

**COURSE
GUIDE**

**CRD 301
CONSUMER COOPERATIVE**

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MODULE 1

Unit 1	The History of the British Consumer Cooperative Movement
Unit 2	The Structure and Problems of Consumer Cooperative in Nigeria
Unit 3	The Concept of Competitive and Monopolistic Market Structure
Unit 4	The Social Criticisms of the Capitalist Market – High Prices, Wasteful Advertising, Hoarding Goods etc.
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UNIT 1 THE HISTORY OF THE BRITISH CONSUMER COOPERATIVE MOVEMENT**CONTENTS**

1.0	Introduction
2.0	Objectives
3.0	Main Content
	3.1 Rochdale's Rules and Regulations
	3.2 Values and Principles of Cooperative
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
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1.0 INTRODUCTION

This chapter traced the historical evolution of the British consumer cooperative movement beginning from the Owenites and up till the time of Rochdale pioneers in 1844. It also discusses the general areas of focus of the early cooperative movements and the rules and regulations which guided the early cooperative movement.

2.0 OBJECTIVES

After reading this section, the reader should be able to:

- understand the history of the british consumer cooperative movement
- explain the reasons that led to their creation
- the rules and regulations to put in place to guide their activities

3.0 MAIN CONTENT

The history of the British cooperative movement can be traced to Rochdale Pioneers' shop in the northern English town of Rochdale in 1844. United Kingdom is home to a widespread and diverse co-operative movement, with over 7,000 registered co-operatives which are owned by 17 million individual members with a contribution in the range of £34bn a year to the British economy.

Though the history of the co-operative movement in the UK is often traced back to the Rochdale Pioneers of 1844, the origins of modern co-operatives is largely due to the extreme poverty faced by many in the 18th and 19th centuries, as well as the rapid social changes of urbanisation, coupled with the rising food prices which resulted from the marketisation of the economy and the manifestation of lack of political representation for the working class during this period. In the views of Okonkwo (2001), the industrial revolution and the attendant factory systems with its attendant socio-economic problems gave rise to the birth of cooperative movement in Britain. Some scholars expressed the views that the exploitation of factory workers by factory owners, traders and middlemen as a result of the industrial revolution led some well-intentioned individuals and social reformers like Robert Owen and Dr Wilham King to encourage workers to come together and find ways of alleviating their hardships. This led to the cooperative movement of that time to be called Owenite cooperative movement. This movement however collapsed but was quickly replaced in 1844 when twenty eight workers following the advice of Dr King pulled their personal savings together and launched their cooperative movement in Rochdale. These Rochdalers as they were called successfully opened a cooperative consumer shop and stocked it with essential commodities and sold to members and non-members alike at moderate prices. According to Andrew Bibby, (2015) this early cooperative societies focused on the provision of essential services (notably food) to members where the market was either unable to provide these services sufficiently or was considered unjust. Indeed the more successful co-operatives were established around the trades which were experiencing the largest impact from the rapid industrialization such as mining and weaving. This was likely due to the clearer direct benefits of membership and the solidarity of workers with a similar plight. The provision of food was a highly successful area for co-operatives with many becoming involved in milling and baking bread. The Hull Anti-Mill Co-op, established in 1795 and which traded for a century, provides an example of such a successful society. The Rochdalers also encouraged members' participation by paying dividends based on the volume of transactions. They proceeded to formulate rules and regulations to guide the operations of the cooperative. Some of these rules were later fine-tuned

and constitute what is generally referred to as the Rochdale equitable principles of cooperation. These factors resulted to several of social changes including an increased focus on mutual businesses (notably co-operatives) in public discourse during this time and also to events such as the Swing Riots of 1830 (Wilson, Webster, & Vorberg-Rugh, 2013).

3.1 Rochdale's Rules and Regulations

- Open and voluntary membership
- Cash sales
- Payment of dividend based on patronage of consumer shop
- Democratic control of the cooperative society
- Education of members
- Sale of commodities at market price
- Neutrality of political and religious affiliation of members
- Limited interest on capital to avoid the cooperative been high-jacked by some people.

3.2 Values and Principles of Cooperative

Cooperative societies are of value to their members in the following ways:

- a. **Patronage divided** – this is also known as patronage refund which is calculated based on the volume of transaction of a member. The money paid to the member can be considered as a bonus, because the recipient is enjoying such privilege due to the business transacted with the cooperative shop.
- b. **Quality products at reasonable prices** – the member is able to buy quality products at a moderate prices. This is so because adulteration of products or selling poor quality commodities is completely absent. This serves to attract and encourage members to patronize the cooperative shop. Consequently, this will lead to increase in sales turnover of the shop and higher profitability.
- c. **Dividend on shares** – this is another benefit for members. Members are paid dividend from the surplus of the society from the profit made by the shops.

