



NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF SCIENCE AND TECHNOLOGY

COURSE CODE: COP311

COURSE TITLE: Principles and Practice of Co-Operatives



**COURSE
GUIDE**

**COP311
PRINCIPLES AND PRACTICE OF CO-OPERATION**

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Published By:
National Open University of Nigeria

First Printed 2011

ISBN: 978-058-645-8

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CONTENTS	PAGE
Introduction.....	1
Objectives.....	1
Introduction to the Course Guide.....	1
Aim and Objective of the Course.....	2
Course Materials.....	2
Study Units	3
Textbooks and References	3
Assignment and Marking Scheme.....	4
Course Overview.....	4
How to Get the Most from this Course.....	5
Facilitators/Tutor and Tutorial	6
Counselling.....	7
Conclusion.....	7

Introduction

This Course Guide is designed to enhance your grasp of the facts presented in COP311, which is Principles and Practice of Co-operation. You have to make the Course Guide a source of constant company as you will be referring to it from time to time. Before you start reading this course, you have to first be well familiar with the contents of the Course Guide.

Time table on how you are to go through COP311, studying the Course itself, doing and submission of assignment, allocation of marks to questions, final examinations and other necessary pieces of information are contained in this Course Guide. They are all aimed to enable you achieve the aims and objectives of this course.

Objectives

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

- explain the relevance of the Course COP311 as one of the courses heading to the award of B.Sc in Co-operative Management.
- have at a glance the structure and content of COP311;

Introduction to the Course Guide

You are welcome to the study of COP311. The Course Guide is the first material you have to go through. This is to make you familiarise yourself with the details of COP311, which is built on the foundation laid down in an earlier course which is COP101 (Introduction to Co-operation). This very Course on the Principles and Practice of Co-operation is equally intensely interesting. As much as possible, the Course is laden with Nigerian flavour as most examples are taken from the Nigerian environment.

There are three modules for this Course and each module consists of 5 units. This means there are altogether 15 units that make up the course. Each unit is built on the preceding one in knowledge and depth. As a result, there is a linkage from one unit to the other just like a system. No unit can be skipped as that would be breaking the chain of the system as well as disrupting the flow of presentation.

Aim and Objective of the Course

The Course is to further enrich students' knowledge of the Principles and Practice of Co-operation.

The specific objectives of this course are to:

- Enable the students of adverse effects of the 10th Century Industrial Revolution in Britain;
- Discuss the linkage of the effects of the Industrial Revolution to the formation of Co-operative Societies;
- Give reasons for the success of Rochdale Equitable Pioneers;
- Describe the rules and regulations of the R.E.P.
- Discuss the strategic importance of the International Co-operative Alliance (ICA);
- Describe the reformulated Principles of Co-operation by the ICA in 1937 and 1966.
- Explain the 1995 statement on Co-operative Identity by the I.C.A;
- Discuss the 1995 reformulated principles of the I.C.A and their application to co-operative practice in Nigeria.

Course Materials

The course materials which will guide you to successfully complete this course are:

- Course Guide
- Study Units
- Assignment file
- Relevant text books

Study Units

The study units are fifteen in number:

Module 1

- | | |
|--------|--|
| Unit 1 | Nature, Characteristics and Functions of Principles viz-a-viz Co-operatives |
| Unit 2 | Early Attempts to Form Co-operatives during the Industrial Revolution in Britain |
| Unit 3 | Robert Owen and His Contributions to the Development of Co-operative Principles |
| Unit 4 | Dr. William King and His Contributions to Developing Co-operative Principles |
| Unit 5 | The Contributions of Franz Schulze to the Development of Co-operatives |

Module 2

- Unit 1 Friedrich Raiffeissen and His Co-operative Principles
- Unit 2 The First Successful Co-operative Organisation in the World: The Rochdale Equitable Pioneers
- Unit 3 The Rochdale Equitable Pioneers: Characteristics, Rules and Activities
- Unit 4 The International Co-operative Alliance (ICA)
- Unit 5 The 1937 Review of the Co-operative Principles

Module 3

- Unit 1 The 1966 ICA Principle for Co-operation and their Reformation in 1972
- Unit 2 The Statement of Co-operative Identity by the I.C.A
- Unit 3 Definition, Features and Values of a Co-operative as given by the I.C.A
- Unit 4 The Co-operative Principles: Voluntary and Open Membership; Democratic Member Control; and Member Economic Participation
- Unit 5 The Remaining 1995 ICA Reformed Principles: Autonomy and Independence; Education Training and Information; Co-operation Among Co-operatives; and Concern for Community

Each study unit has Self Assessment Exercises and Tutor-Marked Assignment/s [TMA]. The sources of information are given in the references and where further readings are required, where you need to consult are also indicated. All these would assist you to accomplish the learning objectives.

Textbooks and References

- Chuckwu, Sc (2000). *Economics of Co-operative Business Enterprise*. Mabing-Germany.
- Cole, G.O.D. (1944). *A Century of Co-operation*. London: George Allen and Urwin Ltd for the Co-operative Union Ltd.
- Ebunu, F. L. (2006.) *Introduction to Co-operation*. Lagos: NOUN.
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- Onuoha, E. and Budden J. J. (2002). *Principles of Co-operation*. Enugu: Amazing Grace Printing and Publishing Co.

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Arua, E.O. (1980). *Co-operative Principles and Methods*. Unpublished.

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Parker, F. C. (1956). *The First 125 years Co-operative Printing Association Wisconsin – U.S.A.*

Pari, S.S. (1987). *Ends and Means of Co-operative Development*. National Co-operative Union of India, New Delhi.

The International co-operative Alliance. *Review of International Co-operation* (1989). R.I.C Vol. 89 No. 3 Geneva.

The International. Co-operative Alliance. *Review of International Co-operation* (1989). R.I.C Vol. 88 No. 3 Geneva

The International. Labour Office (1968). *Co-operative Management and Administration (Studies and Reports) New Series No. 57.*

Assignment and Marking Scheme

Assignment	Marks
Assignments 1 – 5	Five assignments. Select the best four and around 12.5% each $12.5 \times 4 = 50\%$.
Final Examination	50% of the overall Course marks.
Total	100% of Course Marks.

Course Overview

Unit	Title of Work	Weeks Activity	Assessment
	Course Guide	1	
Module 1			
1	Nature, Characteristics and Functions of Principles	2	
2	Early Attempts to Form Co-operatives during the Industrial Revolution	2	
3	Robert Owen and His Contributions to Co-operation	2	Assignment 1
4	Dr William King and Co-operative		

	Principles	2	
5	Franz Schultze and His Principles of Co-operation	2	Assignment 2
Module 2			
1	Frederich Ranffessein and His Co-operative Principles	2	
2	The 1st Successful Co-operative Society (REP)	2	
3	Rochdale Equitable Pioneers: Characteristics, Rules and Activities	2	Assignment 3
4	The International Co-operative Alliance (ICA)	2	
5	The 1937 Review of Principles of co-operation	2	
Module 3			
1	The ICA and 1966 Reformulated Co-operative Principles	2	
2	The Statement of co-operative Identity	2	Assignment 4
3	Definition Features and Values of a co-operative as given by the ICA	2	
4	1995 Co-operative Principles (the first 3).	2	
5	1995 Co-operative Principles (the last four).	1	Assignment 5
	Revision	1	
	Total	32	

The above table gives the overview of COP311, the units, the number of weeks to devote to each unit and the accompanying assignments.

How to Get the Most from this Course

In the National Open University of Nigeria (NOUN), there is no lecturer unlike the Conventional University. It counts on your maturity and initiatives. Your drive is the force that propels you and you are the major determinant on when and how to complete the B.Sc Programme in Co-operative Studies successfully.

You should regard the reading of the study materials as if you are listening to lectures. Indeed you are listening to the lecturer indirectly.

Every study unit has the same pattern. The introduction, followed by the learning outcomes/objectives. Thereafter, you are the given the

course content. Conclusion is made followed by the Self-Assessment exercises. You have to carefully go through the exercises as they assist you to recapitulate what you have learnt in the unit.

There are also Tutor-Marked Assignments.

Answer them. They all form the question bank for this Course. Your final examination questions come from these ones. Also see the references and further reading.

As a strategy to go through the course, the followings are suggested:

- Read the Course Guide carefully
- Work out your private time table based on the most convenient time to study the materials.
- Stick to your time-table. However, allow flexibility when necessary
- Start unit one and go through it before Unit 2 and finally unit 15. You have been told never to jump any unit.
- As you work through the units you will be instructed on what to do. You may be asked to go to a previous course you have done before for more information and/or reminder of some facts.
- Compare the objectives of each unit with the content of your total assimilation of it. If there is a deviation, go back to the study material and reread it.
- When a submitted assignment is returned go through it and observe comments made. If there is doubt, see your tutor.
- Your completion of the last unit is an indication that you are ready for the final examination.

Facilitators/Tutor and Tutorial

During tutorials, your tutor will grade you, comment on your assignment and monitor your progress. Try your best to attend the tutorials. This is the only way to have face to face with your tutor and questions and answers are handled during this session. Do not hesitate to contact your tutor by phone or by email if you need help.

The tutor will be willing to:

- Provide answers to your questions;
- Co-ordinate discussions based on the unit;

- Provide feedback on tutor marked assignments;
- Get feedback from students on their understanding of the unit(s);
Tutorials will take place in the study centre nearest to you. You have to arrange the time and other details with your facilitator.

Counselling

This is another service from the NOUN to make you an all round student. There are trained counselors at the Study Centre nearest to you to provide relevant answers to issues concerning you and your studies. You are advised to also be in constant touch with your counsellor. You can even contact them through their Phone numbers and e-mail addresses.

Conclusion

In this Course Guide, you have been provided with ample information designed to make your study of Course COP311 successful. You need to have these pieces of information at the back of your mind.

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First Printed 2011

ISBN: 978-058-645-8

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CONTENTS	PAGE
Module 1	1
Unit 1 Nature, Characteristics and Functions of Principles viz-a-viz Co-operatives.....	1
Unit 2 Early Attempts to Form Co-operatives during the Industrial Revolution in Britain	8
Unit 3 Robert Owen and His Contributions to the Development of Co-operative Principles.....	14
Unit 4 Dr. William King and His Contributions to Developing Co-operative Principles.....	22
Unit 5 The Contributions of Franz Schulze to the Development of Co-operatives.....	29
Module 2	35
Unit 1 Friedrich Raiffeissen and His Co-operative Principles	35
Unit 2 The First Successful Co-operative Organisation in the World: The Rochdale Equitable Pioneers.....	41
Unit 3 The Rochdale Equitable Pioneers: Characteristics, Rules and Activities.....	47
Unit 4 The International Co-operative Alliance (ICA).....	54
Unit 5 The 1937 Review of the Co-operative Principle.....	61
Module 3	67
Unit 1 The 1966 ICA Principle for Co-operation and their Reformation in 1972.....	67
Unit 2 The Statement of Co-operative Identity by the I.C.A..	74
Unit 3 Definition, Features and Values of a Co-operative as given by the I.C.A.....	79
Unit 4 The Co-operative Principles: Voluntary and Open Membership; Democratic Member Control; and Member Economic Participation.....	85
Unit 5 The Remaining 1995 ICA Reformed Principles: Autonomy and Independence; Education Training and Information; Co-operation among Co-operatives; and Concern for Community.....	91

MODULE 1 PRINCIPLES AND PRACTICE OF CO-OPERATION

- Unit 1 Nature, Characteristics and Functions of Principles viz-a-viz Co-operatives
- Unit 2 Early Attempts to Form Co-operatives during the Industrial Revolution in Britain
- Unit 3 Robert Owen and His Contributions to the Development of Co-operative Principles
- Unit 4 Dr. William King and His Contributions to Developing Co-operative Principles
- Unit 5 The Contributions of Franz Schulze to the Development of Co-operatives

UNIT I NATURE, CHARACTERISTICS AND FUNCTIONS OF PRINCIPLES VIZ-A-VIZ CO-OPERATIVES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 General nature of Principles
 - 3.2 Formation of Principles
 - 3.3 Characteristics of Principles
 - 3.4 Functions of Principles
 - 3.5 Application of Principles
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

This unit which is the first in Course 311 introduces you to the Principles and Practice of Co-operation. We are going to use the word “Co-operative” as a noun as well of as an adjective throughout our discussion in this course. The course builds on the first course in your degree programme which is “Introduction to Co-operative”. During our discussions on that Course you enjoyed the presentation. And your enthusiasm and diligence enhanced your performance; that is why you are here at this level.

Now that you are progressing in the programme, your diligence and enthusiasm should not wane. It has to be sustained and increased especially as we are going to add details and depth to what we discussed in COP101.

Let me call your attention at this stage to the necessity of reflecting on a constant basis on what you are studying. You need to have a feel of it through reflections of the points raised. By so doing they become part of your consciousness. To achieve this, there will be exercises in each unit periodically. Answer them realistically and honestly. If you miss any point you may go back to the relevant paragraph. In addition, there will be Tutor- Marked Assignment which you have to answer. Remember, your conscience is your best guide. As a result at the end of the unit, you need to ask yourself whether you have done and answered to the best of your ability the exercises as well as the Tutor – Marked Assignment

2.0 OBJECTIVES

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

- explain the nature and formation of a principle
- identify the characteristics of a principle
- See the functions of a principle and
- describe the relevance of applying principles in running an organisations, including a Co-operative.

3.0 MAIN CONTENT

3.1 Nature and Formation of a Principle

Formulating a principle demands a scientific process in a systematic way, that is, one step logically linking to the next one until a meaningful conclusion is reached. It is based on the relationship which exists between two or more sets of variables or events. The method involves determining facts through the observation of events, and verifying the accuracy of the facts through continued observation.

After classifying and analysing the facts, there is the need to look for and find some causal relationships which can be believed to be true. Such generalisation is called hypothesis, which is tested for their accuracy. When the hypothesis is found to reflect or explain reality and therefore has value in predicting what will happen in similar circumstances it is called *principle*. It is through the same process of acute observation that Co-operative Principles are formed so that what one says, who attempts to explain knowledge will transfer to another

person in the same way. This is one of the aims of Co-operative principles.

3.2 Characteristics of Principles

A good principle:

- has empirical reference
- contains logical interconnections with other principles and
- admits the possibility of rejection.

The first point is that some of the terms used in a principle should be directly observable, that is, placed in correspondence with empirical data.

The second point is that a principle should be part of a logical structure explaining as many and as different empirical events as possible

The third is that empirical observations can help to reject a theory.

A principle is often referred to as being descriptive or normative if it explains relationships between events. When a principle is stated in such a way as to indicate what should be done it becomes descriptive. These two ways are the means in which Co-operative Principles are stated. They give the nature and form of a Co-operative as we shall soon see later. They form the basis for situating an organisation as being a Co-operative entity or not. They constitute the inner and out gowns of a Co-operative.

SELF-ASSESSMENT EXERCISE 1

1. Explain in your own words the process of forming a principle.
2. Differentiate between a Descriptive Principle and a Normative Principle.

3.3 Functions of a Principle

A Principle grows up in answer to the question, 'Why'? A person that observes two things or more events in the real world would ask why this should be so. Somebody looking at the activities of a Co-operative organisation and the peculiar nature of a Co-operative as we noted in Course 101 (Introduction to co-operation) would ask, why is it so? A Principle attempts to explain why. And this brings us to the functions of a Principle.

- **To Explain Organisational Behaviour**

This is one of the functions of a Principle. An organisation is a social system consisting of human beings in addition to other resources such as: time, information, technology, among others put in place to achieve pre-determined objectives. But apart from human resources, other resources are inert, that is, they do not act on their own. It is the human resources that act on them and combine them in the most feasible technical way to the optimum or the desired result. I am sure you can still recollect this point in your earlier course which is Course BHM 106 (Introduction to Management). In an attempt to combine meaningfully, every organisation has its own policies which are guides to action as well as constraining boundaries. In addition, there are defining objectives. In implementing the policies in addition to carrying out the objectives, over a period of time, a culture is established which is a fairly standardised prescription of what is to be done, should be done, what not to be done and so on. It shapes the behaviours of organisational members. A principle or group of related principles (theory) explain all this.

- **To Predict Future Organisational Behaviour**

A principle predicts future organisational behaviour. This presupposes that an organisation is not a close system. This means it is constantly interacting with its environment particularly the external environment in a dynamic manner. To constructively achieve this, one way to go about it is to set objectives based on the present and future needs of customers. When these objectives are set particularly in response to the future needs of customers, a principle or related principles (theory) predict the future behaviours of the organisation. This indicates how members of the organisation are to exert themselves in constructive manner to meet the Social Corporate Responsibility (SCR)

- **To Influence future behaviours in an Organisation**

This is the third function of a principle. No one knows what exactly is going to happen in the future. But a manager is constantly making a decision which will make or mar the success of his enterprise. What helps him out is the principle which explains likely future events and consequently offers basis on which the manager takes action to influence future behaviours.

From the above functions of a principle, we can go further to explain some of the needs for principles. Before we do this, you need to do another exercise.

