personal goals, aspirations, biases and preferences. Each is concerned about his role, risks and involvements. It is the function of management to marry cooperators goals with organizational goals for harmonious co-existence. To accomplish this, the manager has to communicate with the cooperators in order to encourage goal congruency.

Cooperative leaders are responsible for directing. The management committee members are to instill confidence in member cooperators, promote open communication and respect for one another, and encourage high-level productivity. The extent to which all these are achieved depends on his ability to direct effectively.

3.1.4 Controlling Function

Controlling is defined as that phase of management process which maintains cooperatives activity within allowable limits as measured from expectations. These expectations may be implicit or explicitly stated in terms of objectives, plans, procedures, or rules and regulations. It has also been defined as the monitoring and modification of cooperatives activity and resource utilization to ensure that predetermined standards are met and plans are carried out.

Controlling can be seen as part of management activities undertaken to ensure that outcomes are consistent with planned group objectives. Control requires cooperatives to form standards, information process and taking of corrective action.

(a) Characteristics of Good Control

The installation of good control measures is a difficult task for management. Some of the "bench marks" of good control include:

- i. Simplicity.
- ii. Low cost:
- iii. Flexibility.
- iv. Management by Exception.
- v. Force Planning and Corrective Action.
- vi. Trends and Status.

(b) Types of Control

The most common ways of control are highlighted below:

(i) Budgets

A budget is a planning and a control tool. The functions of a budget are:

- (1) It facilitates coordination,
- (2) It is a basic instrument of planning
- (3) The comprehensive budget allows for maintenance of control
- (4) Cooperative management should usually prepare three types of budgets—operating, cash, and capital.

(ii) Financial Control

This is a very good instrument for the control of resources. It entails the use of quantifiable measures to monitor deviations. A complete and accurate financial control is vital for effective cooperative management, such as:

- (1) monthly and annual balance sheets and operating statements;
- (2) functional or enterprise accounts pertaining to departments or specific line of business;
- (3) special accounts such as patronage records, accounts receivable, member equity, and patron financing.

(iii) Inventory control

Inventory management: The essence of all inventory control is to have the right goods in the right quantity at the right time and place. Failure to have the right quantity of inventory could cause the loss of valued members because it results in the failure of the group to deliver on time.

(iv) Control reports

Credit and inventory analysis include a monthly aging of accounts and notes receivable; selected financial and operating ratios; and a monthly accounting of selected inventories, including shrinkage reports.

(v) Security and safety

To protect the cooperative, the board is responsible for adequate insuring employees and assets. Employees handling funds should be bonded. Facilities need to be appraised and arranged internally and fenced to minimize pilferage. The board should adopt programs to protect the health and safety of employees and patrons and measures to comply with environmental protection standards.

SELF-ASSESSMENT EXERCISE

- i. Name two classification of planning
- ii. What are the characteristics of a good control?
- iii. List the functions of a cooperative budget.
- iv. Enumerate types of control in cooperatives.

4.0 CONCLUSION

In this unit we have learnt the importance of management in cooperative. Cooperative societies can maximize the use of their scare

resources by applying the knowledge of management functions to enhance efficiency.

5.0 SUMMARY

Try to bring to remembrance what you learned in this unit. You have learnt that management has four functions namely; planning, organizing, leading, and control functions. Planning function is the primary function, other functions depend on it. Characteristics of a good plan and the steps in planning process were discussed.

6.0 TUTOR-MARKED ASSIGNMENT

1. Discuss the management functions
2. List the characteristics of good control in cooperative
3. Mention four examples of control tools use in cooperative management

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UNIT 2 COOPERATIVES MEETINGS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Cooperative General Meetings
 - 3.1.1 Types of General Meeting
 - 3.1.2 Purposes of the General Meeting
 - 3.1.3 Duties of Annual General Meeting
 - 3.2 Board of Directors Meetings
 - 3.2.1 Board of Directors Members
 - 3.2.2 Duties of Board of Directors Meeting
 - 3.2.3 Duties of the Executive Committee
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

In this unit we shall see how cooperative societies make decisions. In cooperatives, unlike the other forms of business organizations where the business owner or managing director has the power to veto his decisions on other members of the organization, members meet to collectively make decisions that shall be binding on them. The various meetings of cooperatives and their duties will be considered in this unit.

2.0 OBJECTIVES

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

- List various General Meetings of Cooperatives
- State the duties of Annual General Meeting
- Mention the duties of Board of Directors

3.0 MAIN CONTENT

3.1 Cooperative General Meetings

The General Meeting or the General Assembly of members is the highest authority in the Cooperative Society. It is made up of all members, decisions arrive at general meetings are final and binding on all members (Owojuyigbe, 2007). General meetings are conducted at interval of at least three months, as stipulated by the bye laws.

3.1.1 Types of General Meeting

There are three main types of general meeting. These are as follow:

- a. **Ordinary General Meeting**
This is the normal meeting of all members of the society. The meeting is usually held quarterly that is the meeting holds ones in three months.
- b. **Special General Meeting**
This is an emergency general meeting. This meeting holds when there are urgent issues to be deliberated by all the members of the society, in which case such issues could not wait till the schedule time for general meeting.
- c. **Annual General Meeting**

The annual meeting is the highlight of a cooperative's year. It is the time when management gives an accounting to members and when members-as joint owners-express their views to the manager, directors, and employees. Summed up, the annual meeting is-and should be viewed as-the major cooperative educational event of the year.

3.1.2 Purposes of the General Meeting

The main duties of cooperative societies'general Meeting are mention as follows:

- (i) **Amalgamation or Dissolution of the Society.**
The General Meeting also has the prerogative to decide on matters relating to fusion of two or more Cooperative Societies into one, dissolving the Cooperative society or Division of a Cooperative Society into two.
- (ii) **Election of Board of Directors or Committee**
Officers of the cooperative societies as such President, Secretary, Treasurer and other committee members are usually elected by the general Meeting. This meeting also has the power to remove any cooperative officer(s) from office when he or she fails to work according to the will or desire of the members.
- (iii) **Checking the Activities of the Board of Directors**
It is the duty of the General Meeting to check the activities of the Board of Directors and ensure they are doing their job as laid down in the bye- laws of the Society.

- (iv) Making Bye-Laws and amending bye-laws**
One of the main purposes of the general meeting is to make bye-laws which serve as rules and regulations with which the society will be run.
- (v) Termination of members' membership in the Society**
The General Meeting can take a decision to terminate membership of an erred member in the society. For instance, if the member works against the rules and regulation of the society, he may have his membership terminated.
- (vi) Fixing Maximum Credit Limit (MCL).**
The maximum amount any member of the society can borrow at a point in time is usally fixed at the General meeting.
- (vii) Dealing with complaints by Members.**
Any of the members may have one complaint or the other which may be brought before the General Meeting. It is the duty of the General Meeting to discuss the issue and take a decision.
- (viii) Choosing the Society's Representative in the Secondary Society to which the Society is affiliated**
The General Meeting holds it as a duty to elect or choose the Society's representative at the Union level or the secondary society to which the society is affiliated.
- (ix) Decision on Contribution of Capital in the Society**
It is the duty of the General Meeting especially at its inauguration to take vital decisions on how much the entrance fees, Share capital and minimum monthly savings in the society will be. They also have the right to make necessary changes on these from time to time.
- (x) Fixing Interest rate on Credit given to members**
When societies make provisions for special loan such as housing loan, long-term investment loan and so on, interest rate to be paid by members on such loans is usually fixed by the General Meeting.

3.1.3 Duties of Annual General Meeting

The purposes of the annual general meeting of cooperatives are as follows:

- (i) To receive from the outgoing Board of Directors a report on the quality. In an agricultural preceding year's working of the society with the statement of account,
- (ii) To decide upon the disposal of the surplus in accordance with these bye-laws,
- (iii) To consider any communication received from the Director of Cooperative Services,
- (iv) To elect the President, Vice-President, Treasurer and other members of the Board,
- (v) To appoint delegates to represent the Society in any Cooperative body to which it may affiliate

3.2 Board of Directors Meetings

The General Meeting has the highest authority in a cooperative Society. Though they have this power, it would not be possible for them to be meeting regularly to manage the affairs of the society. As a result, they have to elect members of Board of Directors who will have a mandate of the members to run the society on their behalf in accordance with the members wish.