4.0 CONCLUSION

In this unit, the reader has been exposed to the historical evolution of the British Cooperative movement and the motives that led to its creation. It also discussed the initial challenges the society confronted and the steps taken by way of the introduction of rules and regulations to guide its operations.

5.0 SUMMARY

In this section we have discussed the history of British consumer cooperative movement. The unit explicitly highlight the origin of cooperative movement, the challenges they had to deal with to be able to survive. The Rochdale's rules and regulations were highlighted, with the unit concluding with the benefits and principles of cooperative.

6.0 TUTOR MARKED ASSIGNMENT

1. Explain the evolution of the British cooperative movement
2. Outline the Rochdale's principles
3. What are the benefits of cooperative societies to their members?

7.0 REFERENCES/FURTHER READINGS

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UNIT 2 THE STRUCTURE AND PROBLEMS OF CONSUMER COOPERATIVE IN NIGERIA

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Structure of Consumer Cooperatives
 - 3.2 Primary Cooperative
 - 3.3 Secondary Cooperative
 - 3.3.1 Tertiary Cooperatives
 - 3.3.2 National Level
 - 3.4 Structure at the State Level
 - 3.5 Problems of Consumer Cooperatives in Nigeria
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

In the previous unit we looked at the history of British consumer cooperative movement. In this unit our focus is on the structure and problems of consumer cooperative in Nigeria. We discussed the categorization of consumer cooperative movements in Nigeria and the problems that often confront them.

2.0 OBJECTIVES

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

- explain the structure of consumer cooperatives in Nigeria
- understand the problems of consumer cooperatives in Nigeria.

3.0 MAIN CONTENT

3.1 Structure of Consumer Cooperatives

Structure here refers to framework, layout and composition of cooperative movement. According to Ogbu (2007), he observed that cooperative movement is organized in pattern that can be likened to a pyramid structure consisting of three levels namely – primary, secondary and tertiary.

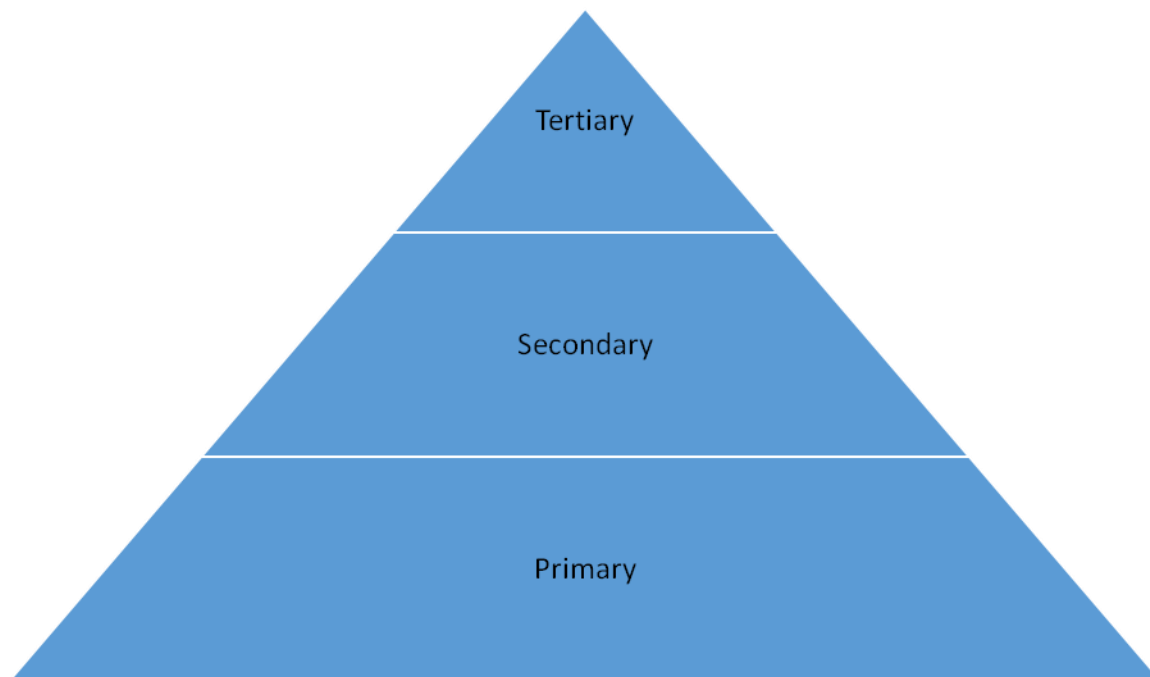


Figure 1: showing the structure of cooperative society in Nigeria

3.2 Primary Cooperative

From the diagram above, is at the bottom of the pyramid structure. It is where the socio-economic needs of members is the driving force. Here the principles of cooperation is manifest by according each member the right to vote irrespective of his or her share capital holding.