SELF-ASSESSMENT EXERCISE 2

1. Take an organisation that you are familiar with and explain the roles of:
 - (a) the Board of Directors and
 - (b) the Managing Director.
2. If the chosen Organisation is a co-operative, explain the roles of:
 - (a) the Committee members
 - (b) the Members and
 - (c) the Manager.
3. What are the reasons that guide their respective roles?

3.4 Application of and Need for Principles

You can not apply what you do not know. It is what you have that you give. To apply a principle means that you have an organised knowledge of it. This is the know-how of how to accomplish concrete result and it is one of the most creative f all human pursuits.

Knowledge and its application are complementary. A manager who attempts to manage without principles must trust to luck, intuition or what they did in the past. But with organised knowledge, he has better opportunity to design a workable and sound solution to problems. In the same vein, one can not manage a Co-operative successfully without understanding and applying the Co-operative principles which we are going to study in subsequent units of this course. To do so is to unrobe a Co-operative and the result will not be satisfactory.

3.5 Need for Principles in Co-operatives

- When principles are used, Co-operative management efficiency will inevitably improve. The various organs of Co-operative management will become more effective by using established guidelines to help solve problems without engaging in the risky practice of trial and error.
- To bring in sharper focus of the nature of Co-operative Organisation. If there is lack of understanding of co-operative Principles, it makes it difficult to analyse Co-operative Management job and to train the managers. Without training, management will depends on haphazard trial and error method.

- **To improve Research**

There is the need for tested knowledge of co-operatives. This makes research to be more pointed as the researcher will start from the known to unknown. The outcome enhances management practice.

- **To Attain Social Goals**

A Co-operative thrives on solidarity and support of members. Without this, a Co-operative is empty. When the objectives of co-operative are being achieved, they will translate to social attainments. Development of Co-operative management with increasing efficiency in the use of human and material resources will have great impact on the Co-operative and related sectors of the economy.

SELF-ASSESSMENT EXERCISE 3

Take another Co-operative Organisation and show why it is important to apply Co-operative principles.

4.0 CONCLUSION

Principles are important in the practice of Co-operation because without them, Co-operative Management becomes trial and error which is unsafe and a sure way to failure. With correct application of the principle, co-operative management becomes more pointed and the outcome becomes fairly predicted.

In our next unit we shall be ascending gradually in our discussions on Co-operative Principles starting with their gradual evolution.

5.0 SUMMARY

In this unit we have been able to look into the general nature of principles, how they are formed, their characteristics and functions. We have also briefly seen the importance of constant application of co-operative principles in order to attain the right result.

6.0 Tutor-Marked Assignment

1. Managing a Co-operative Organisation without the application of principles will result in trial and error. Explain.
2. Describe the nature and importance of a good Co-operative Principle.

7.0 REFERENCES/FURTHER READING

Onuoha, E. (1998). *Principles of Co-operation*. Enugu: Amazing Grace Printing & Publishing Co.

Kootz O. and O. Donnel: (1990). *Management*. Tokyo: Practice-Hall.

UNIT 2 EARLY ATTEMPTS TO FORM CO- OPERATIVE PRINCIPLES DURING THE INDUSTRIAL REVOLUTION IN BRITAIN

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Nature of Industrial Activities
 - 3.2 Effects of the Industrial Revolution on Workers
 - 3.3 The Hungry Forties
 - 3.4 Early Attempts of Workers to Form Co-operatives
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

You have completed the first unit of this course which is on the general nature of principle, formation of principles, the need to apply principles when managing the functions of principles among other sub-themes. We are going to build on this first unit. In this second unit, we are going to look into what happened in the Industrial Revolution in Great Britain. In doing this we shall look into the effects of the Revolution on workers. Further, we shall also look at the early attempts of workers to come together and form Co-operatives as a way to minimise the harsh conditions they were facing. Thereafter we will give reasons why these forms of modern Co-operatives failed to succeed.

2.0 OBJECTIVES

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

- describe the nature of Industrial Revolution in Britain
- explain the workers' reactions to the Industrial Revolution and hungry Forties
- explain Workers' attempts to form Co-operatives
- explain The features of the early Co-operatives
- give reasons why the early Co-operatives failed.

3.0 MAIN CONTENT

3.1 Nature of the Industrial Revolution in Britain in the 19th Century

As a consequence on the scientific breakthrough in Europe where steam engine was invented as a source of power, things became more complicated for an otherwise traditional society in Europe. There was the lost of craftsmanship because machines started being used to manufacture items that were initially being made by craftsmen in their cottage industries.

Peasant farmers were displaced from their land. This was because the landowners colluded with factory owners who bought the lands for their factories at far greater price than the peasant farmers could afford.

Since steam engines were being used as a source of power, factories were sited in those locations that were near streams and rivers. One major implication of this was that in order to survive, workers had to relocate from their original homes to places far away to work in factories.

Factory owners were not interested in providing descent accommodation but were only interested in making huge profits. Their argument was that huge sums of money was used to establish the factories. And in elementary economics, cost and profit move in opposite directions. If more profit is to be made, the cost has to be reduced. If on the other hand the cost is increased, profit will dwindle and/or may result in eventual loss. The factory owners were not prepared to incur loss. They sought for maximum profit resulting in paying workers ridiculous low wages.

No descent accommodation was provided by the factory owners for the workers who sometimes had to travel long distances to the factory sites. Hostels were however provided, but the rooms were inadequate so they were overcrowded. The effect was the wide spread of epidemics resulting in untimely deaths.

Another activity of the factory owners was to ensure that the workers did not come together as organised groups or Trade Unions. They connived with the parliamentarians to pass laws forbidding the workers from forming associations. In some cases the same parliamentarians were the same over-bearing factory owners.

Beyond enacting anti-labour laws, workers' protests, riots among other agitations in their attempt to call the attention of the outside world were met with stiff resistance often with disastrous consequences. The law enforcement agents were often invited to carry out offensive attacks on the defenceless workers resulting in deaths. Some were sent to prisons without trials while others were maimed.

Payment of low wages to workers – by the factory owners was not only unfair but loaded with deceit. The factory owners manipulated the workers by paying them in kind rather than in cash. The argument was that food was supplied to workers at high cost which had to be subtracted.

Again, rents were charged on the congested hostels being occupied by the employees. They must be deducted. By the time these and other sundry deductions were made even though difficult to justify, there was nothing left for the workers.

SELF ASSESSMENT EXERCISE

You have to look at manufacturing and other organisations around you. Interact with the workers and identify those organisation's where the employees are not treated well. List the areas of unfair treatment and compare them with the type of conditions that workers were subjected to during the Industrial Revolution in Britain.

3.2 Effects of the Industrial Revolution on Workers

Shortly a while ago, we discussed the activities of the factory owners in Britain in the 19th Century in exploiting the workers. These activities had adverse effects on workers and their employees. We are going to look at these effects briefly.

Long Hours of Work

One effect was that workers were forced to work for long hours, six days of the week. This was inevitable because there was the need to take something home by way of wage after the costs of meals and rent were subtracted, as we noted earlier.

Child Labour was the Order of the Day

In order that members of the family would survive, there was the necessity of forcing children to work inspite of the low wages. The children were leaving homes even at tender age and at the end of the day, something would be given to them.

Working Conditions were Odious and Unbearable

We have noted that workers were put in over-crowded and unventilated rooms with the resultant epidemics and deaths. Apart from all these, the production floor was not friendly. The slightest mis-use of machines, plants and equipment often resulted in permanent incapacitation of workers and in extreme cases deaths.

Exploitation of Workers by Shop Owners

Workers suffered in the hands of the shop owners. Goods were sold to them at very high prices. Often, the quality of these items was poor as they were adulterated. Weighing machines used to measure these goods were tampered with and adjusted to give unfair gain to shop keepers. The adulterated goods added to workers woes as they gave rise to food poisoning with the resulting discomfort and deaths.

Unemployment

There was large scale unemployment. Not all the craftsmen who were displaced from their cottage industries as well as the peasant farmers were employed. A good number of them were left to the mercy of the elements. Also, those workers who were working in the factories suffered insecurity, as they were often threatened with lay-offs at the slightest opportunity. The psychological discomfort was enormous.

3.3 The Hungry Forties

The hungry forties is referring to the period of the Industrial Revolution as from the 1840's. It was the period of acute pain on the workers.

Not much food was produced for several reasons. The first was that the land earlier being cultivated was forcefully taken from the peasant farmers and sold to the wealthy emerging capitalists at very high prices beyond the reach of the farmers.

The second reason was that the peasant farmers, as a survival instinct had to go cap in hand to beg for employment. This reduced further the number of farmers.

The third reason was that the workers themselves could not afford to buy the high prices of food stuffs and other consumer items as a result of the exploitation from the shop keepers. We had earlier identified these forms of exploitation.

The fourth reason was that due to the low wages paid to workers and the unhygienic work conditions resulting in epidemics, plague and diseases, money was spent even though inadequate on health.

It is as a result of these complication that historians often referred to this period as the “Hungry Forties”.

3.4 Early Attempts to form Co-operatives by Workers

Workers did not fold their hands and die a slow death arising from the harsh economic reality of the Industrial Revolution. Attempts were made to remedy the situation through co-operative experiments. These experiments were inspired after 1820 and took various forms like Co-operative Workshops, Labour Exchange, Co-operative Colonies among others. We shall be examining all these concepts in our next unit which is unit 3. We shall also be looking at individuals that experimented on various Co-operative principles, which are rules and regulations guiding Co-operative actions.

4.0 CONCLUSION

In this unit we have discussed the Industrial Revolution in Britain and the attendant effects. This is to provide the background on why workers decided to form Co-operatives based on rules and regulations which is what a principle is all about. It explains, predict and provide guidelines for action. We shall discuss all this in subsequent units. In our unit 3 which is the next unit, we shall be looking at those individuals that mobilised workers and other citizens to form co-operatives. We shall be treating them one by one and it is likely that our discussions will spread more than one unit.

5.0 SUMMARY

We have looked at the Industrial Revolution which occurred in Britain as well as the effects of the revolution in Britain. We gave reasons why the period particularly the 1840’s was aptly referred to as the “Hungry Forties”.

6.0 TUTOR-MARKED ASSIGNMENT

1. Describe the features of the Industrial Revolution in Britain.
2. Explain 5 effects of the Industrial Revolution on Workers.
3. Give reasons why the period of 1840’s was called the “Hungry Forties”.

7.0 REFERENCES/FURTHER READING

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UNIT 3 ROBERT OWEN- AND HIS CONTRIBUTIONS TO THE DEVELOPMENT OF CO-OPERATIVE PRINCIPLES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Brief Background of Robert Owen
 - 3.2 Activities of Robert Owen
 - 3.3 Comparison of His activities with those of other capitalists
 - 3.4 Evaluation of Owen's efforts viz-a-viz Co-operative Practices
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

In our last unit we saw the woes of workers as they were being exploited by the capitalists. They could not receive the intervention of Government who claimed to uphold the doctrine of free enterprise or laissez-fair. It was a situation of survival of the fittest. It was, however, during this period that individuals with human sympathy started thinking very differently from the attitude of mind of the industrialists and Government philosophy of "Free Enterprise". We are going to look into the works of some of these individuals and more importantly to show how their efforts contributed to the development of co-operated principles. We shall be referring to them as the early contributors to the development of Co-operative Principles. The first of these individuals is Robert Owen.

2.0 OBJECTIVES

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

- discuss the background of Robert Owen
- explain his efforts in raising the poor standard of living of workers
- compare Owen's efforts with those of other Capitalists
- discuss the collapse of Owen's Colonies.

3.0 MAIN CONTENT

3.1 Robert Owen's Background (1771-1858)

Robert Owen was a Welsh that is somebody from Wales in Great Britain. He was a socialist as opposed to Capitalist. And due to his socialist way of life he was radical in his views. He was a Utopian who believed in the reformation of the society and make it heaven on earth. History tells us that he was born into the family of an artisan, his father being somebody who traded in goods and similar merchandise.

In the early stage of his life, he imitated his father in the merchandise business but in different articles. He trained in a draper's shop. He was so diligent and resourceful that before he got to the age of 10 he has already started earning his own living.

In a later stage of his life, he got married to the daughter of a capitalist factory owner where he became a factory manager. He later rose as a co-owner of a chain of cotton mills in New Lanark. It was at this stage that he got intimately with the abject poverty of workers and the negative aspects of capitalism. He was vehemently opposed to these capitalists tendencies as we noted earlier in Unit 2 and he strongly criticised them both through his write-ups and publication as well as from his other behaviours and activities as we shall later see.

3.2 Activities of Robert Owen in Raising Workers' Living Standard

As soon as Owen became a manager and Later Co-owner of Cotton Mills in New Lanark and other places, he commenced a series of activities almost at opposite to the other industrialists. These activities include the following:

3.2.1 Abolishing Child Labour

In our preceding Unit 2, we said that children were working in factories as a way to augment the paltry wages that their parents were earning. This means that the same poor working environment that the adult workers were experiencing was the same condition that the children were exposed to. Possibly, Owen drew his sympathy from his earlier work experience as we noted earlier that by the age of 10, he was already earning a living. But at that age for a child. The mind is still tender to face the test and trial of adult life. His action of terminating child labour is not surprising.

Establishing Schools

Owen did not just abolish child labour and left the children on their own. He realised that if this should be the case, more damage would be done and there could be a reversal to his action and disaster to the children. An idle mind is a devil's workshop. To close the vacuum, he established schools. To these schools, he sent the children to be trained and educated in preparation to more constructive roles they could play on becoming adults.

Owen's education activities were not limited to children. Adults were persuaded and enrolled in the schools. This is to sharpen their intellect and build their capacity to learn new skills and be able to evaluate issues and to take constructive and decisive actions in the colonies that he established.

Establish Co-operative Colonies

Owen's followers were put in colonies. In these colonies, Owen's idea was to make them self sufficient. That is, his conception was that as much as possible, his followers would have little or no dependence on the outside world. They moved to plan the system of production and distribution of wealth. Every member was to take part except the children who would be in school.

His Colonies were not established in Great Britain alone but also in other places. He exported his ideas hoping to help humanity in general to achieve the Utopian state he conceived. Consequent on this, he established Colonies which he later termed "Labour Commune" such as New Harmony, Indiana in the United States of America.

Owen was resourceful. All these projects that he had been conceiving, developing and implementing needed money. He knew that help would not come from the Government whom we noted earlier believed in "Free Enterprises" or Laissez Fair. The funds were unlikely to come from peasants and artisans with the poor standard of living as we noted earlier. As a result he channeled his energy to source part of the funds from the wealthy. The strategy was to built places of relaxation where individuals particularly the wealthy could come to meditate and reflect from the turmoil and turbulence of the outside world. To achieve this end in view, he put in place what he styled "Harmony Halls especially in Great Britain.

Establishing Consumer Shops

Owen established consumer shops to sell the basic necessities required by members of his community. In the shops were sold goods of pure quality that sustained health unlike the adulterated goods being sold outside the Community. Again these goods were sold at affordable prices as opposed to the ones sold outside at high prices.

Owen Political Activities

The potentials of Owen as a copious writer and eloquent speaker were well explored in his political activities.

The first thing he did was to pass his unique ideas in a series of lectures, publications and publicity.

In his book “New view of society” and numerous other articles centered on his socialist system as a basis of his Utopian State. The schemes which he initiated and incorporated in his colonies were widely published as he sought diligently for similar programmes to be introduced into other factories. His efforts paid off as the Factory Act was passed in 1819 which sought to ameliorate some of the harsh conditions of the factory workers.

Further, his intellectual process was brought to bear in the political activities of the Co-operative Party in Britain. The major aim of the party was to seek some form of political power that would make government to have a favourable disposition to co-operative organisations. Such disposition was sought especially in the area of passing favourable Laws that will provide the enabling environment for a co-operative to flourish.

Building Houses and Constructing Streets

Robert Owen, in attempt to give members of his colonies decent life, decided to build houses for the earlier harassed workers who were put in ramshakled hostels with no ventilation or adequate convenience.

He further constructed roads linking the various areas and portion of the settlement. He generally made the settlement to be attractive and well liked by all and sundry. New life was breathed into the settlement making the inhabitants to radiate the aura of vim and vigour.

Reduction of Worker's Working Hours

The projects that the workers were working, were carried out with a reduction of hours of work. Hours of work were reduced from the twelve hours that other industrialists were exerting to something less and. excluded weekends from work days. This was necessary so that workers could rest and be adequately prepared for tasks ahead in the succeeding week.

We have pointed out that Owen built houses, established schools and built streets linking the houses, he went further. He fed the inhabitants especially during the peak period of work.

3.3 Comparing Owen's activities with other Capitalists

To start with Owen was not a Capitalist but a Socialist. Other Capitalists were interested in taking all decisions concerning their business but Owen was involved in participatory approach to decision making. He involved the workers seeking for their consent on issues concerning them.

The Capitalist was interested in profit maximization. From economics perspective, cost and profit travel in opposite directions. If profit has to be made, cost should go down so that profit could move up. This was the practice of the Capitalist. It was a negation to Owen's idea due to some of the measures he took by reducing the hours of work, feeding his workers, providing accommodation among others.

SELF-ASSESSMENT EXERCISE 1

Explain Owen's background as a solid platform for carrying out most of the social reforms he initiated and executed.