SELF-ASSESSMENT EXERCISE

- i. Identify three types of general meetings in cooperatives.
- ii. What are the duties of annual general meeting?

3.2.1 Board of Directors Members

The board of directors are usually made up of:

- (i) The President, Vice-President and Treasurer who should be elected at an Annual General Meeting. The members of the Board shall hold office for three years or until their successors is elected but not more than six months after the end of the term. Should any vacancy arise in the interval between the general elections, a member may be co-opted by the Board for the interval from among the general body as is duty qualified. Where the vacancy affects the President, Vice-President or Treasurer, it shall be the duty of the Board to appoint one of its members to the vacant post.

- (ii) The Board shall also have power to co-opt to the Board when required not more than two persons with specialized knowledge to assist or advice these on any question on which the competence of such person or persons is an advantage.

3.2.2 Duties of the Board of Directors

The Board of Directors shall exercise all the powers of the society except those reserved for the General Meeting, subject to any regulations or restrictions duly laid down by the Society in a general meeting or in the bye-laws; and in particular shall have the following powers and duties:

- i. raise funds necessary for the purpose of carrying out the functions of the society in the form of deposits and loans on such terms and conditions, as they may determine subject to the approval of the General Meeting and Director of Cooperative Services;
- ii. admit members and allot shares and to approve transfer of shares;
- iii. sanction the investment of the funds of the Society ;
- iv. appoint, fix the salaries or suspend or dismiss paid employee, except that of the General Manager which shall be subject to the approval of the General Meeting. Any aggrieved officer so treated may appeal to the General Meeting if he feels unsatisfied;
- v. maintain such accounts and registers as are specified by the Director of Cooperative Services from time to time;
- vi. incur such expenditure as may be necessary for the management of the society with reference to the scale and within the budget allotment sanctioned by the general body for each year;
- vii. appoint sub-committee or any ad-hoc committee for carrying out any specific functions relating to the business of the society;
- viii. frame regulations in the conduct of the business of the society in accordance with laws;
- ix. regulate, from time to time, within the limits of the budget, the strength of the Society's staff, their salaries and allowances and to take adequate security from the officials of the society ;
- x. construct, purchase, take on hire or otherwise, acquire stores or storage depots for consumer goods;
- xi. acquire or hire Agricultural and Industrial machinery, equipment and implements for the purpose of carrying out the business of the Society ;
- xii. open branches and sale depots and make regulations for the conduct of their affairs ;
- xiii. insure and keep insured all the buildings, plant and machinery and other immovable properties ;

- xiv. ensure the maintenance of true and accurate accounts of all money received and expended and all the assets and liabilities of the society ;
- xv. enter into any contract or agreement with the Government or Cooperative Society or any legal institution whatsoever for the investment of the Society's funds, procurement, purchase, sale and distribution of agricultural, finished consumer goods and the establishment of industries ;
- xvi. institute, conduct, defend, compromise, refer to arbitration or abandon legal proceedings by or against the society or the Board, or its officers and employees in matters concerning the affairs of the Society through any member or officers or employees of the society or any other person specially authorized for this purpose;
- xvii. summon General Meetings;
- xviii. do such other acts and transact such other business as is consistent with the object of the Society and as may be incidental to the administration of the society.

3.2.3 Duties of the Executive Committee

The board of director may constitute an Executive Committee and delegate to it such powers and functions as may be laid down in a resolution, provided however, that the President, Vice-President and /or the Treasurer shall be on the Executive Committee.

SELF-ASSESSMENT EXERCISE

What are the functions of cooperative executive committee?

4.0 CONCLUSION

We have learnt in this unit that the highest decision making body in cooperatives is the General Meeting. This meeting is made up of all the members of the society. Due to the high cost and time that may be required in conducting General Meeting, the power to manage the cooperative activities is vested on the Board of Directors.

5.0 SUMMARY

In this unit, you must have understood the decision making organs of cooperatives. Let review some of the topic we have learnt. General Meeting is the highest decision-making organ of a society. The meeting could be ordinary, annual or special General Meeting. Membership of the meeting consists of all registered members of the society. Board of

Director is the management team that run the affairs of the cooperative society on behalf of the General Meeting.

6.0 TUTOR-MARKED ASSIGNMENT

1. List the duties of Cooperative General Meeting
2. Mention the functions of the Board of Director
3. Explain three types of General Meeting

7.0 REFERENCES/FURTHER READING

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UNIT 3 LEADERSHIP STYLES IN COOPERATIVE

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Cooperative Leadership
 - 3.1.1 Definitions of Leadership.
 - 3.1.2 Quality of a Good Cooperative Leader
 - 3.1.2 Characteristics of Cooperative Leadership.
 - 3.1.3 Types of Leaders
 - 3.1.4 The Best Type of Leader
- 4.0 Conclusion
- 5.0 Summary
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1.0 INTRODUCTION

Though you have learnt about management functions in the previous units, however, there is need to study closely, leadership styles appropriate for cooperative societies. Leading is one important function of management, as we have discussed in unit 15, only next to planning and organizing. It is the liveliest element in the management process. It initiates actions to translate the decisions into concrete actions. In Cooperatives, management committee have to lead other members of the society through guiding and motivating. Leading involves directing, influencing and motivating followers and employees (if any) to use their skills, efficiency, capacity etc. to perform essential tasks for the benefit of the society.

2.0 OBJECTIVES

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

- Identify the various qualities of a leader
- List the characteristics of leadership
- Explain types of leadership styles

3.0 MAIN CONTENT

3.1 Cooperative Leadership

3.1.1 Definitions of Leadership.

There are many definition of the word ‘Leadership’ depending on your point of view. Let us consider these three:

- i. According to Koontz and O'Donnell (2011), "*Leadership is the ability of a manager to induce subordinates (followers) to work with confidence and zeal.*"
- ii. According to George (2007), "*Leadership is the activity of influencing people to strive for mutual objectives.*"
- iii. According to Peter (2009), "*Leadership is the shifting of own's vision to higher sights, the raising of man's performance to higher standards, the building of man's personality beyond its normal limitations.*"

By extension of the definition above, cooperative leadership can be defined as *the ability of a management committee to induce society's members to work with confidence and zeal.*

3.1.2 Quality of a Good Cooperative Leader

A leader needs sound health and physical capacity to perform his functions or duties assigned in an efficient manner. In addition to physical qualities, an ideal leader needs certain qualities of head and heart. We shall consider the main qualities a leader should possess under two categories; Personal Traits and Managerial Traits.

- (a) Personal Traits
 - i. Self-confidence
 - ii. Initiative and Innovative
 - iii. Charisma
 - iv. Emotional maturity
 - v. Intelligence
 - vi. Decisiveness
 - vii. Effective communication
 - viii. Dynamic personality
 - ix. Vision and foresight
 - x. Flexibility
 - xi. Acceptance of responsibility

- (b) Managerial Traits
 - i. Knowledge of human skill
 - ii. Administrative ability
 - iii. Technical knowledge
 - iv. Ability to deal with people
 - v. Ability to judge and decide quickly

3.1.3 Characteristics of Cooperative Leadership.

Ideally, leadership should possess the following characteristics:

- i. **Involves guiding and motivating:** Cooperative Leadership is a managerial process of guiding and motivating the members for achieving society goals/objectives. For motivating, communicating is necessary.
- ii. **Needs subordinates and common interests:** It pre-supposes the existence of membership. There must be common interest for the leaders and their followers due to which they cooperate and participate for achieving common objectives.
- iii. **Promotes interest in the cooperative activities:** The purpose of leadership in cooperative is to influence, motivate and encourage members to take active interest in the cooperative activities and give the best results.
- iv. **Needs support from all:** The leader must recognize the presence of all members irrespective of their financial position within the society. The leader cannot become successful unless he obtains support from all.
- v. **Influences subordinates through personal qualities:** A leader understands the problems of members of the society and influences them by his personal qualities.
- vi. **Dynamic and continuous process:** Leadership is a dynamic and continuous process. It is a regular activity of guiding and motivating cooperative members for improving their performance and contribution towards society's objectives.
- vii. **Leadership is situational:** An ideal leadership is always situational. A leader has to study the prevailing situation within the cooperative society and provide appropriate leadership to the members.
- viii. **Assumes obligation:** A leader always inspires followers. In the event of failure, he does not shift the responsibility to members of the society but accepts his personal weaknesses in performance. A leader leads by setting good example.
- ix. **Needs interaction with followers:** The objective of the leader and the members of the society should be the same. If the leader attempts for one purpose and his members for some other purposes, it is no leadership. Their interest must be identical.