3.3 Secondary Cooperative

This is the second layer of the cooperative structure. It formed by primary cooperative societies. Membership is not on individual basis but organized entities of primary cooperatives. Secondary cooperatives provides a platform for primary cooperatives who have challenge of funds, low membership and weak capacity acquisition pull their resources together under one umbrella.

The essence of secondary cooperative Puri (1978) noted is not necessarily to observe cooperative principles, but to meet up with the desires of members of the primary cooperatives that formed it. Basically, the secondary cooperatives exist to provide adequate benefits to the members of the primary cooperatives that are within its fold. This means that the secondary cooperatives are mainly for economic entities for providing solutions to challenges of primary cooperatives. In secondary cooperatives, one man one vote is not practiced but graduated voting, which means voting according to shareholding capacity in the society. Examples of secondary cooperatives are Divisional cooperative council (DCC) which can be found in each local government area in

Nigeria. Furthermore, in consumer cooperatives, the wholesale type exists to solve the challenges in the retail cooperative societies.

3.3.1 Tertiary Cooperatives

This is the highest level of the cooperative structure. Tertiary cooperatives are formed by secondary cooperatives who desire to solve their problems, which they cannot handle individually. Similar to the secondary cooperatives, tertiary cooperatives exist to take care of the interest of members of the secondary cooperatives. Tertiary cooperative is the highest platform via which single or multi-purpose societies can attain their economic needs. It must be emphasize that primary cooperative can bypass the secondary cooperatives and join the tertiary. These types of cooperatives are often found at state levels.

3.3.2 National Level

- i. Cooperative federation of Nigeria (CFN) which was founded in 1968 with its base in Ibadan is the apex cooperative body in Nigeria. It is affiliated to International Cooperative Alliance (ICA) and other international cooperative organisations. The CFN is at the 6th level of the cooperative structure.
- ii. Another national body is the National Association of Cooperative Credit Union of Nigeria (NACCUN). It was established in Lagos in 1978. It is the apex body for all cooperative financing agencies, credit unions and thrift and credit societies. NACCUN mobilizes savings from members from which members can benefit from in a later date.
- iii. There is also the Nigerian National Cooperatives wholesale Association (NNCWA) established in 1976 and funded by the government. Its main objective is to import and distribute essential consumer goods through state cooperative wholesalers especially during the oil in the 70s.
- iv. In 1979, the Federal government set up the National Cooperative Insurance Society of Nigeria (NCISON) with base in Kano. NCISON was set primarily to deal with issues of motor, marine, fire and cash –in-transit insurance for its members' cooperative societies and for the general public. Its activities are purely commercial driven, but is funded by the Federal Government of Nigeria.
- v. The National Advisory Council (NAC) as the name suggest is statutorily empower to advise the President of Nigeria on issues relating cooperative in general and specifically on matters relating to policies and strategies.
- vi. In 1976, the Federal government of Nigeria established three cooperative colleges for the sole purpose of enhancing

continuous cooperative education in the country. These colleges are located in Ibadan, Kaduna and Enugu (Oji-river).

3.4 Structure at the State Level

In 1996, the Federal government created additional states bringing the states in the country to 36. Each state including the Federal capital territory (FCT) Abuja has a cooperative society organized in a pyramid structure with three layers namely – primary, secondary and tertiary. As we had earlier discussed the primary tier can be found in all corners of the states including villages and towns, while the secondary cooperatives are located at the local government headquarters. The third category is tertiary cooperative which is a federation of the secondary cooperatives. Meanwhile consumer cooperatives have one apex for wholesale supply of consumer goods. These apex bodies come together to form the state cooperative federation.

The head of these federated cooperative societies are government officers appointed from the supervising ministry. They could come in different nomenclatures such as Chief Executive Officer (CEO), Secretary or Managing Director as in Enugu cooperative federation (ECOFED).