3.4 Evaluation of Owen's Efforts Viz-A-Viz Co-operative Practices

Recall that some forms of Co-operative practices were made known to you in course COP 101.

SELF-ASSESSMENT EXERCISE 2

Go back to your units in Course COP 101. Write out the major characteristics of Co-operatives. Also, highlight the activities of the major organs of Co-operatives in Management.

Principles of Co-operation

Owen's works bother on principles of Co-operation. To co-operate is to come together and carry out some economic, social, cultural activities that meet the aspirations of the group members. This is the philosophy of any co-operative organisation and the same line of thought permeated Owen's Colonies as can be seen from the followings:

Sense of belonging

Owen's colonies provided a sense of belonging to all the inhabitant, especially at the early stage where equality of every member was strongly emphasised. The same principle applies in a Co-operative organisation where there is the practice of one member one vote irrespective of your status or the amount of your assets in the co-operative.

Mass Participation

In a Co-operative setting, every member participates in the decision making process and the majority carries the vote. In the colonies too, to a reasonable measure the workers contributed to the decision making process. It was one of the reasons why schools were established for their education and training.

Emphasis on Education and Training

Owen's natural love for education and upbringing of youths is obvious as we have already discussed. It is for this purpose that schools were established. In Co-operative, education is strongly emphasised. A Co-operative Society starts with the education of the members. The expansion is achieved through education. The effective management of the organisation is achieved through education and training complemented with native intelligence. We will later see -----
+++++++these principles in sharper forms as we progress.

Caring and Sharing

Co-operative members care for one another and share things including ideas and experiences. In short, Co-operatives thrive on solidarity and support. The same was applied in Owen's Colonies where workers were working in togetherness and in solidarity.

Surplus Sharing

Gains or surplus made in the Colonies were ploughed back for further development of the projects. The same principles apply in co-operatives because the owners are also the end-users of Co-operative services. And you cannot make profit out of yourself. Consequently any surplus declared in a Co-operative is distributed into parts. One part is used for the general reserve, another part for the education of members and providing information for the general public and the remaining part is shared among members.

Elimination of Middle men

In Co-operative activities and businesses there are no middlemen. Members deal directly among themselves and others. The same practice was practiced among the members of the Colonies.

SELF-ASSESSMENT EXERCISE 3

Take a look again at the activities of Robert Owen. Assuming you are going to form a Co-operative Society, how many of these activities are you going to adapt or adopt in the formation of the Co-operative Society and why?

4.0 CONCLUSION

We have discussed the activities of Robert Owen. It is important to carefully examine these activities and his strategies so as to see how they are connected with the principles and practices of Co-operatives. There are still early contributors to the development of Co-operative principles which we noted earlier. There are also rules and regulation that provide guidelines. In our next Unit we shall be discussing Dr. William King.

5.0 SUMMARY

In this Unit, we have explained Robert Owen's background, his activities in forming colonies for workers and we have compared his efforts with other industrialists of his time. We also evaluated his efforts in Co-operative practices and have established areas of similarity with other capitalists.

6.0 TUTOR-MARKED ASSIGNMENT

1. To what extent do you see Robert as an important Contributor to the development of Co-operative Principles?
2. Robert Owen is regarded as a realistic and Practical Man. Give reasons to justify this assertion.

7.0 REFERENCES/FURTHER READING

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UNIT 4 DR WILLIAM KING AND HIS CONTRIBUTIONS TO DEVELOPING CO-OPERATIVE PRINCIPLES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 The Background of Dr. William King
 - 3.2 The Founding of the Co-operative Organisation in Brighton
 - 3.2.1 The Administration and Management of Brighton Co-operative Society
 - 3.3 The Publications of Dr. William King
 - 3.4 The Contrast between Robert Owen and Dr King
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

We are going to look at another Co-operative scholar and administrator. His name is Dr. William King. Remember in our previous discussions, we studied the activities and practices of Robert Owen especially in the establishment of Co-operative Colonies and Co-operative Labour Exchange.

You will do well by re-reading the contents of Unit 3, provide answers to the tutor-marked questions as well as doing the SELF-ASSESSMENT EXERCISEs. By so doing, you will naturally prepare yourself and attune to the ideas of this Unit.

2.0 OBJECTIVES

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

- discuss the activities of Dr. King
- explain the Administration and Management of Brighton co-operative Society
- discuss the education and information dissemination on Co-operatives by Dr. King and his associates
- list the contrast between Robert Owen and Dr. King.

3.0 MAIN CONTENT

3.1 His Background

Robert Owen, later in his ventures started encountering problems and difficulties some of which were unexpected. We shall be looking at these problems in addition to other ones encountered by these initial writers and practitioners of Co-operative principles in another unit. One crucial side effect of the challenges was the death knell that sounded on the Colonies established by Owen. But as the Colonies or Co-operative Community were ending some of the followers of Owen who were also the promoters reflected on the next line of action. They were undisturbed. One of these individuals was Dr. William King who first established the Brighton Co-operative Benevolent Fund Association. The initial success of this organisation gave impetus to the founding of Brighton Co-operative Trading Association. But before these organisations, Dr. King had formed an infant school and then a Mechanic Institute. The idea to establish these bodies arose from his experiences earlier in life.

Dr. William King was born in Ipswich and he read Medicine in Cambridge University, England. He was a Utopian socialist. He saw the conditions the poor masses were subjected to as we noted in our last unit. All these moved him to become a social reformer and a Co-operator. He worked hard to give a lease of life and hope to the hopeless to the poor ones of his local people. He saw the Co-operatives as a veritable platform to achieve his goals and he launched himself at it. He identified with the Co-operative movement as well as the ideals of Robert Owen

The Founding and Management of Brighton Co-operative Society

In Section 3.1 above, we have noted that Dr. King together with others established some organisations for the development of Co-operatives as well as raising the standard of living of his people.

The founding of the Brighton Co-operative Society was carried with other followers of Robert Owen. As a result the management of the society was along the line of Owen's thinking and philosophy, which is along Co-operative Community.

The Co-operative Community consisted of several persons taking up residence in the community. A scheme of communal living was drawn up and put in place. The members were left to govern themselves. They

prepared plans on what to do and sharing out the duties to individuals and groups according to experience, talent and training.

Education and training were not ignored. They saw the necessity of removing ignorance as well as imparting knowledge and skills to members.

A system of sharing was put in place for equal payments per hour for persons of all callings.

Even though at the initial stage, Dr. King's style was similar to that of Robert Owen, he started deviating from Owen's approach especially between 1825 – 1830 when the latter traveled to America.

Dr King was of the opinion that Owen's concept of Co-operative Colonies was too grandiose and vague. As an alternative, workers should organise themselves into small groups in forms of Co-operative societies. In these consumer shops, members could buy their consumer goods as well as having other articles of need. He changed from Owen's utopian Co-operative Colonies which were too capital intensive. He was being practical and realistic.

King further advocated that members of Co-operatives should make regular savings into a common fund, and savings and profits should be invested on workers' own enterprises. He was against the idea of doing business on credit; it should be on basis of cash and carry.

Even though workers collectively have common businesses, king advised them to channel resources toward establishing their own businesses depending on the passion and innate ability.

Other Strategies that William advocated were:

- i. Workers should strive to produce their own food
- ii. The workers should build their own homes
- iii. Workers should not depend on government but on self help
- iv. Members should be educated on the principles and techniques of doing business
- v. he strongly advocated that co-operators should be good Christians, men of education and hardworking.

SELF-ASSESSMENT EXERCISE 1

The principles of Co-operative as we learnt in COP 101 can be traced to the practices and Principles of Dr William King.

Can you identify these principles from what we have discussed and link them to Co-operative principles you earlier learnt?

3.3 The Education, Information, Publicity and Publication of Dr William King

King was a very pragmatic and practical man. The truth behind his approach to Co-operative business is still enduring. The pattern of Co-operative formation as he set forth his publications through the channel of what he called, “The Co-operator is still enduring.

King’s articles and activities together with those of his other colleagues were published in the Co-operative magazine they founded called “The Co-operator”. In the magazines King’s concept of Co-operation was well explained and expanded. And the concept was based on self help and the need to be each brother’s keeper. He prescribed the necessary and sufficient steps to proceed to form a truly and beneficial co-operatives and the steps are:

1. That the capitalist system which breeds poverty, disease and suffering should be abandoned and replaced with socialism where the workers would be in charge of production.
2. The solution to workers woes is for the workers to come together and co-operate by forming co-operative society;
3. Anybody that works for others is subject to manipulation, exploitation and cheating. The solution is for workers to work for themselves;
4. There is the need for capital formation and accumulation through regular savings, so as to establish enterprises that will free workers from the shackles of the capitalists;
5. At every point, workers should imbibe the habit of regular savings: they should see saving as a form of tithe. This means, on the receipt of any income. 10% should go to savings.
6. That the beauty of co-operation is that it can be able to achieve what no one person can accomplish by his own effort.
7. Workers’ savings should not be put in the banks where they yield little interest neither should they be lent out or lying idle or in Trade unions where they might be used to buy shares from capitalists companies. Instead the savings should be put in Co-operative for productivity and to satisfy the needs of workers.

8. As a strategy of investment workers at the initial stage should not embark on gigantic projects or white elephant projects. Investment by workers should be on small businesses that they can manage with their little experience.
9. Rules to follow in running established shops by workers are:
 - i. Every workers should subscribe to the shares as well as regular savings:
 - ii. Management should ensure that purchase should be in bulk so as to enjoy discount.
 - iii. Purchase of goods by workers should be from their own shop and not from any other source;
 - iv. Sale by the co-operative shop must be in cash, credit sales should be avoided;
 - v. There should be record keeping of every transactions preferably in ledger accounts so that at periodic interval the balances in the ledger account are extracted for the purpose of preparing the final account
 - vi. Profit sharing should be postponed until enough capital has been accumulated.
10. As soon as the shop is fully capitalized, the next stage is for expansion by employing an employee who is also a member. The new employee must add value to the shop by providing an item or service that is needed by other members and the general public. The new employee – member will receive wage but the profit will be ploughed back to the business to enhance the capital base. Eventually, all members would be employed creating a scenario of mutual inter-dependence.
11. Workers would eventually strive to own land so as to be able to produce their own food, build their own houses, provide their own schools, build hospitals among other critical infrastructures and facilities so that eventually the society will be a Community of, its owns without outside help from philanthropists, grants from government among others.
12. Education and training are of primary importance to workers as a way to free them from ignorance and exploitation. Men of knowledge he argued are men of business including Co-operative business.
13. As a way to be assertive and move forward, Co-operative should be autonomous which should not depend on government grants.

This is because there are always strings and conditions usually attached to government assistance.

14. Co-operative progress and development should be gradually evolving dynamically in response to the external environmental factors. He emphasized that mutual co-operation should not be against any religion, sex or tribe.
15. Realistic and pragmatic approach to Co-operation improves the character of men as it makes them to be fruitful, honest and just. Every man of good will should be a Co-operator.

SELF-ASSESSMENT EXERCISE 2

1. Describe how Dr. King's steps/Principles form the bedrock of Consumer Co-operatives.
2. All the above principles and techniques of Dr. King he espoused in the Co-operator. The Magazine became popular in Great Britain and elsewhere. Subscriptions were made and shipments were sent.

3.4 Contrast Between Dr William King and Robert Owen

We found out earlier that as soon as Robert Owen traveled to the United States of America, Dr King embarked on systematic and effective deviation from the grandiose ideas of Robert Owen to a more realistic approach to co-operation.

Robert Owen was a utopian to the core propounding principles of Co-operation that are out of the ordinary. The concept of Co-operation is rooted on gigantic projects which are capital intensive as reflected in his "Co-operative Communities" or Co-operative Colonies. He solicited for government grants and donations from the rich. In his preaching and write ups, he spread anti-religious sentiments. However, he stressed the necessity on morality and morale education.

Dr. William King took a realistic approach to co-operation. He was dynamic and pragmatic. He emphasized that Co-operation should start from humble and little beginning by embarking on small scale projects which are not difficult to manage. From the success recorded, more capital accumulation and experiences would be brought to bear on bigger projects. In all his teachings, preachings and publications he underlined the issue of management. He eventually linked the spirit of Co-operation with Christian religion. He prescribed that Co-operatives should be based on the philosophy of self help and no government grants or donations from wealthy individuals in the public.

While Owen was the father of Co-operation, King was the father of consumer Co-operative.

4.0 CONCLUSION

In this unit, we have looked at the activities of Dr William and his philosophy of Co-operation. All this is important because these individual we have studied starting from Robert Owen provided the background and foundation on which subsequent Co-operative activities started. We are not through with them yet as we shall be looking more on the activities of Ranffessin and Schulze in Germany. There after we will go to another Unit to discuss the first successful co-operative in the world.

5.0 SUMMARY

This Unit has afforded us the opportunity of looking at the work and activities of Dr. William King in relation to the Co-operative Society he established in his home town – Brighton. We also saw the areas of similarities and contrast between Owen and King. We saw the channel King used to publicize his ideas as well as a formidable way to teach and educate, which was the Co-operator', a magazine of zeal for Co-operative practices.

6.0 TUTOR-MARKED ASSIGNMENT

1. How do you see Dr William King as the father of Consumer Co-operative?
2. Dr William King is said to be a realistic Co-operator. How do you justify the statement?

7.0 REFERENCES/FURTHER READING

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UNIT 5 THE CONTRIBUTIONS OF FRANZ SCHULZE TO THE DEVELOPMENT OF CO-OPERATIVE PRINCIPLES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Brief Historical Background of Franz Schulze
 - 3.2 The Founding of the Co-operative Society in Delizch, Germany
 - 3.3 The Principles of Co-operation as propounded by Schulze
 - 3.4 The effects of the Principles on members
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

We have been looking at the lives of modern day Co-operators, and it has been intensely interesting. We have been looking at these individuals mainly in Great Britain. So far, we have considered two of them: Robert Owen and Dr William King. We are moving out of Britain to Germany. Two persons and their efforts shall be considered; they are Franz Schulze and Friedrich Witherlm Raiffeisen.

The study of the works of these gentle men in respect of Co-operation is important for two reasons.

The first is to demonstrate that Co-operative consciousness as far as modern co-operation is concerned, was not limited to Great Britain as Public spirited individuals existing elsewhere also had similar thought and put their ideas into practical use.

The second reason is that while Robert Owen was embarking on grandiose capital intensive projects, and Dr William King emphasizing on consumer Co-operatives in form of Shops, Raiffeseni and Schulze were laying strong emphasis on Credit Co-operatives. We shall carefully go through their works and learn the lessons.

2.0 OBJECTIVES

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

- give a brief history of Franze Schulze
- explain the circumstances that lead to the formation of the Co-operative in Delitzsch
- discuss the principles of Co-operation by Schulze
- explain the impact of the principles on the members of Delitzsch Society.

3.0 MAIN CONTENT

3.1 Brief Background of Franze Schulze

Schulze was a judge as well as a member of German “National Assembly. By way of education and orientation he was a lawyer. By dint of hard work he rose to become one of the members of the National Assembly. As a member of the Assembly, he contributed to the passage of General Bills.

3.2 The Founding of associations/co-operatives:

By 1848, he had established two banks which were being run on co-operative principles. His principal aim for founding these banks was to meet the financial needs of the middle and lower classes.

Beyond the two banks formed, Schulze founded a Friendly Society. The objective was to give succour to the sick and assist in whatever form toward their speedy recovery.

Another important organisation Schulze founded – was the Association of Shoe Makers. The essence was for them to pool resources and purchase raw materials needed for their business. This is important because it assisted in getting the raw material needed for their business at a reduced price. This was possible due to the quantity buying because they were getting both cash discount as well as quantity discounts. This contributed significantly to cost reduction and a rise at the profit level.

But by far the most contribution of Schulze was the formation of a loan society consisting of 10 members who were artisans; the formation of these associations was a self supporting one. Every member was expected to contribute to the capital formation and also buy shares. The

purchase of shares was to indicate a prospective members' willingness to do business using the association as a bonafide member.

The driving force that goaded Schulze to form these associations was his acute observation and realization that lack of credit was the big obstacle preventing his people from freeing themselves from the Shackle of poverty and backwardness. But the credit should not be given as if from a charitable organisation neither should it be taken on a ridiculous condition with high interest. There should be a middle ground around which was why the association was formed on the basis of self help.

Schulze major concern was cash need to run these associations/banks on a continuous basis. That is the sustainability of these organisations was of paramount importance to him. As a way out, he enunciated a set of principles as guidelines that would mould the behaviours and actions of the members. But before we look at these principles, we have to do an exercise.

SELF-ASSESSMENT EXERCISE 1

1. State some reasons why Schulze form the various associations for the peasants in his place of birth?
2. Look around you and try to identify the needs of the Community where you live. How can you organise the Community members to form Co-operative societies? What are the forms of Co-operatives that can meet the needs of the members?

3.3 The Principles of Co-operation as propounded by Schulze

- Members of the association which he called 'banks' are to regard the banks as self help organisations. They have to imbibe this firmly in their consciousness because as self help organisation they were not expected to receive any help whatsoever from government or any individual outside the association. They have to be self independent.
- The sphere of influence of the bank should not be strait jacked. The bank had to grow in response to the demands of members as well as the external environment. This means that as much as possible, those persons and institutions that wanted to avail themselves of the services of the bank should not be denied. The bank was not a secret cult but an organisation established to meet the felt need of the members in respect of finance.
- Savings should be vigorously encouraged. This meant that members must have the spirit of thriftiness, so as to have a pool of resources in this case financial resource which would be

distributed to members on the basis of need with the co-operation and approval of other members. This produced co-operative effect.