- x. **Achievement of objectives:** The success of a leader largely depends on his ability to achieve society's objectives. When a leader fails to attain the objectives, he is of no utility to the society.

SELF-ASSESSMENT EXERCISE

- i. Define leadership
- ii. Name two important traits to be desired in leadership

3.1.4 Types of Leaders

Having defined leadership and its characteristics, this sub-unit will therefore be used to address the type of leaders based on how they operate their organisations. There are basically five types of leadership style, but we shall consider one additional leadership style that has been recently identified.

(i) Laissez Faire

Leaders who are christened as laissez faire are noted for giving minimum direction and often provides maximum freedom for group decisions. He goes to the background and he allows others to give their own expression of issues. Even though he establishes rapport, he remains silent until his specific direction or opinion is called for. Actually, this type of leaders is noted for carrying out maintenance function. For example a society's president that only presides at meetings without knowing the details of how his co-operative society functions.

(ii) Democratic Participative.

Democracy as a government or leadership makes it possible for decisions to be made for the people through representation. As a result of the usage of democratic participative approach, policies become the group decision and leaders in this kind of structure are there to assist, suggest, and allow adequate communication to flow so that the entire group is alerted to problems which they can resolve. Even though the democratic style is good but in crisis time there is usually much costly delay in action. It is very effective when there is a balance between allowing group participation on the one hand and being able to make solo decisions when they are necessary to save time.

(iii) Benevolent - Autocratic

The benevolent autocratic makes use of the father like concern the leader has for the people. The autocratic leader who requires things to be done without considering the wishes of others and with unlimited power cannot get too close but the benevolent-autocratic leader identifies closely with group. He gives satisfaction and happiness to everyone in the group. The assumption is that when people feel good because of this type of leader, the organisation will function well. However, it leads the people in the group to be too dependent and weak and it may lead to mere administration and pseudo-worship. Because of the paternal approach that is involved in this type of leadership approach, discipline is hard to maintain and coordination also suffers.

(iv) Autocratic-Bureaucratic

The autocratic-bureaucratic assumes that people will not do anything unless they are told to do so, and the leader sees himself as being indispensable because he is the only one who really knows what is going on and he alone can make decisions quickly. The bureaucratic leader assumes that somehow difficulties can be ironed out if everyone will abide by the rules.

Any leader that is using autocratic bureaucratic approach is not answerable to anyone. He rarely hesitates and he moves ahead independent of human feeling. He uses people and rides their aspirations to increase his authority. Even though he gets his people's consent for decisions, but he does this by manipulation, hiding true facts through the use of control and threat.

At times, the autocratic-bureaucratic approach provides strength and unity but its fruits are malice, intolerance and suspicion because resentment issues from feelings of injustice and corrupted power and it prevent growth. Another defect in the autocratic-bureaucratic leadership is that it suppresses creative action and discourages innovation and any strong move toward change. This kind of leader feels threatened by change initiated by others.

(v) Authoritarian style

An authoritarian leader is concerned about task, work or ministry and he influences his followers by telling them what to do and how to do it. The democratic leader on the other hand stresses concern for human relations and he shares his leadership responsibilities with his followers by involving them in the planning and execution of the task.

The assumption of the authoritarian leader and democratic leader on source of their authority and about human nature forms their differences. The authoritarian leader assumes that the leader's power is derived from the position he occupies and that man is lazy and unreliable. (Theory X). The democratic leader assumes that the leader's power is granted by the group he is to lead and that men can be basically self-directed and creative at work if properly motivated (Theory Y), (MacGregor, 1960). The authoritarian leader determines all policies while the democratic leaders makes policies to be determined openly with group discussion and decision.

Authoritarian leader is known to be task-oriented and he uses his power to influence his followers while the democratic leader is group-oriented and he gives his followers considerable freedom in their work.

(vi) Contingency/Situational Leaders

Situational/Contingency leadership is a new addition to the existing theories of leadership. It is a combination of different leadership styles, discussed above, such as autocratic, democratic and so on. An ideal leader studies the overall prevailing situation, draws conclusions about the whole situation and adopts the leadership style which is most appropriate to the prevailing situation. He is not concerned with one specific leadership style but will use any style as per the available situation. He is interested in achieving his objectives and is willing to use suitable means for this purpose. Sometimes he may be democratic but may be autocratic on some other occasions.

The important features of situational leadership can be highlighted as follows:

- (i) Situational leadership is new addition to the existing styles of leadership.
- (ii) An ideal leader studies the overall situation, draws conclusions and adopts the leadership style which is most appropriate to the prevailing situation.
- (iii) An ideal leader is one who can adjust his style of functioning as per the situation within which he has to operate.
- (iv) A leader may act as a dictator at one time and also as a democratic leader on some other occasion. A good leader is one who studies the situation around him and adopts the most suitable leadership style.
- (v) A situational leadership is a combination of all types of leadership.

- (vi) A situational leader knows different leadership styles but selects one particular style, which is most, appropriate to a given situation/environment.
- (vii) A situational leader adopts flexible approach in his style of functioning. This makes his leadership effective and result-oriented. A situational leader knows when to use autocratic style and when to use democratic style. He makes corresponding adjustment in his style. This makes him effective/successful as a leader.

3.1.5 The Best Type of Leader

For leaders to obtain optimum result in their works, they should consider the situations that their societies are passing through and apply the style of leadership that is appropriate. Since leaders are different and followers too are different, it follows therefore, that some situations demand one style of leader while others demand a different type.

SELF-ASSESSMENT EXERCISE

What are the essential features of situational leadership?

4.0 CONCLUSION

You can see from this unit that there are many leadership style that can be adopted by the leaders of cooperative societies. A leader who is able to provide leadership that helps members of a society to achieve both organizational goals and their individual objectives, based on the existing internal and external environment/ situation of the society, is the best leader for cooperatives.

5.0 SUMMARY

In this unit, you have learnt the quality of a leader, characteristics of leadership and different types of leadership styles. We have studied closely six types of leadership styles, namely; laissez faire, democratic participative, benevolent – autocratic, autocratic-bureaucratic, authoritarian style and contingency / situational leaders. Situational leadership style was adjudged to be the best because of its flexibility and adaptability to the existing situation within the society.

6.0 TUTOR-MARKED ASSIGNMENT

1. List the personal and managerial qualities expected of a cooperative leader
2. Explain the different types of leadership style

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UNIT 4 COOPERATIVE INSPECTIONS

CONTENTS

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- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Nature of Inspection of Cooperative Societies
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1.0 INTRODUCTION

Inspection of cooperative societies is one of the important statutory duties of the Director of Cooperative Services who is legally allowed to assign this duty to any member / members of his staff. Inspection of societies principally involves guiding and directing the activities of cooperatives towards the attainment of their agreed or stated objectives in strict compliance with the provisions of the cooperative society's law, regulations, their bye-laws, cooperative principles and practices.

Reporting officers, Cooperative Field Assistants, are responsible for the preparation of the reports on cooperative societies apportion to them. The reports are meant to expose the progress so far made by the society and the problems confronting it. The reports, when prepared, are submitted to superior officer who on his part will give instruction to the reporting officer on how to tackle the problems confronting the society as mentioned by the reporting officer. The reports will also enable the superior officer to assess the ability of the reporting officer in evaluating the progress of the society and the capability of the management.