3.5 Problems of Consumer Cooperatives in Nigeria

Every organisation or systems have challenges or problems which it confronts and Nigerian cooperative societies are not an exemption. Yahaya (2011) believe that the problems confronting consumer cooperatives in Nigeria are due largely to the agricultural based economy because majority of her people earn their living from agricultural based activities. Meanwhile the following reasons which are both internal and external have been identified by Umehali et al (2014). These are:

- 1) Little need for consumer cooperative
- 2) Low purchasing power
- 3) Higher overhead cost and stiff competition from small retailers
- 4) Unavailability of some cooperatives due to their smallness
- 5) Poor management and Organisation
- 6) Lack of supportive loyalty of members and general awareness on the part of the public
- 7) Over-dependence of societies on private manufacturers and producers for the supply of goods.
- 8) Over-dependence of the country as a whole on importation
- 9) Over-dependence on manufactured goods instead of on basic need items most of which can be produced locally

- 10) Too much government involvement in the affairs and cooperatives
- 11) Corruption of government cooperatives officials and cooperative officers and employees
- 12) Competition from well managed big stores
- 13) Poor financing

According to Umebali et al (2014), there some peculiar problems associated with consumer marketing cooperatives which they highlighted as follows:

- i. **Fund** – All marketing cooperatives both at primary and apex level suffers from inadequate capital for their operations. Due to the low income earning of its members, internal funding by members is low. Capital is needed for critical assets such as vehicles, buildings, land etc.
- ii. **Management** – This has to active, reliable and efficient if the cooperative is to grow. Indeed the integrity of the officials should never be in doubt. However, if any of these critical variable is missing the society will stagnate and collapse.
- iii. **Volume** – high sales turn-over is important. But a situation where there is consistent decline in sales for a period will lead to profit decline and subsequently bankruptcy.
- iv. **Storage facility** – a well-built warehouse facility is very essential to any cooperative society. Bur a situation whereby the warehouse has a leaking roof or poorly constructed can lead to damage of items.

Other problems that are peculiar to produce marketing cooperatives are:

- a. **Low membership** – The greater the membership in produce societies, the greater the turnover, but if the membership is low then it will have a negative effect on the society.
- b. **Quality of produce-** if the society buys produce from non-members, they will no longer be in position to control the quality of their produce. In this situation, the possibility exist for non-member suppliers to resort to sharp practices by supplying poor quality produce and engaging in other shoddy deals in order to secure better bargain.
- c. **Capital** – this is one of the major problem of produce marketing cooperatives. The members of the society are subsistence producers, they do not have much savings from which to raise the necessary and sufficient share capitals with which to step up their production. Adequate capital is required to buy needed equipment such as machineries, weight scales, container, bags, warehousing, vehicles etc that will aid their production efforts.

- d. **Corruption and dishonesty** – the officials of the marketing Boards are crooked and often cheat members of the marketing societies. Similarly, many officials in the cooperative societies are corrupt and adopt all manners of tricks to exploit their members.
- e. **Non-linkage** – these societies are likely to make better success through forward integration. For example if marketing produce is linked with its processing, the society will earn more money for its members
- f. **Transportation**—inadequate and inefficient transportation systems has caused severe discomfort and losses to the general produce marketing cooperatives. For example, the roads are in dismal state of disrepair with the attendant loss of produce for delayed evacuation. Other transportation systems such as rail and sea are not easily available
- g. **Storage**—poor storage facilities which are prevalent in the cooperative societies are often the cause of produce spoilage. This is so because some of the warehouse if they are not dilapidated often times lacked preservation facilities resulting to deterioration and subsequent spoilage.
- h. **Management** – poor management of the societies leads to poor performance. This can be traced to corruption, dishonesty and low skilled personnel.

4.0 CONCLUSION

In this unit we have learnt the structure of consumer cooperatives in Nigeria, both at the national and state levels. Similarly, we have also identify the problems of consumer cooperatives and highlighting those which are peculiar to marketing cooperatives.

5.0 SUMMARY

In this section we have discussed the framework, layout and composition of consumer cooperatives in Nigeria. Efforts have been made to explain the problems that confront consumer cooperative and those which re peculiar to marketing cooperative societies.

4.0 TUTOR MARKED ASSIGNMENT

1. Write short notes on the following:
 - a) Tertiary cooperative
 - b) Secondary cooperative
 - c) Primary cooperative
2. Outline the problems of consumer cooperatives in Nigeria

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UNIT 3 THE CONCEPT OF COMPETITIVE AND MONOPOLISTIC MARKET STRUCTURE

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 The Concept of Competitive and Monopolistic Market Structure
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

The concept of competitive and monopolistic market structure is our main concern in this section. We are going to explain how market structure affects firm's behaviour and its implication on price and output. This unit also discusses the characteristics of different market structures.

2.0 OBJECTIVES

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

- The concept of competitive and monopolistic and market structure
- Characteristic of different types of market structure

3.0 MAIN CONTENT

3.1 The Concept of Competitive and Monopolistic Market Structure

Structure is the organisational features of an industry that impacts on the firm's behaviour in its choice of price and output. Market structure is an economically significant feature of the market and is generally classified on the basis of the degree of competition namely:

i. Perfect Competition

Perfect competition is a market situation in which a large number of producers offer a homogeneous product to a very large number of buyers of the product. The number of sellers could be so large that each

seller offers a very small fraction of the total supply and therefore has no control over the market price. Similarly, the number of buyers is so large that each buyer buys an insignificant part of the total supply and has no control over the market price. Perfect competition has the following features.