- As a strategy to attract more shares from the public, maximum interest on a deposit was prescribed. This is important because in business, finance lubricates the wheel of running an enterprise.
- Schulze realized this keenly and was willing to implement the principle.
- To Schulze, this was necessary so as to encourage more deposits from the members as well as from those who shared the ideals and philosophy of the association. With this principle, in the event of loss or bankruptcy of the banks, the level of loss would be limited to the amount of capital and shares acquired. Other property of each member was safeguarded.
- There should be specialisation by each bank. This is in consonance with the principle of comparative advantage. It enhances effective utilisation of resources, minimises time in the work process, makes training to be less costly, as on the job training is easily carried out.
- But one setback of the principle is that it discouraged competition as each bank was limited to specific areas. Competition usually brings out the best from individuals and organisations. It engenders creativity and innovation all of which is for the growth and development of an organisation.
- 10% of the surplus (profit) should be put in the reserves. This is important as it would increase the assets base of the banks. More capital by so doing was made available for the banks to carry out their operations and to meet other necessary demands.

3.4 Effects of the Principles on Members

a. Access to Loans

This is one of the profound effects of the principles on members. They were able to gain access to credit on favourable terms compared to the cost of funds from other sources. Due to the relative cheapness of the funds repayment was not difficult.

b. Expansion of Members' business

Funds received from the banks were utilised by members to expand their economics. Raw materials were purchased in bulk at low prices. Additional tools and equipment were purchased to ease and increase productivity.

c. Members were freed from Poverty

With increase in production and sales, revenue accrued to members. With additional income, they were able to get items which were not possible as a consequence of their poverty. Their standard of living soared and in addition, their health condition was also improved.

d. Freedom from Fears

Poverty cripples initiative and there is the dullness of the mind. The peasants who were indebted to the rich and money lenders were visited with fears, worries and anxiety until the founding of the banks.

e. Members Became More assertive

Since the members were released from the yoke of bondage arising from penury, they became more assertive and took part in local politics. One could not talk without money for no one would listen. But with improved income and a higher standard of living, members found their voice and were able to contribute meaningfully to the development of their areas.

SELF-ASSESSMENT EXERCISE 2

Supposing you are a member of a Co-operative Thrift and Credit Society, and you applied for a loan of N300,000 which was approved and the money released, think of one investment area that you will apply the money. What are the anticipated benefits of such investment?

4.0 CONCLUSION

We have looked at the life and contribution of Franz Schulze and his principles of Co-operation. These principles were important as they enabled Schulze to run his banks for many years. He was popular and some of his ideas are still being copied all over the world.

5.0 SUMMARY

We have discussed the Principles of Franz Schulze which guided him in the management of the banks which he founded along Co-operative line. We also looked at the effects of the principles on the lives and economies of the members of his banks.

6.0 TUTOR-MARKED ASSIGNMENT

1. Comment on the relevance of Franz Schulze principles in managing a Co-operative society.

2. To what extent do you observe Franz Schulze as an individual that freed his people from the shakes of poverty?

7.0 REFERENCES/FURTHER READING

Ebunu, F. C. (2006). *Principles of Co-operation*. Lagos: NOUN

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MODULE 2

Unit 1	Friedrich Raiffessein and his Co-Operative Principles
Unit 2	The first Successful Co-operative Organisation in the World: the Rockdale Equitable Pioneers (R.E.P)
Unit 3	The Rochdale Equitable Pioneers (REP): Characteristics, Rules and Activities
Unit 4	The International Co-operative Alliance (I.C.A.)
Unit 5	The 1937 Review of the Co-operative Principles

UNIT 1 FRIEDRICH RAIFFESSEIN AND HIS CO-OPERATIVE PRINCIPLES

CONTENTS

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Brief background of Friedrich Raiffessein
3.2	His Formation of Co-operative Society
3.3	His Principles of Co-operation
3.4	The Relevance of his Principles to Co-operatives
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Reading

1.0 INTRODUCTION

We mentioned earlier, Friedrich Raiffessein in our preceding unit as one of the early contributors to modern co-operative development outside Great Britain. We also noted that Robert Owen and Dr Williams King apart from being British Citizens concentrated on grandiose projects and Consumer Co-Operatives respectively. The work of Raiffessein was on Credit Co-operatives in Germany similar to the efforts of Schulze. There are still other individuals and groups that have similar contribution in other places. We may not go through them. But for your further readings you may go through their efforts and it will be interesting.

As soon as we are through with the work of Raiffessein, we will look into the reasons why these early co-operatives failed. When we have

clearly looked into these reasons, we will shift our discount to the first success for co-operatives in the World.

2.0 OBJECTIVES

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

- give a brief account of the background history of Friedrich Raiffeisen
- discuss his effort on the formation of associations along co-operative line
- outline and comment on his principles of Co-operations
- explain the relevance of Raiffeisen's principles on the co-operatives and their members.

3.0 MAIN CONTENT

3.1 Brief Historical Background of Raiffeisen

Raiffeisen as a young man served in the German Army. As soon as he was discharged from the army he found another occupation in farming. He later went into the business of buying and selling wine as a wine merchant.

As a farmer, he encountered problems arising from the poor state of the Germany economy; it was a depressed one as farm produce was not sold. Poverty was the order of the day. This was in the mid 18th century to the 19th century. The farmers borrowed money from money lenders hoping to repay at the time of harvest. Due to the poverty stricken nature of the peasants, marketing of the produce was poor. Consequently, there was no hope for the farmer to repay the loans.

It was under the above scenario that Raiffeisen started to reflect. He was equally affected in the misfortune of the farmers as he was also an agriculturist. His end in view was to provide relief to the farmers and other agriculturists in order to alleviate their pains and sufferings. To achieve this he started the formation of a series of co-operative societies.

3.2 Raiffeisen's Efforts in Co-operative Formation

The first association that Raiffeisen founded was a co-operative society with the object of distributing basic necessities especially potatoes and bread to the poor. The objective was to reduce the pangs and pains of hunger and the accompanying tension and discomfort. A hungry man is an angry man and nothing useful and meaningful could come from a hungry man. Raiffeisen keenly realised the critical nature of the situation. Bread and Potatoes were basic food items. And once the pangs

of hunger are reduced the peasants would concentrate on the next line of action in co-operative with Raiffeissen.

3.2 Co-operative Loan Society

Beyond the formation of the co-operative society for the distribution of basic food items such as bread and potatoes to the peasant farmers. Raiffeissen also formed another society in 1849. The objective of this co-operative society was to mobilise savings and to give loans to the farmers. He was creative in this respect because he realised that to ask for saving from the peasant farmers was like squeezing out water from stone. What he did was to persuade rich philanthropists to come together and from the co-operative. Their contributions and support provided the much needed finance. Apart from advancing credit to farmers, the society was also involved in buying cattle and selling them at cheap rates to the farmers.

3.2.3 Formation of another credit society

This was the second co-operative credit society to be formed by Raiffeissen. The first one was composed of members who were philanthropists'. This second one was exclusively meant for the peasant farmers themselves. It was the realisation by Raiffeissen that the poor did not want handouts by way donations or gift from the rich. If they were to have significant breakthrough they needed to take their destiny into their hands and manage prudently the funds they had raise by themselves. This was the most feasible way to improve themselves. The members went enthusiastically into it and were successful. But the success can rightly be ascribed to Raiffeissen who was the initiator and the moving force. His popularity soared and his credibility's was beyond doubt. Till today he is still being regarded as the father of co-operatives credit union in Germany

SELF-ASSESSMENT EXERCISE 1

Explain the significance of the three forms of association formed by Raiffeissen.

3.3 Raiffeissen's Principles of Co-operation

- a. In order to guide the co-operative members on constructive procedure to pursue particularly in respect of the third association, Raiffeissen worked out a set of principles which we are going to look into.
- i. **Each credit society should as much as practicable adopt the attitude of self help and not to unduly depend on outside help.**

This is important because in most cases outside assistance has some strings attached. To depend more on outside help would make the association to be dependant. In such a situation, they would not be able to take a decision without a recourse the donors either as individuals or groups or a corporate entity.

- ii. **There should be limitation in the area of operation.** The wisdom behind these principles was to enable members to be focused by thoroughly knowing themselves and to determine the strengths and weaknesses of everybody. Those individuals in the community whose characters were not worthy associating with, were excluded .The practice provided a sort of sanctity to the association apart from enabling them to be focused.
- iii. **The Surplus made was used for improved services.** This is important because the environment is always dynamic and to enhance service, money is needed. The money declared as surplus or profit should be handled carefully, it should not be put back into the business to increase the revenue. An added advantage to this principle is that it lessened the contribution from members over time.
- iv. **Free membership of the poor:** The essence of this principle was to ensure that the poor persons were each other's keepers. Association strives on solidarity and support. Casting the poor away and preventing them from membership would worsen the plight on account of their inability to subscribe to and hold shapes. Bitterness and resentment would follow. The best prosperity is the one that everyone around partakes. It engenders peace.
- v. **Assistance to be given to only co-operative members:** This is important because a co-operative is not a charitable organisation, but a business entity. As a result, concepts and techniques of business management should be brought to bear in running a co-operative. This is the essence of the principle. Throwing assistance beyond the boundary of the co-operative would escalate cost. And cost and surplus /profit do not go together as one has to go down for the other to rise.
- vi. **Unlimited liability of members:** This principle was put in place principally to ensure prudence and accountability so that in the event of any loss, the extent of liability lied beyond what each member had subscribed to the co-operative as shares and capital. Their private property might be sold to offset the loss. The principle placed enormous responsibility on members to reflect and think clearly before embarking on any project connected to the co-operative.
- vii. **Voluntary Service from Board Members:** This principle underlines what leadership is all about – selfless service to others.

That is why credible and altruistic persons should be put as a board member. That is, people willing to dedicate themselves to the cause of co-operative. It should be pointed out that the members of these co-operative were poor peasants. Allowing the board members to draw allowances and /or salaries from society would cripple it and eventually collapse.

SELF-ASSESSMENT EXERCISE 2

You are aware of the operation of co-operative credit society. Go through again the principles of Raiffeissen. How do they fit into the operations of the credit society of your choice?

3.3 Relevance of Reiffeissen's Principles to Co-operations

Raiffeissen's principles can be pinned on a tripod: mutual assistance; taking charge and responsibility for activities, and independent administration. The tripod stands for what a genuine co-operation should be. They indicate the focus of the co-operatives and if honestly and pragmatically put in place, would guarantee Success and the three principles are important to any form of co-operative as a consumer, loan or agriculture co-operatives. The underlying assumption is that the economic and social conditions of members should be enhanced by helping one another. Again co-operation should be a place of respect for one another. As a result, social status, rank and position should not be unduly emphasised. In the co-operative organisation we have been discussing, there was the principle of equality and the co-operatives should be operated on democratic basis.

Political and Religious Neutrality in the Co-operatives we have seen the political and religious views of members were excluded from the affairs of the co-operatives. The principal reason was that – political and religious views were always volatile and sentimental which might tear the co-operatives asunder.

Co-operative serves as moral upliftment of members: This point was emphasised in the co-operatives. A co-operative should not only be for business but also to enrich the moral life of members. This was achieved through the emphasis on self help, mutual help, appreciate each other's views. All these are important for solidarity so as to achieve the define objectives of the co-operatives.

4.0 CONCLUSION

You have been studying the works of Raiffeissen in his bold attempts to alleviate poverty among his people. This is the last work of an

individual contribution we are going to study. There are still many others, but we have to leave with Raiffeissen.

In our next unit, we are going to look into the reasons why these early co-operatives failed and then move to study the first successful co-operative in the world.

5.0 SUMMARY

We have discussed the works and efforts of Raiffeissen by:

- look in briefly at his background
- his efforts in the formation of co-operative association
- his principles of co-operations and the relevance of his principles to Co-operation.

6.0 TUTOR-MARKED ASSIGNMENT

1. Compare the works of Franz Schulze and Fredrich Raiffeissen.
2. Discussed the relevance of Raiffeissen's Principles to co-operative associations in Nigeria.

7.0 REFERENCES/FURTHER READING

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UNIT 2 THE FIRST SUCCESSFUL CO-OPERATIVE ORGANISATION IN THE WORLD: THE ROCKDALE EQUITABLE PIONEERS (R.E.P)

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Reasons for the Failure of Early Co-operatives
 - 3.2 The Formation of Rockdale Equitable Pioneers (REP)
 - 3.3 The Running of R.E.P
 - 3.4 The Plans of R.E.P
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

The treatment of Rockdale Equitable Pioneers in our discussions of Principles and Practice of Co-operation is significant especially in two ways.

The first point of significance is that the Co-operative is the first successful co-operative in whole word. While earlier and contemporary ones failed, the founding of R.E.P was successful. Presently, we shall present the reasons that marked the success of the Co-operative.

You might have noticed the abbreviation/acronym, REP. Instead of writing the full name, we shall be using REP when necessary as that is the way the co-operative is popularly known.

The second point of significance is that we are gradually coming to the midpoint of our discussions in respect of Course COP 311. We appreciate your dedication and commitment to the course and similar ones. And the spirit should continue for anything worth doing at all should be done well to the best of one's ability.

2.0 OBJECTIVES

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

- discuss the reasons why earlier co-operative Societies starting from the ones formed by Robert Owen failed

- describe the formation of R.E.P
- explain the management of R.E.P
- describe the plans of R.E.P.

3.0 MAIN CONTENT

3.1 The Reasons for the Failure of Early Co-operatives

In spite of the vim and vigour of Robert Owen, his rational skills and propensity to write his co-operate co-colonies collapsed. Dr William King despite his pragmatic approach to co-operation suffered the same fate as one by one his co-operatives went into coma and eventually wounded up. The story is the same of other co-operatives formed by Schulze, Raiffessein and others formed elsewhere that we did not find the scope and time to consider. In your further readings, you would come across them.

We shall give reasons for the failure of the co-operatives so that you will better appreciate the importance of the success of the Rockdale Equitable Pioneers.

1. Lack of adequate Capital

This is one of the reasons for the collapse of some of the early co-operatives. The colonies of co-operatives of Robert Owen as an example were depending later on denominations from rich philanthropists as well as government grants. While the Philanthropists were demanding preferential treatment as having donated substantially to the running of the Co-operatives, the general workers were emphasising equality and the need to carry to the letter the principle of popular participation. Eventually the philanthropists withdrew and their withdrawal started the advent of cash crunch to the Colonies.

2. The Large Number of Non-Working Workers

There were individuals, too large as members of the Co-operative Societies. A Co-operative Organisation is not a charitable but a business one. It stands to reasons that members and intended members must have means of livelihood so as to be able to discharge their financial obligation to their co-operatives otherwise the burden would be on few shoulders. In Owen's case there were many inhabitants like children who were not working while in Raifeissen's Co-operatives some peasant farmers had no visible economies.

3. Farming on Farmshed Lands

Good crop cultivation and animal husbandry will demand good soil and fertile land. But due to the poverty level and financial limitation of the Co-operators they could not afford the ownership of fertile ground necessary for productive agricultural activities. Fertile lands were expensive and they could not match the price of the rich capitalists who were prepared to pay good prices for them. The result was that the Co-operators settled for less expensive land but of poor quality. The harvest consequently was generally not as good.

4. Weak Control and Autocracy of Leaders

As the number and size of the Co-operators grew, problem of control started. The ideals of the Societies no longer became a reference point. They were deviation's here and there. As a way to stem the ugly development the leaders resorted to some form of high handedness and autocracy; Robert Owen was particularly singled out for this accusation.

5. Absence/Loss of Leaders

Bad fortunes fell on the Co-operatives consequent on the absence and / or loss of the leaders. Owen was reported to have gone to the United States of America abandoning his colonies. By the time he came back things had deteriorated. Dr. William King also went to the U.S.A and on his return his societies suffered more losses and eventually folded up.

6. Disunity among the Workers

Disunity was prevalent among the workers as they were yet to know how to stand constantly behind their leaders.

Owen's co-operative workers rebelled when preferential treatment was given to the rich philanthropists who were financing the colonies. But there is always the price to pay for any gift either knowingly or unknowingly. Again, some of the workers were not loyal to their societies. They were doing business with the public. The societies ought to be seen as their own and ensured that their successes should be of paramount importance to them.

7. Poor Educational Level of the Co-operative Members

Majority of the members of the Societies were not educated and this contributed significantly to the downfall of the Societies. Even though there could be native intelligence, formal education would have sharpened it and turned it to better services to their Societies.

In the Owen's Colonies for example, the workers turned the whole concept of the movement into a religious affair. They called it

Owenism, the followers, owenites and Owen himself was declared the Chief Priest of Owenism!

8. Democratic Government Became Difficult

Another fall out of the low education standard of the members was difficulty of entrenching full democratic practices in the Co-operative Societies.