There are quite a number of records and books to be inspected by Cooperative Assistant. Base on his observations during society's meeting and inspection of records, Cooperative Assistants can write

various types of reports. In this unit we shall be looking at these inspection roles.

2.0 OBJECTIVES

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

- Mention activities involve in cooperative inspection exercise
- Explain the four types of cooperative reports
- State the essential components of 'A' Report
- Itemize the activities involved in Inspection exercise

3.0 MAIN CONTENT

3.1 Nature of Inspection of Cooperative Societies

Inspection is a continuous, all the year round process carried out by the Cooperative Assistant, cooperative Officer or Assistant Registrar of Cooperative Societies to whom the Societies or Unions are allocated.

3.2 Preparation before Inspection Visits

The Cooperative Assistant attached to a particular Cooperative Society should adequately familiarize himself with the following facts, relating to the societies or unions which he proposes to visits, by going through the file of the society in the Area Office on the following facts:

- i. The date of establishment
- ii. The stated objectives of the society/union
- iii. The date of registration of society/ union
- iv. The membership of the society/union
- v. The paid-up shares of the society/union
- vi. The latest audit grading of the society/union, if possible
- vii. The problems of the society/union as conveyed in the latest inspection or audit report.
- viii. Whether the society or union is in debt or credit balance with the Secondary or Apex society to which it is affiliated.

SELF-ASSESSMENT EXERCISE

- i. Define inspection of cooperative society.
- ii. What does Cooperative Assistant should do before inspection?

3.3 Activities involved in the Inspection Exercise

For effectiveness of the Cooperative Assistant, the inspection visits should be frequent and regular in both the General and Committee meetings of the allocated societies. The visiting officer therefore, involves himself in the following activities:

(i) Advisory role

He attends both the general and committee meetings of the society or union as this forum affords him a unique opportunity of guiding, directing and advising the members the best way of conducting their meetings in a business-like manner in keeping with cooperative principles and practice.

(ii) Checking Records

The visiting officer also checks thoroughly the accounts, documents and other records of the society or union in order to have clear knowledge of its financial affairs.

(iii) Assessing Society Business Methods

The Cooperative Assistant looks into the business methods of the society or union to ensure that it operates in accordance with the provisions of the cooperative Societies laws Regulations and its adopted Bye-Laws.

(iv) Detecting Errors

The inspection activities of Cooperative Assistant help to detect errors in cooperative books and records and rectify such errors immediately to reduce the chance of becoming irreversible if they are treated with levity.

(v) Suggests Improvement

Finally, the visiting officer suggests improvements and assists the society or the union to develop further socio-economic activities, calculated to enrich and improve the members' standard of living.

3.4 Inspections and Checking Societies' Records

The Cooperative Assistant will inspect all the books and records of the society. Base on his observations from the records of the society he will write report. Some of the records and books to check are:

- i. Cash books
- ii. Cash receipt book
- iii. Payment voucher
- iv. General ledger
- v. Personal ledger
- vi. Monthly analysis book
- vii. Membership and attendance register
- viii. Forms of application for loan.
- ix. Loan bond
- x. Loan register
- xi. Authority for deduction/and deduction schedule
- xii. Minute book
- xiii. Investment register
- xiv. Building and equipment register
- xv. Schedule of deductions
- xvi. Application for membership
- xvii. Loan application
- xviii. Withdrawal of deposits
- xix. Annual accounts;
- xx. Bank statement;
- xxi. Inspection reports
- xxii. Audit reports and comment;
- xxiii. External loan;
- xxiv. Tellers (for direct payments made by members to bank)

SELF-ASSESSMENT EXERCISE

Highlight the activities involved in the inspection exercise

3.5 Category 'A' Report

An "A" report is a comprehensive report on the condition of a society and such report exposes all material facts good or bad about the society (Ajibode and Ogunbayo, 1997). The content of 'A' report include:

- (i) The administration
- (ii) Management of the business
- (iii) Finances
- (iv) Accounting
- (v) Compliance with the Co-operative Law, Regulations, Byelaws and Principles.

It is a report which exposes facts about the administration, management of the business, finance and accounts of the society. The report usually gives the result of the society's business operations and it is normally

supported with a trial balance of the society. 'A' report gives a complete X-ray of the Society and it portrays the financial up-to-date activities.

3.5.1 Purpose of an 'A' Report

- (i) To serve as historical record of the performance of the society.
- (ii) To help in discovering wherein the society's pitfalls lies with a view to assessing the gravity of the errors made, leading to the taking of effective remedial section by all the concerned.
- (iii) To assist in measuring a society's standard of achievement and advancement both administratively and financially.
- (iv) To aid in the task of guiding and nurturing the society and to let the Director of cooperative services know, the situation of the cooperative society concerned.

3.5.2 Preliminary procedure of 'A' Report writing:

Before compiling an "A" Report, there should be:

- i. The reading of the preceding reports, for information and guidance and in order to be able to ascertain the exactitude in the linkage between the past and the present.
- ii. Pre arrangement of the items to watch for during the actual inspection of the society concerned, which is best carried out just before society's general meeting now

3.5.3 Nature of an "A" Report

- (i) it should be concise, precise and un-ambiguous;
- (ii) it should not be silent on material facts
- (iii) it should be factual and exact as to the state of the society
- (iv) it should be emphatic where necessary
- (v) it should portray the taking of positive on the spot correction where necessary;
- (vi) it should be duly submitted to the management and the assistant.

3.6 Writing Category 'B' Report

"B" Report is a report prepared by Cooperative Assistant after attending a meeting of a Co-operative society, may it be committee, general, special or annual general meeting. One may mistake it for minute of meeting, but it differs from minute in that it is brief and precise, in other words it is a minute in a precise form. It is normally submitted to the Area Officer in the Area Office. The Area office will read the report to know what was deliberated upon in the meeting. This will be a source of information to the Area Officer or Divisional officer to be able to know

the decisions taken by the members in their meetings. When you are writing "B" report, the following items should be taken note of:

- (i) Name of the Society.
- (ii) Date and place of meeting.
- (iii) Time
- (iv) Attendance
- (v) Reading and adoption of minutes of last meeting.
- (vi) Matters arising from the minutes
- (vii) Business of the day (including the financial contribution made by members)
- (viii) General (Any other business).

3.7 Progress Report

Whenever the Cooperative Assistant visits a society, he must write a report on what is happening in the Society; such report as on-going building project, major investment endeavours and activities. This type of report can be accepted as progress report.

This report according to Owojuyigbe (2007) is usually written for the consumption of the Area Officer so that he can know what is going on in the society and this will enable him take steps to ensure the business of the society is going on well and that they do not make a mistake that would have been too costly for the society. This report will give the Area Officer the opportunity to take appropriate steps on the society before the situation becomes irreversible. This is a non-formal report that may be written as the Cooperative Assistant finds fit which addresses the issues of current happenings in the Cooperative society.

3.8 Economic Survey Report

This report can be likening to a feasibility report. It is usually written, by Cooperative Assistants on newly established Cooperative societies. When writing the report, the officer will take into consideration some economic factors that such a society possesses to make it viable. The essence of this report is to assess the viability and sustainability of a new society with a view to determining whether such a new society should be registered by the Director of Cooperative Services.

SELF-ASSESSMENT EXERCISE

Outline four types of reports prepared by a Cooperative Assistant

4.0 CONCLUSION

We have discussed inspection role conducted by Cooperative Assistant on cooperative society. Cooperative Assistant attends all cooperative meeting inspect all records and books of societies allocated to him. He can then write reports that help the Director of Cooperative Services or his representatives at either at the community or zonal level to know what exactly is going on in all the societies within the state. As result, these reports provide opportunity to intervene in societies' matter as at when necessary. Hence, promote good management of societies.