- a) There is a large number of firms (producers and sellers) and buyers of a product
- b) Products of all firms are homogeneous
- c) There is freedom of entry and exit by firms
- d) All firms and buyers have perfect information about the prevailing market prices of the product.
- e) Both buyers and sellers are “price takers” and not “price makers”
- f) The price of a commodity is determined in this kind of markets by the forces of market demand and market supply.
- g) Each firm is in competition with so large a number of firms that there is virtually no competition.

This kind of market is however more of a hypothetical nature rather than being a common or realistic one. Some examples of a perfectly competitive market include stock market and vegetable markets.

ii. Imperfect Competition

- a. Monopolistic Competition
- b. Oligopoly with and without product differentiation
- c. Duopoly

iii. Monopoly

- i. Perfect Competition is a market situation in which a large number of producers offer a homogeneous product to a very large number of buyers of the product. The maximum output which an individual firm can produce is very small compared to the total demand of the industry product so that no firm can affect the price by varying its supply output.

There are four important characteristics of perfect competition

- 1) There is a large number of firms (producers and sellers) and buyers of the product.
- 2) Products of all firms are homogeneous
- 3) There is entry and exit by firms
- 4) All firms and buyers have perfect information about the prevailing market price of the product.

Which is based on three core components (1) the number of firms producing a product, (2) the nature of the product produced by the firms, that is whether they are homogeneous or differentiated, and (3) the ease with which new firms can enter the industry

4.0 CONCLUSION

The concepts of competitive and monopolistic market structure have been discussed. Market structures carried with them some features which largely impacts on a firm's behaviour. All firms and buyers operating in a perfect market have perfect information about the prevailing market situation which is dependent on the number of firms producing the product, the nature of the product and ease of entry and exit prevalent in the industry.

5.0 SUMMARY

In this unit you have learnt how the concept of competitive and monopolistic market structure operate. The characteristics of the various types of market have been highlighted which help have explained how they impact on organisational behaviour.

6.0 TUTOR MARKET ASSIGNMENT

1. Explain what is meant by a perfect market?
2. What are the significant differences between a monopoly and imperfect market
3. Outlie the features of perfect competition.

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UNIT 4 THE SOCIAL CRITICISMS OF THE CAPITALIST MARKET – HIGH PRICES, WASTEFUL ADVERTISING, HOARDING GOODS ETC

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Capitalist Market
 - 3.2 Criticism
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

In this unit, the Reader will learn about the criticisms of the Capitalist market and its inherent drawbacks such as high prices, wasteful advertising, hoarding and other market abuse. Capitalism is an economic system driven by free enterprises. In a capitalist system, government is focused on political and policy making while private individuals run the activities of the economy and pay taxes to the government. In Capitalism, prices of goods and services are determined by the interplay of the forces of demand and supply.

2.0 OBJECTIVES

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

- understand what capitalism means
- identify areas of similarities between cooperative societies and capitalism
- identify the differences between cooperative outfits and capitalism
- explain the social criticisms of a capitalist market

3.0 MAIN CONTENT

3.1 Capitalist Market

Capitalism or capital market is an economic system or an ideology based on private ownership of the means of production and other operation for profit. Characteristics central to capital market include private property, capital accumulation, wage labour, voluntary exchange, price system

and competitive markets. In other words Capitalism is a system of economic organisation carried on for profit by private enterprises with minimal interference from government. The key features of capitalism are:

- a) Individualism and personal gain are the primary motives
- b) The private ownership of the means of production
- c) Competition in the market as the regulator of price and business activity
- d) Freedom of contract and enterprise
- e) Class conflict between labour and capital
- f) Freedom from state interference

Cooperative and Capitalism have been viewed as same on account of the following points of similarity:

- i. Like capitalism cooperative also accept the right of private property, the right of contract, inheritance and right to private enterprise.
- ii. Cooperatives also use capital to carry on its activities and pay interest for its use.
- iii. Like capitalist enterprise, cooperatives employ experts and pay them remuneration based on the quality of service rendered
- iv. Cooperatives also depend on business efficiency for their successes same as enterprises.
- v. Both systems frown at any intervention from the government.

On the other hand, the main differences between cooperative and capitalism can be situated along the following:

- i. In a capitalist system, a group of shareholders can band together and influence policy direction, but in cooperative each member occupies equal position.
- ii. In capitalist economy while capital occupies a pride of place, cooperatives give it a secondary attention.
- iii. Capitalism is driven by profit motives while cooperative is basically for service. Profit is only a bye-product of services rendered.
- iv. In a capitalist economy voting is done on the basis of the strength of shareholdings while in cooperative enterprises every member has only one vote irrespective of the number of shares held.
- v. While capitalism is built on exploitation of man and resources, cooperatives seek an end to exploitation.
- vi. Capitalism encourages competition and rivalry which often leads to clash of interest, but cooperative rides on the platform of self-help and adopts cooperation in a spirit of service.