Democratic system presupposes that the members should participate fully in the affairs of the business especially with respect to decision making. But there was always a lid placed on this because the members themselves could not fully understand the concept of what was happening. Issues at stake were not thoroughly analysed and understood so as to place them on a better platform for decision making. The efforts of Dr William to promote and preach education had limited impact due to shortage of funds. The Co-operator which was a Co-operative magazine was discarded and abandoned after a few years of publication.

9. In competent Business Management

It has always been the position of Co-operative students and scholars that a co-operative entity is a form of business organisation. Since this is the case, a co-operative management should be done based on sound business concepts, principles and techniques. If this is not the case the outcomes of the operation will not be satisfactory. This was the case of these early co-operatives. Dr William again emphasized the idea. The collapse of the co-operatives could be that the members could not imbibe it fully or both. The impact was the sad fortunes of the Co-operatives.

SELF-ASSESSMENT EXERCISE 1

Before we go further to advance the remaining reasons for the failure of the early co-operatives, there is an exercise for you.

You are going to visit two co-operative societies around you. Interact with the members for a while. Tell them if they ask that you are a student of Co-operative Studies. From your discussions with them generally on Co-operative challenges, find out if some of them have similarity with the ones we have been discussing. Find out their prescriptions as solutions to the challenges.

3.2 The Formation of Rochdale Society of Equitable Pioneers (REP)

This is the name given to the first successful co-operative society in the world. At a later stage of our discussions on this society, we shall give reasons for their success as well. Remember that this society was not the first to be formed; but the earlier ones lost their bearing and collapsed. It was called Rochdale Pioneers because of the fact that it was at Rochdale in Toad Lane that the system and operations of the society were worked out. The word “Equitable” was added to the name because justice and equity were the key values of the pioneers. Equal opportunities were given to each member consisting of twenty-eight.

Earlier in our discussion we did mention the conditions under which the workers were working and hopelessness of the situation. It was under these conditions that the original 28 members met on Sunday 11th August, 1844 to form the society. Subsequent meetings were held. Contributions were made of £1 by every member. Officers were elected, a shop rented and business commenced with the sale of basic articles of trade; flour, sugar, butter, oatmeal and candle.

3.2.1 The Running of Rochdale Equitable Pioneers (REP)

The shop was formally opened for business on 21st December 1844. Initially there were no paid staff. Each member co-operated with one another to take turns to sell in the shop in the evening. This reduced the running cost by way of salaries and wages.

To ensure focus, the members deemed it necessary to draw out a plan on what to do, who is to do it, when to do it and how to do it.

Plans of the R.E.P

To have a shop for the sale of provisions, clothes and other articles.

To build, purchase or erect some houses in which members would reside.

To manufacture such articles as the members would decide and determine upon where unemployed or low paid members might be employed.

To purchase or rent land for cultivation by the unemployed or low paid members.

To arrange the power of production, distribution, education and government for and by members. That is to establish a self-supporting home colony of united interests.

That, for the promotion of sobriety, a Temperance Hotel be opened as soon as convenient.

SELF-ASSESSMENT EXERCISE 2

Take a look again at the drawn up plans of the REP. Examine the essence of the plans, that is, what is the underlining spirit behind each plan. Try to show the rationale behind the plans.

4.0 CONCLUSION

You have seen how the first co-operative society to succeed started. We are not through yet with the co-operative. In our next unit we shall discuss more on it. We shall also see the reasons why the co-operative succeeded while earlier ones failed.

5.0 SUMMARY

In this unit, you have learnt about the beginning of the Rochdale Equitable Pioneers. But before we started discussing the REP, we gave reasons why other Co-operatives failed but the earlier formed ones and the contemporary of the REP. We then went a step further to consider the formation of REP after series of meetings and the commencement of business in 1844. Finally, we highlighted the plans of the REP bank for the immediate and distant future.

6.0 TUTOR-MARKED ASSIGNMENT

1. Discuss the critical factors that featured prominently in the collapse of the early modern co-operative organisations.
2. Explain the relevance of the strategies adopted by the Rochdale Equitable Pioneers (REP) in the formation and launching of their co-operative Societies.

7.0 REFERENCES/FURTHER READING

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UNIT 3 THE ROCHDALE EQUITABLE PIONEERS (REP) CHARACTERISTICS, RULES AND ACTIVITIES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Characteristics of REP
 - 3.2 Rules and methods of REP
 - 3.2.1 Open Membership
 - 3.2.2 Democratic Control
 - 3.2.3 Limited interest on Capital
 - 3.2.4 Patronage and refund
 - 3.2.5 Cash Trading at Market Price
 - 3.2.6 Save of Pure and Unadulterated Goods
 - 3.2.7 Political and Religious Neutrality
 - 3.2.8 Continuous Education of Members
 - 3.3 Reasons for the Successes of Rochdale's Equitable Pioneers
 - 3.3.1 Prior Experience with Robert Owen
 - 3.3.2 Articles for Sales were the Basic Necessities
 - 3.3.3 Quality of Membership
 - 3.3.4 Lesson from Past Mistakes
 - 3.3.5 Passage of the Industrial and Providence Society's act of 1852
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

We are going to discuss the characteristics, rules and activities of the Rochdale Equitable Pioneers in this unit. This is to deepen our understanding of the co-operative as well as appreciate the steps taken to ensure their success and survival.

2.0 OBJECTIVES

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

- describe the characteristic of Rochdale Equitable Pioneers
- explain the rules and methods of Rochdale Equitable Pioneers
- highlight the activities of Rochdale Equitable Pioneers

- give reasons for the success of REP.

3.0 MAIN CONTENT

3.1 Characteristic of R.E.P

Looking at the operations of the REP., there are discernable characteristics.

The society grew out of a felt need: (the need for survival): We have seen the hopelessness of the workers and the abject poverty they were subjected to. We have also looked at the reasons why the pre-Rochdale Co-operative society failed. The members felt that in the new attempt to found a society, experiences should be their guiding factors, they were determined not to repeat the mistakes of the past. And they worked hard to realise their defined objectives.

Members Financed their operations: Members of the society contributed money to finance their operations. This was important because they did not want outside interference arising from their gifts and /or donations.

Opening of the shop at strategic periods: Members of the Co-operatives were also workers in factories while others had their private businesses, which they would not want to suffer. As a result, the consumer shop was opened at the initial stage when members would have returned from their work. Earlier, we noted that in order to cut cost, members were taking turns to sell in the evening.

Political and Religious Neutrality: In all the activities of the REP members were determined not to allow religion or political consideration to influence their decision or taint their operations.

Charged Current Process for their Goods: They were determined not to trigger price war between their shops and others private shop owners. A price war is a war where if one shop or an organisation reduces the prices of its articles in order to win more customers, others individuals/organisations who will not want their customers to switch loyalty from their shops would also cut their process lower. The other side that started the price manipulation would want to bring down the prices further and the competitor would retaliate. This is the concept of price lower. It blows no good things to any organisation and the society did not want to embark on it. To avoid the price war, the society was selling at the prevailing market price. One added advantage of this is that anytime the society wanted to replenish the stocks, they could do that without asking for additional contributions.

Insistence on cash trading: Due to the prevailing economic crises of the period, the society did not want a situation where goods would be sold on credit without the hope of getting back the proceeds of the sales. This would eventually result in bad debt to the detriment of the society.

Auditing of the society: This is important even though auditing is oriented in the past. But the exercise would indicate whether the transactions were genuine and the final accounts represent a true and fair view of the organisation. Auditing also detects errors for correction based on accounting practices. Consequently by insisting that the accounts were periodically audited was to ensure sound business practices.

SELF-ASSESSMENT EXERCISE

Consumer Co-operatives are not doing well in Nigeria. But the Rochdale Equitable Pioneers took off and became the first successful Consumer Co-operative Society. How can the characteristics of Rochdale Equitable Pioneers we have discussed so far fit into the operations of a Consumers Co-operatives that you are aware of?

Running of the Society: Controlling of the society was vested in the hands of Committee members sometimes called the Board of Directors. The directors did not put themselves their, they were elected. At the end of their tenure, they could seek for re-election and those who did well were re-elected while others whose performances were not satisfactory were voted out.

Election Process: Each member was allowed to cast just one vote. There was equity and equality of all the members. And this was done to achieve justice, fair play and loyalty. 5% interest was paid on capital. The interest what was paid on capital was to avoid capital flight where members would take their funds and deposited where they would attract better interest.

Patronage Refund: the society was refunding part of the profit made to members. The argument was that you cannot make a profit out of yourself. The members were the owners as well as the patrons of the society (customers). Since they patronized the society in the preceding year, profit made was redistributed to them.

Education of Members: The society consciously emphasised the education of the members so as to prepare them for challenges. As a results, the formation of the society started with education (meeting) the management was done through education and expansion was effected through education.

3.2 Rules and Methods of REP

The society adopted rules and methods derived from their characteristics. These rules and methods were changed to principles of Co-operation. These rules and methods are presented below:

3.2.1 Open Membership

All people who subscribed to the deals and philosophy of Co-operation would be admitted without discrimination irrespective of race, colour, recession, sex or any other basis.

3.2.2 Democratic Control

Since there was equality of all sexes the voting pattern was one person one vote irrespective of the value of assets a members had with the society.

3.2.3 Limited Interest on Shares

Only limited interest is paid on capital. This serves two purposes. It prevented capital flight as we noted earlier and secondly it prevented exploitation on the part of the wealthy.

3.2.4 Patronage Refund

We have earlier discussed this rule when we were treating the characteristic of the society. All transaction were carefully recorded and at the end of the trading season, the profits made were refunded to members in proportion to the volume of business done with the society. If a member bought items from the society relative to the purchases of another member, the one with the higher purchases would get more refund.

3.2.5 Cash Trading at Market Price

Sales of goods were done strictly on cash and carry. Credit sales were not condoned and the prices of goods were based on the prevailing market price.

3.2.6 Sales of Pure and Unadulterated Goods

Unlike other private stores, the Rochdale Equitable Pioneers were selling goods not only on the prevailing market price but the goods too were of the highest quality. It built confidence and steady sales.

3.2.7 Political and Religious Neutrality

Politics and religion were not tolerated in the business of the society. This was to achieve group cohesion, solidarity and strength of the society.

3.2.8 Continuous Education of Members

This principle was emphasised so as to keep members abreast of developments in the environment. It was also a way of preparing the members mentally of the challenges ahead. It also imparted on members the necessary skills for the tasks ahead.

SELF ASSESSMENT EXERCISE

From what we discussed in unit one of this course, can you still recollect the definition of a principle? Try to recollect the definition and show how the principles of Rochdale Equitable Pioneers served as veritable guidelines to the activities of the society.

3.3 Reasons for the Success of Rochdale Equitable Pioneers

There are good reasons responsible for the success of Rochdale Equitable Pioneers; these reasons are:

3.3.1 Prior Experience with Robert Owen

Some members of Rochdale Equitable Pioneers were former members of Robert Owen Co-operative Colonies. Even though the colonies collapsed, some useful lessons on practical co-operation were learnt. The lessons no doubt were brought to bear on the latter society – the Rochdale Equitable Pioneers. Through attending lectures and congresses organized by Owen, reading newspapers journals and others publications have rubbed off on them the dreams and philosophy of Owen in respect of a new world and new social order. The idealism inculcated in them the spirit of hard work, discipline, accepting challenges as stepping stones to greater height which eventually culminated in making the society as the first Co-operative society in the world. Right from inception they saw a co-operative organisation as a form of business. And they managed their shop in that manner. They saw their initial capital which was twenty-eight pounds as small and were determined to turn it around and to make good use of it. Apart of the fund was used for fixed capital (renting a shop, buying weighing machines etc) and the other part as working capitals. No staff salary because, as we noted earlier, they were taking turns to sell in the shop in the evening; this reduced drastically the cost of operation.

Job description, analysis, classification and specification were carefully worked out putting each member to contribute maximally in his area of talent.

Annual elections were held, quarterly reports were made, accounts periodically audited and fines imposed on slothful members.

Principles of financial management were applied. For example, no member was allowed to undertake transaction from the beginning to the end. There was a sales man who sold but did not receive payment as a cashier was put there to receive payments, issued receipts and deposited the money with the secretary in the weekly board meetings.

3.3.2 Articles for Sales Were the Basic Necessities

A good idea. Because if stocks were not sold, that meant funds that were tied down as well. Fast moving items gave rise to fast turn owners; the pioneers knew all these. That was why right from inception only those items of necessity which would achieve quick turnover were purchased and put in the shop. These items were: bread, sugar, flour, butter, oatmeal, candles among others. Luxury goods and speculative purchase were put away.

3.3.3 Quality of Membership

The society was blessed with enlightened members, the members were not only dedicated but enlightened. This enabled them to value the importance of meetings, set realistic goals, drafted and debated on the rules which were finally finalised and put to use.

Through meeting, they got acquainted with one another and were committed to their programmes, plans and projects.

3.3.4 Lessons from Past Mistakes

Experience is said to be the best teacher. The members learnt from the bitter experiences of the past as we noted earlier. Such mistakes include: credit sales; absent from meetings, not keeping accurate records, sharing profits according to shareholding, dishonesty, not reserving profits, members' apathy among others.

3.3.5 Passage of the Industrial and Provident Societies Act of 1852

After eight years of the take off of the society, the Individual and Provident Societies Act of 1852 was passed into law. The law now

recognised the Co-operatives as a distinct way of doing business, protecting their property, authorised dividend payment and ensuring that limited interest was paid on shares.

4.0 CONCLUSION

We have looked in greater depth the Rochdale Equitable pioneers Co-operative Society. It is important to do this so as to know the propelling force that goaded the members to determination, commitment and the will to succeed.

We shall be going to another unit a where we are going to look at another important organisation: The International Co-operative Alliance (ICA) particularly their roles in shaping restricting and modifying co-operative principles.

5.0 SUMMARY

We have learnt in this unit the Characteristics of Rochdale Equitable Pioneers; the rules and methods of the Co-operative Society as well as the reasons for the success of Rochdale Equitable Pioneers.

6.0 TUTOR-MARKED ASSIGNMENT

1. Explain the rationale of the 5 principles of Rochdale Equitable Pioneers.
2. Described the factors that contributed to the success of Rochdale Equitable Pioneers.

7.0 REFERENCES/FURTHER READING

Ebunu, F.C. (2006). *Introductions to Co-operation*. Lagos: NOUN.

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UNIT 4 THE INTERNATIONAL CO-OPERATIVE ALLIANCE (I.C.A.)

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Contents
 - 3.1 Short Comings of the Principles of R.E.P
 - 3.2 The Formation of the ICA
 - 3.3 The Mission and Objectives of the I.C.A
 - 3.4 Membership of I.C.A
 - 3.4.1 Obligations of Membership
 - 3.5 Governing Bodies of the I.C.A
 - 3.5.1 The General Assembly
 - 3.5.2 The Board
 - 3.5.3 The Director General
 - 3.5.4 Audit and Central Control
 - 3.5.5 Regional Assemblies
- 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 discuss the International Co-operative Alliance (ICA), a global body that governs co-operative organisations all over the world, particularly in the restructuring and modification of the principles of co-operation. We shall be concerned with these issues in the remaining part of this course.

2.0 OBJECTIVES

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

- describe the shortcomings of the Rochdale Equitable Pioneers Principles of co-operation
- explain the formation of the I.C.A.
- give the mission and objectives of the I.C.A.
- governing Bodies of the I.C.A.

3.0 MAIN CONTENT

3.1 The Short Comings of R.E.P Principles

Remember our definition of what a principle is. By definition, a co-operative principle is a basic rule of co-operation applicable to, and binding on all co-operatives of all types all over the world.

We have been studying various principles of Co-operation and we have noted that one of the reasons for the success of the Rochdale Equitable Pioneers was the evolvement of Co-operative Principles that guided their actions. In truth, the pioneers never considered the rules they formulated as principles. But keen co-operative scholars and practitioners have declared them by their very nature and applicability as principles and they are known as such all over the world.

Even though the Rochdale Equitable Pioneers is the first successful modern Co-operative society, some limitations have been observed concerning their principles.

1. **The Principles were a mixture of genuine principles and Business practices:** The genuine principles are: Open Membership; Democratic Control; Limited Interest on Capital; and Education of Members. The rest are business Practices relevant to consumer Co-operatives; Patronage Refund; Cash Trading at Prevailing Market Price; Sale of unadulterated Goods.
2. **The Principles are specifically for Consumer Co-operatives:** Remember that the Rochdale Equitable Pioneers is a Consumer Co-operative Society. But there are other forms of Co-operative Societies in all human endeavours which includes burial Co-operatives. Can you still recollect the various forms of co-operatives as we discussed in COP 101? The argument is since there are other forms of Co-operatives apart from Consumer Co-operatives, Rochdale Principles would not be suitable for application in the other co-operative organisations. Cash Trading at Market price is alright for consumer co-operative but not in others.

SELF-ASSESSMENT EXERCISE 1

Re-read the Principles of Rochdale Equitable Pioneers. Which of the Principles are not applicable to other forms of co-operative societies? Give reasons.

3.2 The formation of the International Co-operative Alliance

The I.C.A is a global non-governmental Organisation. It was set up in 1895 charged with the responsibility of uniting co-operatives and serving the interests of Co-operative Organisations all over the world.