5.0 SUMMARY

In this unit, we have learnt preparation by Cooperative Assistant before inspection visit, activities involved in the inspection exercise and the four major types of cooperative reports. Cooperative Assistant must get himself acquainted with the society to be visited, he should also understand various records and books kept by cooperative society with a view to guide, advise and correct them. His reports are namely: 'A' report, 'B' report, progress report and economic survey report. An "A" report is a comprehensive report on the condition of a society. "B" Report is a minute of cooperative committee, general, special or annual general meeting in a precise form. Progress report is the report of the on-going building project and major investment. Lastly we discussed economic survey report as a report prepared by the Cooperative Assistant in order to assess the viability and sustainability of a new society

6.0 TUTOR-MARKED ASSIGNMENT

1. Explain in details the following terms
 - i. 'A' report
 - ii. 'B' report
 - iii. Progress report
 - iv. Economic survey report
2. List the necessary information needed by Cooperative Assistant before inspection visit

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UNIT 5 COOPERATIVE AUDIT

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Meaning of Audit
 - 3.2 Preparation for Auditing
 - 3.3 Practical Audit Work
 - 3.3.1 Internal Check & Control
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 - 3.3.3.2 Administrative Audit
 - 3.3.3.3 Audit Report
- 4.0 Conclusion
- 5.0 Summary
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1.0 INTRODUCTION

Auditing of cooperative societies account is one of the statutory duties of the Director of Co-operative Services. The Director may appoint a person or group of persons in writing to audit the books and records of registered cooperative societies. It is to be noted that the books and record of registered cooperative societies must be audited at least once in a financial year. This is substantiated by the Nigerian co-operative societies Decree No 90 of 1993 section 36 (1).

In practice the Director often appoints some of his departmental officials or state cooperative Apex organization to audit the books of accounts of cooperative societies, the Director of Co-operatives had exercised this power by empowering the Cooperative Federations in states to set up Audit Department in their respective organizations and employ cooperative auditors who are to audit the books and records of registered societies in their respective states.

2.0 OBJECTIVES

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

- Explain the meaning of cooperative audit
- Itemize necessary preparation for cooperative audit
- Describe the three main parts of audit work
- Identify objectionable issues raise by audit report

3.0 MAIN CONTENT

In this unit we shall study one of the controls of cooperatives, auditing of all transactions. The origin of audit can be traced to the need to ensure that a person who comes into possession of money or property belonging to another has properly accounted for it. The system of checking records of financial transaction in earlier time was confined to the scrutiny of cash transactions. (Government of Tripura, 2013) Moreover, such checking was limited to only public accounts. The person whose duty it was to check such accounts became known as the Auditor, the word being derived from the Latin word ‘_Audire’ meaning to hear, as originally the Auditor merely used to ‘_hear’ the accounts to pass the transactions as genuine or correct.

3.1 Meaning of Audit

Auditing can be defined as an independent examination and investigation of the books, records and business activities of an organization in order to ascertain whether the entries in the books of accounts and other records represent a true and fair view of the financial position of the organization. It is also to inspect and report on the cash on hand by the organization as at the date of Auditing.

The auditor must satisfy himself that every entry in any book is properly supported by a document, receipt or payment voucher and that each item is properly posted to the correct account in the ledger.

3.2 Preparation for Auditing

The auditor, as a prerequisite, need to familiarize himself, first of all, with the business of the society, he should understand their objectives and mode of operations. Thereafter, the auditor should take the following steps:

- A. Get the audit forms and books. These include:
 - i. Observations note books
 - ii. Audit Questionnaire Marketing
 - iii. Audit Questionnaire Co-operative thrift and Credit society.
 - iv. Audit Analysis Forms
 - v. Audit progress Forms
- B. Collate all books and records maintained by the society and enter them in the Audit Analysis Forms. These include:
 - i. Registered Byelaws
 - ii. Previous Audit report or Audit comments

- iii. Cash receipt Book Register
- iv. Cashbook
- v. General Ledger
- vi. Journal
- vii. Cash Receipt book Register
- viii. Cash receipt books
- ix. Cashbook
- x. General Ledger
- xi. Journal
- xii. Payment vouchers
- xiii. Bank Deposit book membership and attendance Register
- xiv. Member's passbook
- xv. Minutes book
- xvi. Registration certificates
- xvii. Co-operative societies law
- xviii. Copy of the Regulation
- xix. Annual accounts and balance sheet showing proposed appropriation.

SELF-ASSESSMENT EXERCISE

- i. Define auditing of a cooperative society.
- ii. What are the necessary preparations for an auditor?

3.3 Practical Audit Work

Audit work can be roughly divided into the following jobs:

- a. A close and complete study of the system of internal checks followed by the society;
- b. Routine checking of all transactions;
- c. Review or higher audit i.e. the checking of the profit & loss account, Balance sheet, verification and valuation of assets & liabilities etc.

3.3.1 Internal Check & Control

The whole system of accounting needs to be organized in such a manner that it may ensure some sort of check without incurring additional financial burden. To meet this end, the method of internal check has been devised. It is an arrangement of the duties of members of staff in such a manner that the work performed by one person is automatically and independently checked by another. This reduces the possibilities of frauds, errors or irregularities to the minimum.

Auditors are not likely to come across a satisfactory system of internal check & control in the Cooperative Societies. They are advised to urge upon the management of such societies to introduce these controls.

3.3.2 Routine Checking

Routine checking means checking the arithmetical accuracy of books of original entry and Ledgers with a view to detect clerical error and fraud of a very simple nature. In general, it includes the checking of the following:

- i) Casts, Sub casts, carry forwards, extensions and other calculations in the books of original entry.
- ii) Postings into the ledgers.
- iii) Ledger accounts- to see their casts, balancing, carrying down of the balance and their transfer on to the Trial Balance.

The extent to which the Auditor should take up routine checking depends upon the volume of business and internal checks, if any. It shall be the duty of the concerned Auditor to check up the whole of the castings and postings. In large cooperatives, Auditor may carry on Test checks at his own discretion after a careful study of the situation.

3.3.3 Review or Higher Audit

The review or higher audit can be categorized into three parts:

- a. Actual/Mechanical Audit
- b. Administrative Audit
- c. Preparation of Audit Report

3.3.3.1 Actual/Mechanical Audit

The Auditor normally follows an Audit Programme which gives directives to the Auditor on how to check the relevant books of accounts and records. It is important to mention that the type of books involved in the auditing depend on the type of society being audited.

When auditing, the Auditor will do the following:

- A. Cash Receipt Book**
 - i. Check issue of receipt books with the receipt books register and initial the items in the register

- ii. Check all duplicates or counter-foil receipts relating to member's loans and savings with the monthly Analysis Book. (Thrift and the Personal Ledger or Membership and Attendance Register).
- iii. For Marketing Societies check fixed deposits with fixed deposit register.
- iv. check cash receipt for produce sold to Particulars or Sales Book (Marketing Society)
- v. Spoiled or cancelled receipt should be left in the book; spoiled ones should be cancelled by the Auditor who should be on the alert to note all missing numbers. The Auditor should call for the missing numbers, investigate why they are missing.
- vi. Cross check duplicate cash receipts and fixed deposit receipts into cash book in detail paying particular attention to the amounts in figures and words and the dates of the receipts and also the particulars of the receipt.
- vii. All checked duplicate and counter-foil receipts should be boldly cancelled by the Auditor. The last duplicate of each book should be initialed and dated at the back.

B. Payment Vouchers

- i. The Auditor should verify that vouchers are properly authorized and that they specify the nature of the transaction.
- ii. Check computations on payment vouchers in detail.
- iii. Verify the name of payee with receipt given in acknowledgement.
- iv. In case of withdrawal of savings and other payments to members verify signatures and thumbprints with specimens in the Membership and Attendance Register. In the case of withdrawals or deposits, verify that the original receipt issued is attached to payment voucher marked (paid, initialed and dated).
- v. Check amounts on payment vouchers relating to members with monthly analysis (relevant to Thrift Societies).