- vii. In capitalist system, while money rules men, the reverse is the case in cooperative outfits.
- viii. Capitalism leads to concentration of wealth in few hands and create inequality, while in cooperative efforts are directed at bringing about equality and dispersing wealth to many people.
- ix. A capitalist organisation is the coming together of the strong with the desire to exploit the weak, while cooperative is the weak coming together to resist the strong.
- x. In the capitalist system the capitalists employ workers and undertake the risk while in a cooperative system the workers deploy capital and undertake the risk of the business.
- xi. The evolution of capitalism is towards monopoly, while the cooperative evolution is from decentralization.
- xii. In capitalism there is hardly equal ownership, control or sharing of profit, but in cooperative all are equal owners, in control and equitable profit sharing.
- xiii. Capitalism leads to booms and slumps, while in cooperative, there is steady production which prevents speculations and stabilizes prices.
- xiv. Capitalism exalts materialism, while cooperatives strives for the development of cultural and spiritual values of members.

3.2 Criticism

Social critics of the economic system believe that capitalism is related with social inequality; unfair distribution of wealth and power; a tendency toward market monopoly or oligopoly (and government by oligarchy) with the attendant high prices, wasteful advertising and hoarding of goods leading untold hardship to the citizens. Other drawbacks are imperialism, counter-revolutionary wars and various forms of economic and cultural exploitations; repression of workers and trade unionists. Some critics consider it to be irrational, in that production and direction of the economy are unplanned, creating many inconsistencies and internal contradictions

4.0 CONCLUSION

In this unit, you have learnt the concept of capitalist market. Equally, you have been exposed to the similarities between cooperative and capitalism. Of importance is the criticisms of capitalism as an economic policy driven by profit and other abuses.

5.0 SUMMARY

Discussions in this unit have explained what capitalism represents and the criticisms often thrown at it. The section equally highlighted the

similarities and differences between cooperative society and capitalism. Features of capitalism have been explained to enable readers differentiate it from other economic ideologies.

6.0 TUTOR-MARKED ASSIGNMENT

1. Carefully explain what you understand by capitalism/
2. What are the similarities between capitalism and cooperative societies.
3. Outline the criticisms of capitalism.

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UNIT 5 THE DISECONOMIES OF THE PREVAILING DISTRIBUTIVE SYSTEM

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- 1.0 Introduction
- 2.0 Objectives
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 - 3.1 Distributive System of Cooperative Marketing
 - 3.2 The Advantages of Integration
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

In this unit we are going to examine the distributive channel system as it relates to the cooperative societies operations. Distribution channels are critical to how cooperative societies will be able to effectively serve their members.

2.0 OBJECTIVES

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

- explain distributive system of cooperative marketing
- distribution channels in cooperative organisations
- describe the economic consequences of poor distribution system

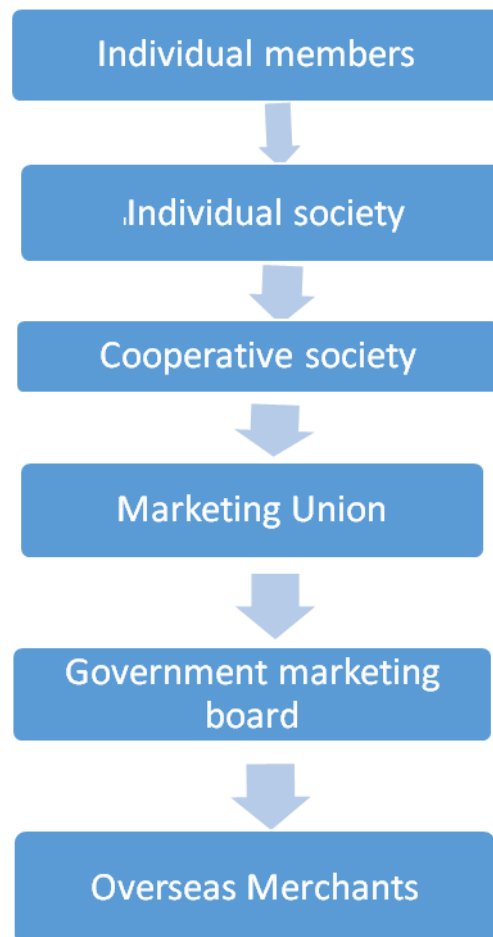
3.0 MAIN CONTENT

3.1 Distributive System of Cooperative Marketing

The key objective of cooperative marketing is to develop distribution and consumer demand that will take as much as possible of the entire output of the cooperative membership at a price which will yield the maximum return per unit of the product (Umebali et al, 2014). So the question could be asked about how far should a cooperative follow their produce to the market? To sell a product requires an integrated distribution systems that will ensure the produce get to as many retail outlets as possible to ensure availability at all times. Buyers will prefer to buy their food items from shops that are not far from their homes. To this end it will be helpful to take the products close to the buyers as much as possible. However, with the prevalence of big stores, competition in the retail business will be heightened with the resultant effect on