The headquarters of the global body was originally located in London. Now, it has since been relocated to Geneva, Switzerland in 1982. The purpose of the relocation was to give co-operation more international image.

3.3 The Mission and Objects of the I.C.A.

To unite, represent, and serve co-operatives worldwide. The Objects of the I.C.A.

The ICA which unites co-operative organisations the world over has the following objects:

- To be the universal representative of co-operative organisations of all types, which in practice observe the co-operative principles.
- To propagate co-operative principles and methods throughout the world.
- To promote co-operation in all countries
- To safeguard the interests of the co-operative movement in all its forms.
- To maintain good relations between its affiliated organisations.
- To promote friendly and economic relations between co-operatives of all types, nationally and internationally.
- To work for the establishment of lasting peace and security.
- To assist the promotion of the economic and social progress of the workers of all countries.
- In order to attain the above objects of the I.C.A., it has the following strategies as methods of operations:
 - By convening periodically international congresses.
 - By sending delegations to visit the movements in all countries with the special objects of studying the movements, of exchanging experiences, and of giving to the movement, such advice and guidance as they may desire or which the I.C.A. will consider desirable.
 - By issuing publications:

- By promoting the teaching and study of co-operation in all countries.
- By developing the activity of Henry J. May Foundation, Permanent Centre of International Co-operative study.
- By carrying out research studies and inquiries on problems of vital importance to the movement; and by collecting co-operative statistics.
- By creating International Co-operative Auxillary organisations for Trading; Production-Agricultural; Industrial and Artisanal; Banking and Credit; Assurance; Housing; as well as other sectors of economic activity; and by maintaining a close liaison with all such auxillary committees.

3.4 Membership of the I.C.A

Associations of persons or co-operative organisations which observe the aims of the ICA and the policy laid down by its congress shall qualify for membership.

Any association of persons, or of societies irrespective of its legal constitution shall be recognized as a co-operative society so long as it has as its object the improvement of social and economic aspirations of its members by means of the exploitation of an enterprise based on mutual aid, that it conforms to the co-operative principles as established by Rochdale Pioneers and as reformulated by the 23rd congress of the I.C.A. (The reformulated principles shall be discussed in our subsequent units of this course).

The types of associations eligible for membership are:

- National Union or Federation of Co-operative Societies.
- National Federations of Co-operative Unions.
- Regional Unions of Co-operative Societies.
- Consumer's or Agricultural Co-operative Wholesale Societies.
- Co-operative Banks and Co-operative Insurance Societies.
- Consumer Co-operative Societies
- Co-operative Societies of Industrial Producers or Artisanal Co-operatives.
- Co-operative Credit Societies.
- Housing and Building Societies.
- Supra National or International co-operative organisations.
- Other association of persons or association which have as their aims the promotion of co-operation.

SELF-ASSESSMENT EXERCISE 2

From the objects of the I.C.A.; can you visualize some benefits that the members stand to derive. Write these benefits down.

3.4.1 Obligations of Members

To observe the aims and policy of the I.C.A. and to confirm in its activity allegiance to the co-operative principles.

To pay, during the first three months of each year the annual subscription.

To supply the I.C.A. with Annual Report.

To send for the library of the ICA in gratis copy (free copy) of all literary works published by it; to inform the I.C.A of books published in its respective country which are of special interest or importance either for the work or Library of the ICA.

To appoint a correspondent who shall be responsible for sending to the ICA regularly – for the purpose of its publications, for the information of its authorities or for its documentation – full information concerning national co-legislative as well as other actions and decisions on the part of the public Authorities which directly or indirectly affect the activity and life of the co-operative movement.

To supply as far as possible all information that shall be requested by the Authorities of the I.C.A.

To take all such action as shall be recommended by the Authorities of the I.C.A in support of its policy, and for the implementation of the decisions of its congress and Committee.

To give support to the publication of the ICA that their sales become a source of revenue to the ICA.

3.5 Governing Bodies (Authorities) of the I.C.A

The governing bodies of the I.C.A. include the following: the General Assembly; Regional Assembly. The Board; Audit and Control Committee and President.

3.5.1 The General Assembly

The highest authority rest with the General Assembly. It consists of representatives appointed by affiliated organisations for a four year term. One representatives also come from the specialized organisations and the committee. The General Assembly meets every two years. The number of representatives sent to the General Assembly by member organisations depends on the amount of subscriptions paid to the I.C.A but no country shall have more than twenty representatives.

3.4.2 The Board

The Board is made up of 16 members elected by the General Assembly. They fashion out policies and general lines of direction which have to be approved by the General Assembly before being sent to the Director-General of the organisation for implementation.

3.4.3 The Director-General

He co-ordinates the various bodies of the I.C.A as he is in-charge of the secretariat. All issues concerning the administration of the secretariat are carried out by him. He has a team of seasoned specialist reporting to him.

3.4.4 Audit and Central Control

This department audits all the accounts of the body and certifies it to be in accordance with the rules and regulation as well as the philosophy of the I.C.A. The department in order to ensure some autonomy reports to the General Assembly.

3.4.5 Regional Assemblies

These Assemblies were created in Europe, Asia, and the Pacific, Africa and the Americas. The essence is to provide a forum for discussion of regional issues. Their meetings take place every second year alternating with the meetings of the General Assembly. They implement the decision of the General Assembly in their region and submit reports, proposals and resolution for considerations by the General Assemblies.

4.0 CONCLUSION

We have been looking at the global body of co-operative organisations – the International Co-operative Alliance formed in 1895, ninety-six years after the formation of the Rochdale Equitable Pioneers.

5.0 SUMMARY

We have seen the formation of the I.C.A; the mission and objects as well as the governing bodies. But before we started taking a closer look at the I.C.A, we gave the limitations and shortcomings of the Rochdalean principles.

6.0 TUTOR-MARKED QUESTIONS

1. Discuss the objects of the I.C.A and their relevance to the development of co-operative principles.
2. Briefly explain the structure of the I.C.A.

7.0 REFERENCES/FURTHER READING

Ebunu F.C. (2006). *Introduction to Co-operation*. Lagos: NOUN.

Onuoha, E. (1986). *Principles of Co-operative Enterprises*. Enugu: Chukka Printing Co. Ltd.

UNIT 5 THE 1937 REVIEW OF THE CO-OPERATIVE PRINCIPLES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Reasons for the review of the Principles
 - 3.2 Setting up of a Review Committee
 - 3.3 Report of the Committee
 - 3.4 Implementation of the Report and the Effects.
 - 3.4.1 Implementation of the report
 - 3.4.2 Effect of the Implementation
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

Starting from this unit we shall be looking at the various meetings of the International Co-operative and the crucial decisions made to review co-operative principles. The reviews and modifications were necessary for two reasons. The first reason was to provide the acid test for any organisation that calls itself a Co-operative Society. The second reason is to enable co-operatives operate in response to the dynamics of the environment. That is, to make co-operatives adapt to the current trend in industry and commerce.

2.0 OBJECTIVES

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

- give reasons why the 1937 review of the co-operative principles was necessary
- discuss the relevance of the committee set up for the review
- discuss the committee's Report and
- explain the implementation of the report and the effects of the implementation.

3.0 MAIN CONTENT

3.1 Reason for the 1937 review of the Co-operative Principles

When the I.C.A. was founded in 1895, there was an avalanche of petitions and request from organisations who wanted to be registered as members of the global body. It was a source of constant concern for the global body.

The organisations were applying different principles and practices in their various activities. This was because they were operating from different social backgrounds and political systems. While some of the organisation operated in the socialist countries where government usually controlled the system of the production and dictate to the other sectors including the Co-operative sector, others were operating in democratic setting where laws usually by permit private initiatives are encouraged. With this scenario, the forms of Co-operatives emerging from these differing political systems would also be fundamentally different. Some of the Co-operatives were compulsorily organised. The controlling was done by government appointed agents. There were no autonomy and self directions for some of the Co-operative while still some paid dividend according to shareholding akin to limited liability companies.

SELF-ASSESSMENT EXERCISE 1

From your knowledge of elementary Government as a subject, take a sheet of paper and write down the features of socialism and capitalism. Compare the two systems.

3.2 Setting up of the Committee

In order to clarify the situation as explained in section 3.1 above, it became necessary for the I.C.A. to explicitly define the principles of Co-operation. This was important so that only genuine Co-operative organisations could be members. Consequent on this, in 1930 during the I. C. A. meeting in Vienna, a special committee was setup to define Co-operative principles and to also look into the application of the prospective members. The Rochdalean principles were used as the fundamental base.

3.3 Report of the Committee

The committee having been inaugurated swing into action. Four years later, that is in 1934, the committee reported to the congress of 1934 listing seven principles of Rochdale Equitable from the original eight principles. By listing seven of the principles implied that one was omitted. This was the principles of ‘‘Sale of pure and unadulterated Goods’’

The report was discussed in the congresses of 1934 and 1937. The latter congress held in Paris, France adopted the first four Rochdalean principles as obligatory, universal and necessary for eligibility into membership of the I.C.A. this meant that any association or organisation desirous of membership of the global body must establish its genuineness by being seen as applying four principles of Rochdale Equitable Pioneers. These four principles were:

- Open membership
- Democratic control
- Patronage Dividend
- Unlimited interest on capital

We are still left with three other principles that formed the Rochdalean principles. These principles were held to be mere recommendations and should not constitute yardstick for the admission of prospective members to the global body. These other principles were:

- Cash Trading at market price
- Political and Religious Neutrality
- Continuous Education of Members

A comment needs to be made concerning the education of members which the I.C.A. review committee threw out as not necessary to assessing a genuine Co-operative organisation. We noted earlier that consequent on the peculiar nature of a Co-operative organisation which is a an open and voluntary association of persons who have identified a commonly felt social and /or economic need among themselves and who, to meet this needs have set up a joint enterprise which they manage democratically and whose benefits they share equitably, that is not in proportion to the capital invested but in proportions to the use each member makes of the enterprises can only achieve its purpose through constant education.

But to the argument of the committee, it felt that while education of members could be necessary for the life and growth of co-operatives, it could not be readily demonstrable and verifiable. It could therefore not be used as a useful test of genuine membership or as a statutory requirement for membership of the Alliance. It was on the basis of this line of thought the principle was thrown out.

Recall that in our discussion on the first successful co-operatives society which is the Rochdale Equitable Pioneers, they started with meetings at the close of work almost on daily basis. These meetings could equally be regarded as a form of education. They were held to enlighten the prospective members on the challenges ahead and how to overcome those challenges. It was also through meetings /education the management and extension of the society were effected. One can readily see the strategic importance of meetings /education in successfully running a co-operative enterprise.

SELF-ASSESSMENT EXERCISE 2

From your knowledge and operations of a co-operative society, list the roles of meetings/education in the running of the co-operative. You can choose just any form of co-operative that you are familiar with.

3.4 Implementation of the Report and Effects

3.4.1 Implementation of the Report

On the receipt of the report, it was adopted as a working document. Thereafter the Alliance set out for full scale implementation of the report. On the basis of this, crucial decisions were taken which were:

No co-operative organisation would be registered as a member of the I.C.A unless in throws its door open to all who wish and are able to make use of its services without discrimination based on politics, religion or race.

The members have equal right to express themselves and elect their leaders without interference whatsoever from any quarter particularly external interference.

The owners of the co-operative enterprises are also the end users of the co-operative services. They are the patrons. As a result dividend should be shared according to the volume and proportion of patronage of the enterprise.

Remuneration that will be paid to capital should not exceed a fixed sum and a limited rate to be determined by members.

3.4.2 The Effects of the Implementation

The Alliance rejected applications for membership from communists and dictatorial countries where co-operative societies were deprived of autonomy and independence.

Those countries where co-operative societies were used as tools of government or the political party were forbidden from presenting such associations for registration as members for the I.C.A. Such countries include the Soviet and Union under Joseph Stalin, Germany under Adolf Hitler, Italy under Mussolini, Spain under General Franco among others.

Associate members: From the emerging and developing economics of the world where co-operatives still depend readily on the government for one form of assistance or the other those organisations were not deprived registration. However, they were given the status of "Associate Membership"; this is a temporary state of registrations with the Alliance on the way to being upgraded to full membership as soon as the necessary and sufficient conditions are met.

4.0 CONCLUSION

You have learnt one of the chief roles of the International Co-operative Alliance (I.C.A.) which is to modify, reformulate or re-state the co-operative principles for universal applications. We will still examine more of such roles in our subsequent units.

5.0 SUMMARY

This unit treats the 1937 review of co-operative principles. You have learnt why the review was necessary and the strategy selected for the review exercise. You also learnt how the review was carried out through a committee, the acceptance of the committee's report, the implementation and the effects of the implementation.

6.0 TUTOR-MARKED ASSESSMENT

1. Describe the circumstances that led to the setting up of the I.C.A. 1937 Review Committee.
2. Explain the effects of the implementations of the report of the committee.

7.0 REFERENCES/FURTHER READING

Chukwu, S.C (1990). Economics of the Co-operative Business Enterprises. Marburg Consults for self-help promotion.

Onuoha E. Enterprises (1986). *Principles of Co-operative Enterprises*. Enugu: Chuka printing Co Ltd.

MODULE 3

- Unit 1 The 1966 ICA Principle for Co-operation and their Reformation in 1972
- Unit 2 The Statement of Co-operative Identity by the I.C.A
- Unit 3 Definition, Features and Values of a Co-operative as given by the I.C.A
- Unit 4 The Co-operative Principles: Voluntary and Open Membership; Democratic Member Control; and Member Economic Participation
- Unit 5 The Remaining 1995 ICA Reformed Principles: Autonomy and Independence; Education Training and Information; Co-operation among Co-operatives; and Concern for Community

UNIT 1 THE 1966 I.C.A PRINCIPLES FOR CO-OPERATION AND THEIR REFORMULATION IN 1972

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 The Circumstances that Necessitated the 1966 Review Exercise
 - 3.2 The Outcome of the Work of the Commission
 - 3.3 Decisions and Comments of the I.C.A. Based on the Report of the Commission
 - 3.3.1 Open and Voluntary Membership
 - 3.3.2 Democratic Control
 - 3.3.3 Limited Interest on Capital
 - 3.3.4 Equitable Distribution of Surpluses, Savings or Economics Results
 - 3.3.5 Education of Members, Officers and the General Public
 - 3.3.6 Co-operation Among Co-operatives
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

Consequent on the 1937 review of the co-operative principles, many organisations from different social and political backgrounds were registered and admitted as members of the International Co-operative Alliance. But that did not deter the determination of members for further clarification on who should be the genuine co-operators and members of the global body. This informed the decision to have another review of the Rochdalean Principles which provided the platform for the review exercise.

2.0 OBJECTIVES

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

- explain the circumstances that necessitated the 1966 review exercise
- describe the setting up of the review commission and the report of the commission
- explain the decisions of the I.C.A. based on the 1972 reformulation.

3.0 MAIN CONTENT

3.1 The Circumstances that Necessitated the 1966 Review Exercise

In yet another congress of the ICA held in Bournemouth England, a Commission was set up, charged with the responsibility of reviewing the Rochdalean co-operative principles. This has become necessary because the Rochdale Equitable Pioneer principles were considered to be inadequate to cover the operations and activities of the different organisations affiliated as members of the Alliance. The principles that were drawn by the Pioneer in 1844 were suitable to consumer co-operatives societies. A new set of principles was demanded which would be general enough for application to all forms of co-operatives. The new principles would be such that they would meet the constant changes in the environment especially in modern industry and commerce.

A commission was set up by the Alliance having considered the issues at stake. Having set up the commission, it was charged to base its work on the Rochdalean Principles, to accept them or reject any principle, to add or to take away from the principles or to rephrase or regroup them.

In general they are to tinker with the principles so as to produce a set of principles acceptable to the Alliance.

3.2 The Outcome of the Work of the Commission

Members of the commission commenced work and were diligent. The output of their work could be regarded as the first set of principles of the Alliance. The recommendations of the commissions to the 1996 I.C.A congress are as follows:

Open and Voluntary membership, without discrimination of religion or politics.

- Democratic Control
- Limited Interest on Capital, if any.
- Equitable Distribution of Surpluses, Savings or Economics results
- Provision of Education of Member Officers, Employees and the Public.
- Co-operation among Co-operatives

In looking at the principles, the Rochdale principles of Open Membership were expanded to accommodate Voluntary Membership, Political and Religious Neutrality.

The limited interest on capital was qualified with the phrase, 'if any' this means that it does not apply in all co-operations

The principles of Patronage Dividend were completely rewarded.

The scope of co-operative education was expanded to include Officers, Employees and the Public.

Finally, a new brand of principles was added namely 'Co-operation among co-operatives'

SELF-ASSESSMENT EXERCISE 1

Write out the 1937 principles on a side of a paper. On the other side, list the 1966 principles. Compare them to see the areas of similarities and differences.

3.3 Decisions and Comments of the I.C.A. Based on the Report of the Commission

3.3.1 Open and Voluntary Membership

Membership of co-operatives should be voluntary and open. No one should be forced to be a member of a genuine co-operative

The Rochdale Pioneers made “Religious and Political Neutrality” as a principle of co-operation. They had a good reason for doing this due to Owen’s brand of co-operation that was opposed to Christian religion. Even though Owen’s followers accepted his doctrine of *love*, they avoided his anti-Christian stand; neutrality was adopted.