C. Cash Book:

- i. Check deposits and withdrawals into Bank passbook;
- ii. Cross-tick all cash and Bank contrast;
- iii. Investigate any entry in cashbook, which has not yet been ticked. Call for missing receipts and vouchers; if not available for the Audit Report and check with any available references;
- iv. Check petty cash into petty Cash-Book and verify the Balance;
- v. Check whether cash balances are correctly struck and signed by treasurer;
- vi. Check whether payee's name given in cashbook is correct.

D. General Ledger

- i. Check entries in General Ledger with cashbook and with the journal;
- ii. Investigate any entries in General Ledger, which are not ticked after checking with cash book and journal.

E. Produce Receipt Books (Co-Operative Produce Marketing Society (C.P.M.S))

- i. Check issue of receipts Books with the Receipts Book Register and initial the items in the Register.
- ii. Check duplicate produce Receipts into Produce Books in detail paying particular attention to date; member's number and name, weight, and grade of produce
- iii. Cross-check produce receipts into Personal Ledger.

F. Produce Book (Co-Operative Produce Marketing Society)

- i. Compute net amount payable for produce in detail and in accordance with price paid to members, and ensure that uniform practice of deducting or making up fractions of kobo to the nearest kobo is adopted for each sale;
- ii. Check payments to members with payment vouchers and personal Ledgers.
- iii. Test-check member's signatures with those in the membership Register; or where practicable ask some members to confirm receipt of amounts;
- iv. Check sales and deliveries to secondary societies of Firms with Produce Receipt issued to the society and check subtraction and balance.
- v. Carry out a physical check of balance of produce in stock.
- vi. Calculate tare surplus, compare with tare deducted and obtain explanations; verify these if possible.

G. Invoices for Cash And Credit Sales:

- i. Check issue of Invoices Books with the Receipt Books Register.
- ii. Check price with price list of any accepted tender.
- iii. Check issue with stock register.
- iv. Check total amount payable on cash invoice.
- v. Cross-check total amount of cash invoices into cashbooks and of credit invoices or invoices for delivery of produce to Buying Firm, where in use, with personal accounts of purchases in General Ledger. Cancel and initial the invoices checked, date and initial the back of the last counterfoil in each book.

H. Trial Balance

The cash-book and General Ledger should next be checked in detail and the balance struck and tried with a Trial Balance or checked into one already prepared.

- i. Check the first entries in the new financial year and in respect of each new member into forms A and B.
- ii. See that all receipts and payments have been ticked in respect of counterfoil receipts and payment vouchers.
- iii. Cross check monthly analysis into the Personal Ledger, ticking in the personal ledger and cross ticking in the monthly analysis (Thrift and Credit Society).
- iv. Check total of each kind of savings, loans and withdrawals.
- v. Check monthly totals of monthly analysis with total monthly postings on each account concerned in the General Ledger.
- vi. Compile a statement at the end, of the Monthly Analysis of members in respect of loan, ordinary savings, special savings e.t.c

I. Monthly Analysis Book

- i. In a Co-operative Thrift and Credit society check entries in monthly analysis in each financial year with authorities for deduction.
- ii. Investigate any entries in Monthly Analysis, which have not already been ticked.
- iii. Cross-check Monthly Analysis into the Personal Ledger, ticking in the personal Ledger and cross-ticking in the Monthly Analysis.
- iv. Check total of each kind of savings, loans and withdrawals.
- v. Check monthly totals of Monthly Analysis with total monthly postings in each account concerned in the General Ledger.
- vi. Check entries in Monthly Analysis.

J. Personal Ledger and Members Passbooks

- i. Investigate any entry in Personal Ledger, which has not been ticked when checking from monthly analysis, cashbook or produce books.
- ii. Check each account with member's passbook.
- iii. In a Co-operative thrift and Credit Society test-check dividend indices and relate same to decisions at the appropriate meeting.

K. Personal Ledger Balances

- i. See whether Personal Ledger Balances Book has been entered up regularly
- ii. Enter member's balances in Personal Ledger Balances Book, total up and reconcile with General Ledger Balances.
- iii. When located, error should be put in right. Every error causing discrepancy during the period of audit must be traced and put right.

L. Loan Register and Bonds

- i. Cross-check Loan Bonds with Loan Register.
- ii. Check calculation of interest and installments and compare with actual installments repaid and interests paid.
- iii. Trace all approval of loans into Minute Books or at the back of the applications for Loans and initial the approvals as well as Loan Bonds.
- iv. Check Loan Bonds with Borrower's Members Credit Limit and existing commitments and with Members Credit Limit existing commitments of sureties.
- v. Check whether Loan Bonds are properly cancelled when fully repaid.

M. Assets

- i. Check Building, equipment and Stationery Register with
- ii. Assets as shown in the ledger;
- iii. With actual physical assets.
- iv. Verify calculations of depreciation.
- v. Examine stock certificates or share certificates. Deposits, Receipts or Statement of accounts to verify investments and shares.

N. Stocks

- i. Check all invoices or particulars of Purchase into the Stock Register.
- ii. Check all issues on sales or otherwise from stock with Sales or invoice Book.
- iii. Ascertain book balances of each article of stock; take physical stock and reconcile loan and actual balances.
- iv. Value stock in hand; in order to calculate interim trading profit or loss.

O. Annual Accounts

Whenever an auditor is auditing for a year or up to a period ending 31st of March, (because the account year of Co-operatives is 1st of April to the following years 31st of March) he should ensure that all provisions are or have been made for unpaid charges, depreciation including stock depreciation, interest etc. and that accounts are properly closed off and balances brought down where necessary. It may be necessary at this stage to consult the committee to ensure that adjustments, figures in the books are the audited figures and should be checked into the printed Annual accounts forms.

3.3.3.2 Administrative Audit

When mechanical audit is the actual checking and ticking of the entries in the books and accounts of a Cooperative Society, administrative audit involves giving pieces of advice to the management of the society on how to run society better, based on the findings of the mechanical audit. The job also includes the task of auditing behind the books. This is verifying that the posting in the books and records are true by the auditor finding out facts about the entries through fact finding mission, not based on ticking and cross ticking.

3.3.3.3 Audit Report

The last stage of the Auditors job is writing the Audit report. Meanwhile, during the course of his audit all the minor defects and irregularities should be got corrected and rectified as and when they are noticed so that the management would be careful to avoid recurrence of such irregularities. As far as possible, audit objection should be settled on the spot by Auditor at the time they are raised rather than taking exhaustive notes and attending to them later on to get cleared.

The following are some of the likely objections raise by auditor, based on observations and discovery during the actual auditing of records and account.

1. Usual Objections

- (i) Unattested corrections, unsigned documents, in complete documents and statement.
- (ii) Mistake in calculations, extensions and totals, wrong calculation of interest, dividend, rebate etc. incorrect receipts or payments resulting from application of wrong rates, incorrect calculations, extensions or totals.
- (iii) Cancelled receipts or cheques.

- i. Remittances received for which for official receipts from the printed receipt books or other official acknowledgement have not been made.
- ii. Payments for which vouchers are not available. List of missing voucher should be separately prepared giving full particulars of the payments for which supporting vouchers have not been obtained.
- iii. Defective vouchers such as
 - (a) vouchers in full particulars are not mentioned,
 - (b) payment made to a person other than the payee without written authority of the Payee
 - (c) payments for which supporting documents or sub-vouchers have not been attached to the voucher,
 - (d) vouchers which are not stamped,
 - (e) vouchers which are not in proper form or are not in the name of the society, but are addressed to the Chairman, Directors, Manager or the Secretary (by personal name with or without mentioning designation) individually.
- (iv) Receipts or vouchers which do not agree with the entries in the cash book in some material respects, such as date, amount, name of payee, head of account to which credited or debited, etc. receipts or vouchers in which the amount in words and figures does not agree.
- (v) Missing loan bonds and other documents, such as promissory notes, applications, agreements, etc. Defective loan bonds, agreements, promissory notes, etc.