margins and profit. It is important to point out that efforts to establish wholesale and retail stores by marketing cooperatives could alienate a great part of the present distributive system especially in areas where it is not feasible to establish cooperative retail outlets.

The channels of distribution in cooperative market means a flow through which goods produced by primary producers to the final consumers. The channel is depicted below:



Where a marketing organisation performs the process and function of two or more stages of distribution extending from the producer to the consumer is often referred to as “vertical integration”. This vertical integration may be partial as when only two or three of the several steps in the chain, from the producer to consumer are performed by a given firm. Both consumers’ producers may derive benefits from such an improvement in marketing. The functions in the integration are:

- Branding
- Packaging
- Processing

- Preservation
- Storage
- Propaganda/Enlightenment

3.2 The Advantages of Integration

The following are the advantages of integration:

- 1) Economies of scale
- 2) Labour and cost reduction
- 3) Efficient distribution of farm commodities
- 4) More control by the cooperative in product distribution
- 5) Benefits from branded products
- 6) Gaining complete control of the distribution system
- 7) Gaining market opportunities from efficient product distribution.

Notwithstanding the advantages, the prevailing distributive systems suffers from diseconomies some of which include:

- 1) **Need for greater managerial skills:** greater managerial skills are required to coordinate multiple activities than in a specialized one stage market organisation. Management will be called on to operate in wider market areas where competition may be stiff
- 2) **More capital:** more capital will be needed by an integral market organisation and the capital is to cover both fixed asset facilities as well as operating current capital. This will involve more capital, greater risk and perhaps more credit and collection problems
- 3) **Adequate volume of business:** there must be adequate volume of business to support the programme. Large volume is needed for efficient and effective operation and to keep per unit cost to a minimum. This requirement is particularly important if entry into national and international markets is planned.
- 4) **Efficiency of existing marketing firms and system:** in determining how far cooperatives should go in the market integration, it is important to determine how efficient the firms and marketing systems through which products will be sold are. Before entering into a marketing integration system, cooperatives should carefully and objectively evaluate the operations of present market firms and systems to determine what and how much improvement may be effected by making such a move.
- 5) **Monopolistic practices:** the cooperatives should discover if any monopolistic tendencies exist in the producer – consumer chain, which enables some firms to take advantage of a large chunk of the market returns.

4.0 CONCLUSION

In this unit you have studied the importance of having an effective distributive channel that will support the cooperative society in serving their members satisfactorily. An integrated distribution channel will of immense benefit to the cooperative societies in their efforts towards cost reduction, profitability and ultimately meeting the needs of their members.

5.0 SUMMARY

Integrated distribution channel is a key objective for a cooperative society to effectively cut cost and effectively serve its members. It is a system that described the flow of goods in a For example members will prefer to buy their products from shops that are closest to them.

6.0 TUTOR-MARKED ASSIGNMENT

1. Describe the distribution channels in cooperative society
2. Explain the effect of weak distribution system on the capacity of a cooperative society to effectively meet the needs of its members

7.0 REFERENCES/FURTHER READINGS

Ogbu, S.O. (2007). *The basic principles and economics of cooperative business*. Homec Global Inc. Abuja ISBN 978-35488-8-3.

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MODULE 2

- Unit 1 The Introduction of Consumer Cooperative In Nigeria With The NSCA In 1940. Reasons for Failure of Early Societies
- Unit 2 The Choice Between a “Top-Downwards” and “Bottom-Upward” Organisation Structure
- Unit 3 The History and Strength of Consumer Cooperatives in Nigeria Today
- Unit 4 Organisation Structure of Cooperative Societies in Nigeria
- Unit 5 Organisation and Management of Consumer Cooperatives