But the ICA decided that this was wrong because there can not be neutrality in the face of serious national issues like genocide, apartheid, corruption etc. The co-operative movement could align with any political party that supports the co-operative programme.

3.3.2 Democratic Control

This was retained by the Alliance as stated by the Pioneers. The body had no reason to amend it.

3.3.3 Limited Interest on Capital

This principle was retained with an amendment. The phrase, “if any” was added. This was done because not all co-operatives demand shares from members. There are non-stock co-operatives which build up their capital through regular savings, deposits, loans, retained surplus etc. Again not all co-operatives with share capital pay interest on shares. Even though the practice is common in the co-operative movement, it is not binding as it is not a universal practice

3.3.4 Equitable Distribution of Surpluses, Savings or Economics Results

This principle was adopted in place of patronage refund which is restrictive as it applies specifically to consumer co-operatives. But the way the principle has been recommend make it new to have a universal application.

The ICA rejected all principles that have to do with business practices. They include: patronage refund, cash trading at market price, sale of pure and unadulterated goods. They considered these practices to be optional and they apply only to consumer co-operatives.

Principles as you may recall from what we learnt in unit one of this course, belong to higher class of ideas and are basic, universal and unchanging practices which guide decisions taken by individual co-

operatives, and are not binding. The Rochdale Pioneers did not separate principles from practice.

3.3.5 Education of Members, Officers and the General Public

While the Rochdale Pioneers limited education of members, the ICA extended it to officers, employees and the general public. This will benefit the Co-operative movement as potential members would be drawn from the enlightened public that knows about co-operations.

3.3.6 Co-operation Among co-operatives

This is a brand new principles to encourage co-operators to be each brothers keep, to team up and work together in peace and harmony.

SELF-ASSESSMENT EXERCISE 2

From what we have discussed concerning the roles of ICA in the reformation of Rochdalean principles, can you consider the ICA as the most component authority to reformulate the co-operative principles? Give reasons for your answer.

The 1972 Reformulation principles soon after the 1966 principles were set forth, co-operatives started to complain on the brevity of the principles, giving them name tags that have no precise meaning and are liable to misinterpretation. This made the 1996 principles to be reformulated as follows:

Membership of a Co-operative society shall be voluntary and available with no artificial restriction or any social, political, racial or religious discrimination, to all persons who can make use of its services and willing to accept the responsibility of membership

Co-operative societies are democratic organisations. Their affairs shall be administered by persons elected or appointed in a manner agreed by the member and acceptable to them. The members of primary societies shall enjoy equal rights of voting (one member, one vote) and participate in decisions affecting their societies in a democratic basis in a suitable form.

Share capital shall only receive a strictly limited rate of interest, if any.

The economic result arising out of the operations of society belong to the members of that society and shall be distributed in such a manner as

would avoid one member gaining at the expense of others. This may be done by decisions of the members as follows:

- i. by provision for the development of the business of the co-operative;
- ii. by provision of common service;
- iii. by distribution among the members in proportion to their transaction with the society.

Co-operative Societies shall make provision for the education of their members, officers and employees, and the general public, in the principles and techniques of Co-operation, both economic and democratic.

All Co-operative organisations, in order to best serve the interest of their members and their communities, shall actively co-operate in every practical way with other co-operatives at local, national and international levels having as their aim the achievement of unity of action by co-operators throughout the world.

The expansion of the principles is to give exact meaning to each principle, but does not eliminate the need for short titles for quick citations

4.0 CONCLUSION

The 1966 co-operative principles give the first set of principles to emanate from the ICA even though based on the Rochdalean principles. The 1972 principles were mere expansion of the 1966 principles. Further modification and reformation still went on with the co-operative principles, the most recent one being the 1995 principles. The Manchester congress of 1995 was significant in many ways as we would see in our next unit.

5.0 SUMMARY

In this unit you have learnt the 1966 principles of co-operation. We looked at the needs for the reformation of the principles and the work of the commission set up to undertake the exercise. Finally, we looked at the expansion of the 1966 principles in 1972.

6.0 TUTOR-MARKED ASSIGNMENT

1. Discuss the significance of the 1966 Co-operative principles as stated by the International Co-operative Alliance (ICA)
2. Select any four of the reformed 1966 co-operative principles and explain their values to co-operatives in Nigeria.

7.0 REFERENCES/FURTHER READING

Onuoha, E. and Buden, J. J. (2002). *The Principles of Co-operation Enugu: Amazing Grace Printing and Publishing Co.* 3rd Edition.

The International Labour Organisation (1968). Geneva, Switzerland: Co-operative Management and Administration.

UNIT 2 THE STATEMENT OF CO-OPERATIVE IDENTITY BY THE I.C.A

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Background of the Manchester Congress
 - 3.2 The Statement on Co-operative Identity
 - 3.3 Co-operative Values
 - 3.4 Co-operative Principles
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

In this unit, we shall be discussing the series of events that marked the one hundred years of the founding the International Co-operative Alliance (ICA). Remember, the global body came into existence in 1895.

To mark the landmark event, a centenary congress was held in Manchester England between 20th-23rd September, 1995. We shall briefly look into the statement on the co-operative identity. Thereafter, we shall study in greater details the essential of the elements of the statement.

2.0 OBJECTIVES

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

- explain the background activities leading to the 1995 congress
- define a co-operative based on the co-operative identity
- list the value of co-operatives
- discuss the co-operative principles as presented to the congress.

3.0 MAIN CONTENT

3.1 Background of the Manchester Congress

The centenary congress of the International Co-operative Alliance was held in Manchester England in September, 1995. It was the celebration of the 100 years of the founding of the global body. The congress was conceptualised to mark the turning point in the history of co-operative principles. To make the occasion a memorable one, Sven Ake Book, an expert on co-operative affairs was mandated to write a report on co-operative values. The co-operative values put together, constitute the bedrock on which the co-operative principles are erected.

His report was presented to the ICA who asked professor / Ian McPherson to lead a team of other leading researchers to revise the 1996 principles. Specifically, the team was asked to work out a set of co-operative principles that would usher in the movement into the 21st century as well as producing a co-operative charter for the millennium.

The report of McPherson was presented to the 1995 Centenary Congress. A debate ensued.

The congress produced after the extensive debate a new list of principles and a formal statement on the co-operative identities composed of three essential elements.

3.2 The Statement on Co-operative Identity

The statement consists of three elements:

- i a definition of co-operation;
- ii a list of the movement key values and
- iii a list of seven co-operative principles

Definition of a co-operative: A co-operative as is 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.

SELF-ASSESSMENT EXERCISE 1

You have got the definition of a co-operative by the International Co-operative Alliance. Is there any fundamental differences between this new definition and the one (s) you know earlier. State the differences and comment on them .

3.3 Co-operative Values

These values which we will fully learn in another unit are:

- Self-help
- Democracy
- Equality
- Equity
- Solidarity
- Honesty
- Openness
- Social Responsibility
- Care for Others.

3.4 Co-operative Principles

The co-operative principles are guidelines by which co-operatives put their values into practice. These principles are:

- a. **Voluntary and Open Membership:** Co-operatives which are voluntary organisations are open to persons able to use their services and willing to accept the responsibility of membership, without gender, social, racial, political or religious discrimination.
- b. **Democratic Member Control:** Co-operatives are by their nature democratic organisations controlled by their members who actively take part in setting their policies and taking decisions. The members who are elected by other members serve as their representatives and are accountable to the general members. And co-operatives generally are organised democratic manner.
- c. **Member Economic Participation:** Co-operative members contribute equitably the capital of the enterprise. The capital is also democratically controlled. Members receive limited compensation, if any, on the capital. At the end of the financial year, the members in the Annual General Meeting also allocate surpluses based on the following guidelines / purposes: to develop their co-operative, to benefit the members in proportion to their transaction with their co-operative, to support other activities approved by the entire members.
- d. **Autonomy and independence:** co-operatives are autonomous and equally self help organisations. If this is the case, the controlling function has to be carried out by members. If they enter into agreement with other organisations including governments or raise capital from external sources, they do so on

terms that ensure democratic control by their members and maintain their co-operative autonomy.

- e. **Education, Training and Information:** Co-operatives provide education and training for managers and employees. The essence of co-operative education is to make the receptions to perform optimally and to contribute meaningfully to the growth and development of their in their areas. They assist in spreading the benefits that co-operative members stand to gain.
- f. **Co-operation Among co-operatives:** Co-operatives are designed to serve their members effectively. This is achieved by looking into their felt needs and bring out products and services that will satisfy these needs not only for now but for also in the future. In this principles too lies the need for the co-operative movement to evolve strategies where co-operatives co-operate among themselves at the local, national and inter-national levels for the purpose of developing the sectors. The world is new a global village and what happens in one places can be instantly felt in other places. With the advent of computer and similar electronic devise, the sector can avail itself the opportunity to make meaningful use of the facilities for the purpose of co-operating with one another.
- g. **Concern for the community:** Co-operatives are environmental friendly. As a result while looking into the needs of members and bringing out plans, programmes and projects to meet these needs they do not lose the sight of focusing on the environmental needs as well, particularly the immediate communities. They strive to ensure that the environment is not degraded or depleted but to make it better than the way they met it.
- h. **Co-operators have been effective leaders in their various communities:** Through altruistic initiative, they constructed feeder roads, sunk bore holes, provided security and taken sound steps to generally make the environment peaceful and could income for social and economic activities.

SELF-ASSESSMENT EXERCISE 2

You are to go through again the statement on how to identify a co-operative as stated by International Co-operative Alliance (ICA). With the thorough understanding of the statement, write in your perception the significance of the identity.

4.0 CONCLUSION

We have gone through the co-operative statement of Identity by the I.C.A. The statement has put to rest the frequent agitation on what should be the principles of co-operation or the identity of co-operatives etc. The statement has shown what co-operation is, the values of co-operatives and the moral orientation. It has clearly indicated the rules of conduct (principles) for co-operative organisations. The Manchester congress of 1995 has also shown that it is only the ICA in the whole world that can revise co-operative principles which are not absolute for they can be modified from time to time depending on the need.

In our subsequent units we shall be discussing in greater depth the co-operative identity

5.0 SUMMARY

In this unit we have explained the centenary congress of the ICA held in the Manchester, England. We discussed the activities leading to the congress and the importance of the congress.

We have also discussed the statement on co-operative identity and what it contains, definition of a co-operative, the values of co-operative and the co-operative principles.

6.0 TUTOR-MARKED ASSIGNMENT

1. Describe the significance of the co-operative congress held in Manchester, England in 1995.
2. Discuss the contents of the statement on the Co-operative identity.

7.0 REFERENCES/FURTHER READING

Onuoha, E. (1986). *Principles of Co-operative Enterprises*. Enugu: Chuka Printing Co. Ltd.

Onuoha, E. & Budden J. J. (2002). *Principles of Co-operation*. Enugu: Amazing Grace Printing and Publishing Co. Ltd.

UNIT 3 DEFINITION, FEATURES AND VALUES OF A CO-OPERATIVE AS GIVEN BY THE I.C.A

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Contents
 - 3.1 Definition of a Co-operative Society
 - 3.2 Co-operative Values
 - 3.2.1 Self Help
 - 3.2.2 Democracy
 - 3.2.3 Equality
 - 3.2.4 Equity
 - 3.2.5 Solidarity
 - 3.2.6 Honesty
 - 3.2.7 Openness
 - 3.2.8 Social Responsibility
 - 3.2.9 Caring for Others
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

You studied the statement on co-operative identity in the preceding unit. It would be recapitulated that we did say that three key elements constitute the identity statement. The definition of what a Co-operative Society means; the values of Co-operative; and the principles of co-operation. This is the trinity of the statement of Co-operative Identity. For the remaining part of this course we shall be dwelling on the trinity of the statement on Co-operative Identity as pronounced by the International Co-operative Alliance (1995).

Up till this stage we have not given any formal definition of a co-operative and the features. It was deliberate. You can not give what you do not have. What you have is what you give. And because you were yet to study the operation of the I.C.A. we could not discuss the definition of a Co-operative. Remember, that it is the only global body that can give what can be regarded as a formal definition of a co-operative society. No individual or group or organisation has the authority to give a credible definition. Also, it is the I.C.A that can give or reform the principles of co-operation. We have already seen that of 1937, 1966 and 1995.

Now that we have studied to some level the activities of the I.C.A. we cannot start to discuss the formal definition of a co-operative and its features as well as the values of Co-operatives.

2.0 OBJECTIVES

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

- write the formal definition of a co-operative society
- discuss the features/characteristics of a Co-operative Society and
- describe the values of co-operatives.

3.0 MAIN CONTENT

3.1 Definition of a Co-operative Society

The I.C.A. defined a co-operative as an association of persons unified voluntarily to meet their common economic social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.

From the definition, the features/characteristics of a Co-operative can be discerned as:

1. **An Association of persons:** that is, persons are the individuals that form the society, while in a union which is a secondary co-operative; the persons are the Co-operative Societies that make up the Union. A Co-operative, it must be noted, is not an association of Capital but persons.
2. **United Voluntarily:** Membership of a Co-operative Society is voluntary; element of force should not be applied. There is free exit too and nobody should be forced to remain in a co-operative as well. This is why the size of membership as well as the fixed capital varies directly to the number of members.
3. **The Purpose of a Co-operative:** The purpose for which a co-operative exists is to meet the felt needs of members. A need is simply an unfulfilled desire. Somebody wants something but the means of getting it is probably not there. It creates tension which is a state of discomfort. A co-operative is there is to reduce the tension through the provision of goods or services to meet the needs. Consequently, the primary responsibility of a Co-operative is first to the members. The implication of the above explanation is that Co-operative members are the patrons since they are the ones that make use of Co-operative services.
4. **The Autonomy of Co-operative:** A Co-operative is an autonomous association/organisation. And decision making is

participatory involving all the members. This means there should be no outside interference either directly or indirectly, including the government and other external agents. But what unite the co-operators are basically two things: the economic project that is collectively owned and the social factor which is the entire members that compose the society.

3.2 Co-operative Values

The Manchester statement on co-operative identity also indicated the values of co-operatives which are: self-help; democracy, equality, equity and solidarity. The ethical values are: honesty, openness, social responsibility, and caring for others.

The first set of values constitute the bases for the organisational structure of a co-operative, while the second set is on the moral behaviour. Further, a value is the conception of the desirable which influences persons, or groups in their choice of behaviour. They are basic convictions about what is good or bad, right or wrong, better or best among others.

SELF-ASSESSMENT EXERCISE 1

Take a sheet of paper and write down a list of things that are of value to you. Why do you consider them as such? Compare your list with that of another colleague taking this course. Is there any significant difference? Can you explain why there is a difference?

Note that the principles of co-operatives are derived from the co-operative values; they are the indicators of the values. Both the values and principles of co-operatives separate the co-operatives from capitalist companies. We are going to look briefly at these co-operative value one after the other.

3.2.1 Self Help

This is the belief that one does not depend on another person, group or institution to solve one's problem but to use the wherewithal at his disposal to take action and provide solutions to his challenges. The same concept goes to a co-operative which does not have to wait for government and its agencies to solve its problem. The members must put their destiny into their hands, be proactive and decisive in taking appropriate action in response to their felt needs. If the members fail to act in like manner, the result is exploitation from the middlemen who would take advantage of the vacuum created by members' inaction.

3.2.2 Democracy

In co-operative management, there is no room for dictatorship or totalitarianism. There is popular participation especially in the decision making process. That is why in taking a decision, it is one member one vote irrespective of the share subscribed or the capital paid (total assets). This is because co-operators regard themselves as association of persons and not capital. Democracy, in the running of a co-operative stresses regular meetings, free speech, and majority vote.

3.2.3 Equality

Stressing the value of democracy in co-operative gives rise to another value which is equality. All members are equal and there is no discrimination in terms of sex, race, religion, politics, social class or financial power. They possess equal right to participation, to be informed, to be heard and be involved in decision making.

3.2.4 Equity

It is not enough to subscribe to co-operative membership. All members must fully participate in the affairs of the co-operative including patronage. And there is a reward for each member that does that. To ensure justice there is proportional equity which rewards members based on the volume and value of transaction made with their society. No one gains at the expense of the others. That is why records must be kept of each member's dealing with the society.

3.2.5 Solidarity

This means unity which makes a society to be firmly on ground. In solidarity, there is mutuality, inter dependence and love. Members are collectively bound for a common purpose. We have noted the economic project and the social aspect as the other. There should be co-operation, not competition, mutuality, not antagonism, mutual assistance not mutual destruction. This is what brings that extra energy to excel.

3.2.6 Honesty

This value is ethical in character as co-operators seek to avoid dishonesty and selfishness in their dealings. Co-operatives are therefore morally bound to be straight forward in dealing with members and non-members. Stealing, cheating, smuggling, bribery, lies among others should at all cost be avoided.

3.2.7 Openness

Co-operatives are to reveal information if required to their members, the public as well as the government. In practice, this is not always the case as many co-operatives in Nigeria have deep and many skeletons in their cupboards. It has gone so bad that paid staff feel reluctant to tell the general members true picture of the financial transaction of their co-operatives. They sometimes connive with the elected committee members to exploit the members.