2. Objectionable expenses

- (i) Expenses which are not incidental to the business of the society or do not seem to have been incurred for the purposes of the society.
- (ii) Expenses considered heavy or abnormal considering the size of the institution, the nature of its business and importance of the occasion.
- (iii) In fractious expenses, i.e. expenditure which bring no return or other wasteful expenditure.
- (iv) Other irregular expenses such as personal expenditure of the directors or officers paid by the society.
- (v) Expenses, which are not properly sanctioned.

3. Irregular loans and advances such as:

- (i) Loans made to non-members or on the surety-ship of non-members.

- (ii) In agricultural credit societies, loans made without obtaining declarations creating charge on the lands of the borrowers.
- (i) Unauthorized loans to members of the committee, Secretary or other Officers.
- (ii) Loans, the amounts of which exceed the individual limits mentioned in the byelaws, or the credit limits sanctioned in the normal credit statements as finally approved by the bank. Also, special loans for which approval of the Bank and/or Registrar, has not been obtained.
- (iii) Loans, which are against the provision of the Act, Rules, bye-laws or directions issued by the Registrar or the Bank.
- (iv) Benami loans, i.e. loans the amount of which are utilized by persons other than borrowers.
- (v) Imprudent advances, such as loans, which are not properly, secured loans to minors, loans sanctioned for purposes not permitted by the bye-laws, etc.
- (vi) Sales made on credit where no provision for credit sales exists in the bye-laws.

Also, credit sales in excess of credit limit sanctioned.

SELF-ASSESSMENT EXERCISE

- i. Name the three divisions of cooperatives audit work.
- ii. Mention the books and records to be checked by the auditor in actual auditing.

4.0 CONCLUSION

A good management and control of the societies in general is essential for their successful functioning and for that purpose the Government, through the Director of Cooperative Services and State Cooperative Federations, has been aiding them with trained and experienced personnel. The management having no fear of evaluation of their works and checking of their accounts by some independent agencies might go reckless and the interest of the society might be affected adversely. With this objective in view audit of each Cooperative society at least once in each year has statutorily been provided. The importance of Co-operative audit is hardly to be over-emphasized in the present day society. It has assumed greater significance these days when corrupt practices have crept in every walk of our life. Greater responsibility has fallen on the shoulders of the Co-operative Auditors who are watchdog of the Co-operative movement. Success of the movement greatly depends upon the extent to which audit of societies has been able to bring improvement in their working and in curbing out the unfair means where they are found to have been adopted to the detriment of the societies.

5.0 SUMMARY

In this unit you have learnt the meaning of audit in cooperative, preparation for auditing, practical audit work, internal check & control. We have as well considered routine checking, review or higher audit, actual/mechanical audit, administrative audit, audit report and other important aspects of cooperative audit. You have been able to learn the importance of auditing of cooperative societies' accounts and books to the survival of the societies.

6.0 TUTOR-MARKED ASSIGNMENT

1. Explain the following
 - i. internal checks and control in cooperative society;
 - ii. Routine checking of all transactions;
 - iii. Review or higher audit.
2. List the items that audit report might consider as Irregular loans and advances

7.0 REFERENCES/FURTHER READING

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UNIT 6 COOPERATIVES LIQUIDATION AND DISSOLUTION

CONTENTS

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1.0 INTRODUCTION

In the previous units we have discussed how cooperative societies can achieve good management in order to remain in business. However, when there is break-down in management, such that the society could no longer meet the demands of the creditors or when it is bankrupt or the society goes dormant or dead; such society is said to be due for liquidation.

2.0 OBJECTIVES

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

- Define liquidation of cooperative society
- Explain factors that can lead to liquidation
- Explain the three types of dissolution
- Mention procedure for liquidation

3.0 MAIN CONTENT

3.1 Meaning of Liquidation/Dissolution

Liquidation is the process of winding up the business activities of a co-operative society. Liquidation becomes imperative when a society is no longer economically viable to carry out its set business activities. Consequently, such society would not be well positioned to achieve its objectives. Owojuyigbe (2007) stated that the first step in the process of liquidation is for the Director of Co-operatives to dissolve the society. This dissolution will involve the withdrawal of the society's certificate of registration, members will as from that moment be rendered inactive, and the business of the society will come to a halt.

3.2 Causes of Liquidation of Society

There are many factors that may lead to liquidation of a society, let us consider some of the prominent ones:

(a) **Insufficiently well informed and educated members.**

When not well informed members or illiterate members start a cooperative society they will have problems in running the business of the society, if there are no improvement over certain period the society will be out of business.

(b) **Low business turnover.**

When a cooperative society is formed without reasonable assurance that the business turnover will be well enough to cover the overhead costs and still have some profit; such a society will collapse over time.

(c) **Selling of goods below the market prices or selling sub-standard goods.**

When a consumer cooperative society is in operation, they should sell their goods at current/market prices and ensure that their goods are competitive otherwise, the society will be out of market.

(d) **Operating inappropriate byelaws**

When cooperative members hastily adopt byelaws that are unsuitable to their mode of operation, such byelaws will create serious handicap and difficulties for the members of the society in future and will make the society fail.

- (e) **Lack of proper control**
Cooperative societies should subject themselves to regulatory institutions for necessary inspection and auditing to make room for transparency and accountability. Otherwise the society through bad management will go bankrupt.
- (f) **Starting with insufficient capital**
If a cooperative society is started with insufficient money, the society may fail. The society needs enough capital to operate, but if the members are so poor that the total capital contributed is not enough to start any tangible business, then the society will soon collapse.
- (g) **Violation of business principles**
Members of co-operative societies must understand that cooperative societies are business organizations and as a result must abide by business principles if they have to be successful otherwise, the society will fail.
- (h) **Poor attention to society's goals.** The priority of a society should be how to improve members' welfare. When this is compromise in order to maximize profit the society will fail.

3.3 Types of Dissolution

There are three types of dissolution as identified by Ajibode and Ogunbayo (2004) these are:

3.3.1 Automatic Dissolution

- (a) The Nigerian cooperative societies law section 30 subsection 1 states that if the membership of a cooperative society falls below ten that was stipulated by the law, this can lead to automatic dissolution.
- (b) An automatic dissolution can also take place if the society is given a specific duration at its onset. By the time the society has spent the number of years it is expected to spend, and then automatically, the life of the society comes to an end.

3.3.2 Voluntary Dissolution

- (a) If a society has achieved its objectives and serves no useful purpose for the members again, then the members will no longer be interested in the continual existence of the society; this type of situation attracts voluntary dissolution. The members will be disinterested in the

- continual existence of the society and the Director of Cooperatives has to wade in to withdraw the certificate of registration of the society, order its dissolution and liquidation.
- (b) A voluntary dissolution can also take place if two societies decide to amalgamate (join together). The parent societies will be dissolved and their certificate of registration will be withdrawn by the Director of Cooperatives.
 - (c) If members have lost interest completely in the affairs of the society and they don't partake in any affair of the society any longer, then such a society can be categorized under those that would be involved in voluntary dissolution.
 - (d) Whenever the society is experiencing recurrent losses of capital through misinvestment/unrecoverable misappropriation of fund, embezzlement, writing off of debts for one reason or the other and if this persists for a long time, the society may be forced to a standstill and may lead to dissolution and liquidation.
 - (e) The members of a cooperative society after considering the situation of the society and are satisfied that the society is not in a position to recover from its problem, may at a general meeting request for dissolution. This had to be agreed upon by 3/4 of the members of the society. After this, they will now apply to the Director of Cooperatives voluntarily to dissolve their society.

3.3.3 Compulsory Dissolution

A compulsory dissolution and eventual liquidation may take place if the society experiences the following:

- (a) If the cooperative society is involved in a political or religious activity in a way which causes intolerable trouble or situation, this can lead to dissolution.
In a situation where there is a political and religious turbulence-taking place within the members to an extent that it becomes impossible for the members to work together any longer, then the Director of Cooperatives can order the dissolution and liquidation of such a society.
- (b) A compulsory dissolution can take if proper functioning of the cooperative society becomes impossible. Such situation can arise, if there is a gross violation of the Cooperative law, principles of cooperation and Byelaws of the society in such a way that it ruins the society.
- (c) A society that can no longer meet the demands of its creditors and it is heavily indebted and cannot meet its liabilities; the

creditors may call for liquidation of such a cooperative society. This can be achieved if they can convince the Director of Cooperatives to order the liquidation of the society.

- (d) The result of an Inquiry instituted on a cooperative society by the Director of Cooperatives on a society may force the Director to order the dissolution and liquidation of the cooperative society. This would mean that the result of the inquiry is not favorable on the society. In this case, the Director will make an order in writing to the society for its cancellation.

SELF-ASSESSMENT EXERCISE

Mention the three types of dissolution that can happen to a society.

3.4 Liquidation Process

3.4.1 Appeal against Dissolution

Except where members of a cooperative society voluntarily ask for dissolution and liquidation, whenever the Director of Cooperatives writes a society to inform the members of an impending dissolution and liquidation of their society, the members have the right to appeal to the Minister (at the Federal level or the Commissioner (at the state level) within two months from the date order is made. If an appeal is made, the order of the Director will not take effect until the Minister or Commissioner gives approval or disapproval for the dissolution and liquidation.

If no appeal by the members is made within two months of which the Director had given an order for dissolution, the order of the Director shall take effect at the expiration of the two months.

3.4.2 Liquidator for Cooperatives

The power to dissolve and liquidate a cooperative society rest on the Director of cooperatives. He is otherwise called the liquidator for co-operatives. The Co-operative law gives this power to him. However, he can delegate this power to the Area Officer or the Co-operative Assistant who can be appointed a liquidator. Before the liquidator starts his job, the Director of Co-operatives will cancel the Certificate of Registration of the society. As a result of cancellation of certificate, the society ceases as from that moment to exist as a corporate body from the date on which the order takes effect. This date is normally referred to as "the date of dissolution".

3.4.3 Activities of the Liquidator

- (i) The liquidator appointed must subject himself to the guidance and control of the Director of Cooperatives. He must subject himself also to the limitations given to him.
- (ii) He would report at the premises of the society and take possession of all assets owned by the society. Other things he would take possession of include the books, records, and documents of the society.
- (iii) Taking into a consideration what the byelaws says; he would decide on the contributions to be made by present, past, or deceased member to the assets of the society.
- (iv) He would make a notice in the Federal/State Gazette as the case may be appointing a day on which creditors whose claims are not yet recorded in the books and records of the society have to make their claims, if not their claim may be excluded in claims accrued to creditors as a result of liquidation.
- (v) Within the list of creditors, the liquidator has a duty to list in order of priority the society's creditors.
- (vi) Any dispute that arises before and during the liquidation is to be settled by arbitration. He is also to defend and institute suits on behalf of the society.
- (vii) He has power to call meetings whenever he feels it is necessary. The notice of such meeting shall be at least fourteen days.
- (viii) He should schedule the distribution of the society's assets as he deemed fit. The distribution scheme has to be approved by the Director of Co-operatives.
- (ix) He should sum up the cost of liquidation and to name whoever would bear this cost of liquidation.

3.4.4 Liquidation procedure

- a. It is important to note once more that the liquidator should be a person with the knowledge of cooperative law, principles of co-operation and society's byelaws.
- b. The next step for the liquidator is to open a liquidation file for the society wherein all the documents and correspondence in relation to the liquidation will be kept.
- c. He should thereafter, get information about the name and addresses of the society's officers from the Cooperative Assistant in charge of the society.
- d. He should plan a visit to the society and he should inform the members of the society on the proposed visit giving them a forth-nights' notice.
- e. He should write the officers informing them of his intension to take charge of the books and records of the society and to warn

- them not to tamper or allow anybody to tamper with the books and records.
- f. Few days to the General meeting, he should then proceed to the society's premises/liquidation venue, takes charge of the society's books, records and documents including the society's Certificate of Registration. The list will be sent to the Director of Co-operatives who will ensure the list is published in the official Gazette. A copy of this list will be sent to the Area Officer in charge of the society.
 - g. The notice that is published in the official Gazette should give information about the date of notice, which is usually the date the notice was sent to the Director of Co-operatives and date before which the society's creditors must submit their claims from the society to the liquidator.
 - h. The liquidator will call for a General meeting giving the members two weeks notice of the intention to hold the meeting.
 - i. At the General meeting, the liquidator will explain reason for the liquidation to the members and he would appeal for the cooperation of all members and officers of the society. After taking possession of the books and records, he should ensure that the transactions of the society are entered into the appropriate books and records up to date.
 - j. The liquidator shall open a realization account, which should be debited with the book value of all assets except cash as at the date of the commencement of the liquidation. The expenses of the liquidation will also be debited with this account while that of the sums realized from the various assets posters from the cash account will be credited with the account.
 - k. A cash account will be maintained with the opening balance of cash in hand at commencement of liquidation .All cash paid out or received will be entered into the account.
 - l. All transaction affecting saving deposits, loans and so on should be posted direct to the personal Ledger account. Then, the summaries of the personal ledger Balances should be used for trial balance of the society.
 - m. The next step is to open a summary of reserve funds e.t.c account. This account will be credited with the balances of all Reserve and similar funds account and the balance of income and Expenditure/ Realization account mention above where the surpluses on these account. Where there are losses on these accounts, the reserve fund account summary will be debited
 - n. The liquidator will prepare a final list of creditors especially when the date given in the Gazette had been met. In doing this, if there is any genuine creditor whose name had not been recorded in the society's books emerged, a personal account will be

credited with the amount the creditor is claiming and the society's reserve fund account will be debited.

- o. Effort should be made to realize all the society's available assets.
- p. He will decide whether to call on members/past members to pay some money into the society depending on the maximum liability of members as the (especially where asset realized are less than the book values) bye-laws of the society states. He should note that in the scheme of distribution, which he prepares, member's shareholders should not be in the same group with member's deposits, saving etc.

SELF-ASSESSMENT EXERCISE

List any five procedures involve in cooperative liquidation

3.4.5 Preparation of Liquidation Report and Submission of Report

3.4.6 Order of Disbursing Claims

The funds of the society including the reserve funds shall be applied according to the laid down priority of claims. The first claim to be met is that of the cost of liquidation (should be credited to the realization account). The next one is meeting the society's liabilities (including that of the creditors). The third one is the payment of dividend at the rate not exceeding 5% per annum for any period for which a disposal of profit was made is the fourth priority.

The liquidator will prepare a scheme of distribution, which would be sent to the Director of Cooperatives for approval. When this had been approved, the liquidator should carry out the distribution as laid down in the scheme of distribution without any delay

3.4.8 Closing of the Society's Books

After the distribution exercise the books of the society will be closed. At this juncture, the books will show the cash balance. Unclaimed monies can be kept with the union to which the society is affiliated (to be disbursed whenever the owner asks for it).

3.4.9 Closing of Liquidation

When the liquidation exercise comes to a close, a notice of closure shall be published in the Federal or State Gazette. After this notice no published claim against the funds of the society liquidated shall be

entertained after two years of this notice. This brings the liquidation exercise to an end.

4.0 CONCLUSION

This unit has made you realize that the coming together of people to start a cooperative society or that an existing society has a robust business activities will guarantee its survival over time. There are many factors that every society should watch out for else, it may lead to the collapse of their society. In case of dissolution and liquidation of cooperative society, the Director of cooperative is responsible by law to carry out necessary procedure and follow lay down laws in ensuring proper liquidation; the procedures are well spelled out in cooperative laws.

5.0 SUMMARY

In this unit you have learnt the meaning of liquidation/Dissolution, causes of liquidation of society; we looked at types of dissolution some of which are automatic dissolution, voluntary dissolution and compulsory dissolution. We have also considered liquidation process, appeal against dissolution, who is a liquidator and the activities of the Liquidator.

6.0 TUTOR-MARKED ASSIGNMENT

1. What do you understand by the word Liquidation of a cooperative society?
2. Mention factors that can lead to liquidation
3. What are the likely activities of the liquidator after his appointment?

7.0 REFERENCES/FURTHER READING

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