3.2.8 Social Responsibility

Co-operator are noted over the years as community leaders who try to find solutions to the community problems. They sunk bore holes in the communities, constructed feeder roads for the evacuation of farm produce, constructed public toilets in the rural areas especially and generally seek to improve their environment.

3.2.9 Caring for Others

Beyond the social responsibility of co-operatives, they also assist in caring for the poor, donating to the motherless homes and orphanage. They have compassion and they value life even though they are not philanthropic organisations.

SELF-ASSESSMENT EXERCISE 2

Looking at the values of co-operatives as we have seen, how do you evaluate the level of their application in the running of co-operatives in Nigeria?. If you are a co-operator, what have been your experiences? If you are not a member of a co-operative try to find out the experiences of co-operative members that you are familiar with.

4.0 CONCLUSION

We have looked at the definition of a co-operative as given by the International Co-operative Alliance. This definition is important as we shall be referring to it from time to time as the need arises.

It was from the values and principles that the formal definition ensued. So there is a link between the definition, co-operative values and the co-operative principles.

5.0 SUMMARY

You have learnt the working definition of a co-operative and the features and characteristics of what a true co-operative should be.

You also learnt the co-operative values based on the structure of a co-operative as well as the ethical considerations.

6.0 TUTOR-MARKED ASSIGNMENT

Assess the level of application of Co-operative values in Nigeria.

7.0 REFERENCES/FURTHER READING

Onuoha, E. & Buden, J.J. (2002). *The Principles of Co-operation*. Enugu: Amazing Grace Printing and Publishing Company.

UNIT 4 THE CO-OPERATIVE PRINCIPLES VOLUNTARY AND OPEN MEMBERSHIP; DEMOCRATIC MEMBER CONTROL AND MEMBER ECONOMIC PARTICIPATION

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Contents
 - 3.1 Voluntary and Open Membership
 - 3.2 Democratic Member Control
 - 3.3 Member Economic Participation
 - 3.3.1 Capital Formation
 - 3.3.2 Members Controlling the Capital
 - 3.3.3 Limited Interest on Capital
 - 3.3.4 Allocation of Supluses
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignments
- 7.0 References

1.0 INTRODUCTION

You are about to start learning the last element of the statement on co-operative identity and we shall be discussing and dwelling on the principles of co-operation as reformulated by the International Co-operative Alliance, which possesses the authority to do so. But in doing this, we are not going to bite more than we can chew in this unit. We shall take the first three principles as the first chunk. Thereafter, in our last and final chunk we shall treat the remaining four principles.

2.0 OBJECTIVES

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

- explain the nature of Voluntary and Open Membership
- describe the meaning of Democratic Member Control and application
- discuss Member Economic Participation.

3.0 MAIN CONTENT

3.1 Voluntary and Open Membership

The I.C.A declares Co-operatives to be voluntary organisations. This means that a Co-operative is open to every person who is able to use their services. Such a person must also be willing and able to accept responsibilities of membership without any discrimination on account of gender, racial, political, religious status and so on.

Through good management of co-operatives in addition to information, education, publicity and publication, existing members develop confidence in co-operative while at the same time attracting new members.

There should be free entry for members as forcing people to join co-operatives is to make the co-operative mere government parastatals. Once the elements of force is removed, such co-operatives crumble.

In the same vein, luring people to join Co-operatives due to grants, loans and other incentives from government would make such Co-operative to wither once the incentives are no longer. That was the case of Better Life Co-operatives in the 1980's FEAP Co-operatives in a latter period, which did not survive. No one can point out ten of such Co-operative in any State today.

There should also be free exit of members in a co-operative. If a member is dissatisfied with the performance of a co-operative organisation he is free to leave. Due process should, however, be followed in existing such member.

Open Membership is another principle stressed in a co-operative

There should be no artificial barrier in the admission of members to the co-operative fold. No discrimination whatsoever should be entertained, either on the basis of sex, religion or any other consideration.

A new member is admitted on some conditions:

- (a) Ability to pay his dues;
- (b) He is of sound mind or mature in age;
- (c) Being of good moral character; and
- (d) Ability to co-operate with the co-operative.

Membership Relationship: Members must relate with one another and with the Co-operative. This is the concept of solidarity and support which we discussed earlier. The co-operative provides services such as information, education, training and so on, while members in turn patronise their co-operative.

3.2 Democratic Member Control

This principle emphasises the equality of all members on one hand and the need to involve all members in the decision making. It is participatory which stresses that in arriving at a decision it should be bottom-top approach. This reduces apathy in the society.

- **Direct Democracy**

This is usually expressed during meetings of Co-operatives. The member take part in policy formulation, they are neck-deep in decision making.

- **Indirect Democracy**

This is carried out in large co-operative organisation where it is not possible for every member to speak on every issue, or the topic is too difficult for general understanding.

In the above situation, the Co-operative may delegate some of its powers to committee members elected from the general members. Similarly, some powers may be delegated to the paid staff to take decision on some defined areas.

- **Zoning**

When the co-operative is so large involving thousands of members, the geographical area is divided into zones. Meetings are then held in rotation in each zone so as to avail the local members the opportunity to fully participate in the affairs of the co-operative.

- **Members Apathy**

This must be avoided at all cost in a co-operative. It means indifference. Meetings are called and no quorum formed. In such a case taking decision becomes a problem. And members would start to shirk their other responsibilities to the society. That is why the co-operative has to put in plans and programmes such as education and training to sustain members' interest.

SELF ASSESSMENT EXERCISE

Do you still remember Government programmes in respect of Family Economic Advancement Programme and Better Life Programme? During the period of these programmes many co-operatives were formed all over the country.

Considering the state and the local government area you reside, go round and ask questions as to the existence of these Co-operatives. If they are no more there, write your reasons for their collapse.

3.3 Member Economic Participation

Co-operatives are owned by the members who have come together to carry out a common economic project. The financing of the project is by the members; the management too is carried out by the members who are the owners and end-users of co-operative services. And they also share in the benefits from the business as the person that works must eat.

3.3.1 Capital Formation

Capital is the wheel that lubricates the wheel of business undertaking; a Co-operative is not an exception. Members must contribute in building the capital of the enterprise throughout the period of their membership. This is done through regular savings, putting their dividends back into the business, buying additional shares and so on. We treated the sources of capital for co-operatives in Course COP 101. You may do well to revise the units.

3.3.2 Member Controlling the Capital

The capital raised by the members must be managed and controlled by them and not external person/organisation. The capital has to be applied for the purpose of attaining the purpose of the co-operative. If the capital is insufficient, it is the responsibility of the members to beef it up. Similarly the surpluses arising from are to be disbursed equitably.

3.3.3 Limited Interest on Capital

Remuneration to capital or interest on capital is not compulsory. It depends on the discretion of members in addition to the purpose for which the capital is to be applied.

For example, if members feel that payment of interest will make more funds available, in such circumstance, interest has to be paid, out of net surplus.

Note that if remuneration is paid to capital before the net profit, it becomes a cost factor. But whichever way either as interest (dividend) or cost factor it must be limited by the provision of the bye-law.

3.3.4 Allocation of Surpluses

Allocation of surpluses should be done using the following I.C.A. criteria:

- (a) Developing the Co-operative by creating reserves and re-investing the surpluses to create collective capital and to ensure long term viability.
- (b) Benefiting members in proportion to their transaction with their Co-operatives. This is sometimes called Patronage Dividend or Patronage Refund or Patronage Rebate.
- (c) Supporting other activities approved by the membership which include promoting co-operative movement, providing libraries, assisting orphanages among others.

In Nigeria, the 1993 Co-operative Act gives how Co-operatives are to share net surplus:

- (a) 25% of net surplus goes into the Statutory Reserve Fund.
- (b) Not more than 10% as dividend on shares.
- (c) 7 ½ % for education
- (d) Provision for depreciation and bad debt.
- (e) Bonus is paid and honoraria to officers.
- (f) Donation to charities
- (g) The balance is shared as patronage rebates.

4.0 CONCLUSION

We have been able to look at the first set of Co-operative principles as reformed by the 1995 ICA congress in depth. The second set of the principles which consists of the remaining ones will be treated in our next unit, which is the 15th and the last. As you are enjoying these presentations, you will be happier if you diligently seek to do the exercises as well as the tutor-marked questions. By so doing the degree of your understanding is increased and the mastery of the course is enhanced.

5.0 SUMMARY

In this unit, you have learnt in greater the first three reformulated principles of the 1995 Centenary Congress of the I.C.A. These principles are the following:

- Voluntary and Open Membership
- Democratic Member Construe and
- Member Economic Participation

6.0 TUTOR-MARKED ASSIGNMENT

Discuss in details the Principle of Voluntary and Open Membership.

7.0 REFERENCES/FURTHER READING

Onuoha, E and Buden J.J. (2000). *The Principles of Co-operation*.
Enugu: Amazing Grace Printing and Publishing Co.

UNIT 5 THE REMAINING 1995 ICA REFORMED PRINCIPLES AUTONOMY AND INDEPENDENCE; EDUCATION, TRAINING AND INFORMATION; CO-OPERATION AMONG CO-OPERATIVES; AND CONCERN FOR COMMUNITY

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Autonomy and Independence
 - 3.1.1 Scope of Autonomy
 - 3.1.2 Safeguarding Autonomy
 - 3.2 Education, Training and Information
 - 3.2.1 Objectives of Co-operative Education
 - 3.2.2 Agents of Co-operative Education
 - 3.2.3 Target Audience of Co-operative Education
 - 3.2.4 Course Contents of Co-operative Education
 - 3.2.5 Financing Co-operative Education
 - 3.3 Co-operation Among Co-operatives
 - 3.3.1 Horizontal Integration
 - 3.3.2 Vertical Integration
 - 3.3.3 Inter-Trading and Joint Projects
 - 3.4 Concern for Community
 - 3.4.1 Need for Community Service
 - 3.4.2 Sustainable Development
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

This unit treats four principles of the reformed 1995 Centenary Principles of Co-operation. These four principles are: Autonomy and Independence; Education; Training and Information; Co-operation Among co-operatives; and Concern for Community. As usual we shall be taking the Principles one after the other in greater depth.

2.0 OBJECTIVES

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

- explain the concept of Autonomy and Independence as a Principle of Co-operation
- describe Co-operative Education, Training and Information
- discuss issues on the need for Co-operation among co-operatives and
- explain the need for co-operatives concern for community.

3.0 MAIN CONTENT

3.1 Autonomy and Independence

This principle is crucial to the success of a Co-operative since by its very nature a Co-operative is a self-help organisation as we learnt earlier. The members must take their destiny into their hands and do what they can to control their enterprises, nurture and develop it without undue interference from the outside.

3.1.1 Scope of Autonomy

The scope of autonomy covers critical areas in running the enterprise. To start with, it involves decision making. Members should be well informed and kept abreast of development so as to take strategic decisions. The steps to decision making also demands that members should be able to set verifiable objectives, gather relevant information, formulate alternative courses of action, evaluate each alternative for implementation. All this borders on autonomy.

3.1.2 Safeguarding Autonomy

To safeguard co-operative autonomy, the members must be vigilant. They should not do anything that will create disunity among themselves or that will warrant the intervention of government and their agents. Once the members are zealous, committed and loyal to their society, the sky is the limit. Government will court them as partners in progress.

To achieve the above there should be appropriate legislation that will create the enabling environment and expedite co-operative growth and development.

SELF-ASSESSMENT EXERCISE 1

Do you believe that Co-operatives in Nigeria have autonomy and Independence? Give reasons for your answer.

Also explain the implications of co-operatives lacking autonomy and independence.

3.2 Education, Training and Information

3.2.1 Objectives of Co-operative Education

A Co-operative that wants to succeed will need constant and continuous education for the members, officials, staff training and the general public. The idea is to have enlightened members and dedicated officials. It is also toward the enhancement of the skills of the hired managers. In addition, since the general public is where co-operatives will draw additional members, co-operative education should be extended to them. As a result the various organs of Co-operative Management, that is the members, the committee members and the paid staff must be educated for the overall success of the co-operative.

3.2.2 Agents of Co-operative Education

The agents of co-operative education are many but their efforts are focalised toward the success and sustainability of the co-operative movement. They include: the primary societies, Unions, apex organisations, governments at all levels, international organisations as well as international institutions. Members of a society are also agents of co-operative education as they interact with the public at the grass roots level.

3.2.3 Target Audience of Co-operative Education

The target audiences consist of the following:

- (a) The general public;
- (b) Those who have demonstrated interest to become members;
- (c) The general members;
- (d) The Committee members;
- (e) The hired staff; and
- (f) Staff of government supervisory ministries;

3.2.4 Course Contents of Co-operative Education

The course contents are wide depending on the target audience. In general, classes of Courses below might suffice: General Studies; Professional business Studies; and Core Co-operative Courses

- (a) **General studies can include:** reading and writing skills, economics, law, Current Affairs etc.
- (b) **Business Studies – such as:** book-keeping, accounting, management, marketing, agricultural economics, among others.
- (c) **Core Co-operative Courses, ‘Principles of co-operation, Co-operative Law; Co-operative Organisation; Co-operative field administrative Co-operatives among others.**

3.2.5 Financing Co-operative Education

Financing the project chiefly comes from the appropriation account of every co-operative at the end of the year. This is the position of the ICA in its 1966 Vienna Congress. Can you still remember that in Nigeria, this is clearly indicated in the bye-laws.

Again, Primary Societies can subscribe some amount of money to their unions and the Unions to do the same to the apex organisations for the purpose of implementing the education needs of the movement.

SELF-ASSESSMENT EXERCISE 2

Indicate in specific manner the relevance of co-operative education in any rural community in Nigeria.

3.3 Co-operation among Co-operatives

Co-operatives can be of assistance to one another when they co-operate constructively from the local to state, National and at the International levels. The societies can co-operate by horizontal integration, vertical integration and by joint trading and joint projects.

3.3.1 Horizontal Integration

This is the coming together as mergers between two societies which are effected at a general meeting of each society. When it takes place the societies lose their individual identities and fuse into one management, with bigger membership, more funds, bigger patronage.

3.3.2 Vertical Integration

This takes place when societies do not want to lose their individual identities. However, a new body is created at the top higher than the societies to take charge of some economic activities on behalf of the societies such as loan services, transportation, storage, bulk purchases among others.

This type of integration can take either federated structure or centralised structure. In the case of the former, the management is decentralised and autonomy is still retained in each federating society. But in the case of the latter, the societies lose their independence and exist as branches of the Centre.

3.3.3 Inter-Trading and Joint Projects

Inter-trading involves co-operatives like the consumer co-operative buying goods from one another, or Co-operatives transacting banking businesses with the Co-operative Banks. Unfortunately the co-operative banks in Nigeria have been swallowed by other banks following the recapitalisation exercise of the Central Bank of Nigeria. But this principle is saying that co-operatives should know what services other societies are offering and establish link with them.

3.4 Concern for Community

3.4.1 Need for Community Service

This is the 7th and last principle of the 1995 I.C.A Centenary principles. The essence of the principle is to indicate two important things. The first is that a co-operative must see to the needs of the members. But while satisfying the needs of members, it should also strive for the sustainability of its Community. A Co-operative should exist as an oasis. As such while nourishing itself, it must spread the nourishment to its environment making it better than it was before the Co-operative was formed. The co-operative should engage on constructing feeder roads, donating to the libraries, orphanages and constructing drainages and other community projects.

To be concerned is to be constantly be aware of the needs of the community and realistically bring out plans, programmes and projects that will address the needs.

As part of this principle, it is the responsibility to refrain from anti-social behaviours such as charging exorbitant prices for its goods, selling adulterated goods and so on. It is also a part of peace process which has to be emphasised by the co-operators. They have to report to the Police

and other security agents for enduring peace. If there is no peace, no meaningful development can take place.

3.4.2 Sustainable Development

The objective for community development should be an enduring one. That means it has to be sustained by not just meeting the current needs but also the future needs of the community. Consequent on this, any project that is embarked on must survive the initiators in this case the co-operators.

4.0 CONCLUSION

Four principles constituting the last ones of the 1995 I.C.A principles have been treated in this unit. Remember we discussed the first three principles in our last unit which is unit 14. The principles of co-operation are ever evolving and cannot be removed from the dynamics of the environment especially in response to industry and Commerce. Common sense, foresight and intuition will certainly show which of the principles is to be reformed in future. Already there is a school of thought that instead of a common set of principles for all co-operatives, specialised principles unique to each sector of the co-operatives should be made. For example, Consumer Co-operatives should have its own principles, ditto industrial, producer co-operatives among others.

5.0 SUMMARY

We have studied the last four Co-operatives principles as reformed by the I.C.A in 1995. We studied the principles of Independence and Autonomy, Education, Training and Information, Co-operation Among Co-operatives and Concern for Community.

6.0 TUTOR-MARKED ASSIGNMENT

Compare the 1966 and 1995 I.C.A. Co-operative Principles.

7.0 REFERENCES/FURTHER READING

Onuoha, E(2002). *The Principle of Co-operation*. Amazing Grace Printing and Publishing Co. Enugu.

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