UNIT 1 THE INTRODUCTION OF CONSUMER COOPERATIVE IN NIGERIA WITH THE NSCA IN 1940. REASONS FOR FAILURE OF EARLY SOCIETIES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Types of Cooperative Societies in Nigeria
 - 3.2 Consumer Cooperatives
 - 3.3 Credit Cooperatives
 - 3.3.1 Agricultural/Farmers’ Cooperatives
 - 3.3.2 Housing Cooperatives
 - 3.3.3 Fishing Cooperatives
 - 3.3.4 Worker Cooperatives
 - 3.3.5 Community Co-operatives
 - 3.3.6 Transport Cooperatives
 - 3.3.7 Craftsmen’s Cooperative Societies
 - 3.4 Problems of Early Consumer Cooperatives in Nigeria
 - 3.5 Factors that Militated against the Growth of Consumer Societies
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

The establishment of consumer cooperative in Nigeria was a product of the war condition occasioned by the scarcity of consumer goods especially imported items. The scarcity led to abuses such as hoarding, high prices, price discrimination and adulteration of commodities. The rationalization of essential commodities especially among the colonial merchant and their local collaborators during the war period was the catalyst for the formation of cooperatives in Lagos because economic abuses helped merchants to make huge profit at the expense of the consumers. It was therefore thought that a well-organized cooperative society could gainfully negotiate with importing firms to secure goods and retail same to their members at lower cost than at market price.

2.0 OBJECTIVES

In this unit, the history of consumer cooperative societies in Nigeria is discussed. After reading this section, the reader should be able to:

- explain the history of consumer cooperative societies in Nigeria
- identify types of cooperative societies in Nigeria
- outline and explain the problems of consumer cooperatives in Nigeria.
- identify and discuss the factors that are mitigating against the growth of cooperatives societies in Nigeria.

3.0 MAIN CONTENT

Consumer cooperative was not an urban affair only because few rural towns also saw the need to form cooperatives to help meet some of their economic needs. In Eastern part of Nigeria, Ogwofia and Owa in the then Udi native authority under the leadership of Colonial Divisional Officer, Mr Chaldwick in 1945 established a cooperative shop. They came together and raise funds to finance the cooperative shop by buying goods from Enugu and retail to members at a moderate price. This society dealt in commodities such as salt, soap, white and khaki drill, matches and Epson salt. In the course of time several other towns like Ondo, Benin and Calabar provinces established their respective cooperative outfits.

The spread of cooperative in the North followed the same pattern. There were two urban cooperatives that blazed the trail in Northern provinces. They are the Garkida cooperative society in Bornu province which started in 1943 with the assistance of the Brethren Mission which supplied some essential items to rural communities and also provide thrift facilities and accumulate funds for community development. The

other is was the Northern consumer society domiciled in Kaduna which was started by the Enterprise of Clerical and Technical workers of southern origin. This society was started without official backing and it became an example which appealed to others.

3.1 Types of Cooperative Societies in Nigeria

Cooperative societies in Nigeria were introduced by the British during the colonial period. Unlike what was obtainable in the United Kingdom wherein cooperatives emerged as an organized weapon by poor workers, farmers and artisans, Umehali, Akubulo, Onugu and Emejulu (2014) believed that the emergence of cooperatives in Nigeria was at the instance of the government. This was so because the colonial government needed an organized body through which it can use in stimulating the production, processing and export of cocoa, palm oil, groundnut, cotton and other crops to overseas.

The first cooperative in Nigeria was formed in 1907 when a group of cocoa farmers and merchants in the Agege axis of Lagos came together and formed a sort of a market union named Agege Planters Union (APU). Their primary objective was to bypass the long chain of intermediaries (middlemen) in the cocoa business. The union encouraged farmers to improve on the quality of their cocoa beans by adopting better fermentation processes. Encouraged by the success of the APU, similar organisations around Ibadan, Abeokuta, Ilesha, Akure and other towns in the cocoa producing areas of Western region of Nigeria. Considering the benefits accruing from this organisational initiative, the agricultural department of the then colonial government. Around 1920s started to organize farmers into similar or what some scholars referred to as pseudo-cooperative agricultural associations. In addition to educating farmers on new and improved techniques for the production and processing of cocoa beans for sale, indeed the agricultural associations assumes a critical marketing role for the European export companies.

In view of the pivotal role these unions were playing, in 1935, a Cooperative Ordinance was enacted which was aimed at not only streamline the activities of the nascent unions, but also made it an offense fir any association not registered under the ordinance to bear the title of “cooperative”.

In Nigeria there are of variety associations and other community based organisations whose nature and operations are based on the principles of mutual cooperation and self-help. These include cooperative societies, community development associations, rotating savings and credit associations (isusu), traditional labour cooperative groups (called gayya

in Hausa and aro in Yoruba), age-grade organisations and mutual self-help clubs. Although the aforementioned bodies have similar features as cooperative society, but they cannot in real sense be referred to as one. The international Labour Organisation described cooperative as a formal organisation, formed by persons usually of limited means, who have voluntarily come together for the achievement of a common economic and social objectives of its members by making equitable contributions to the risks and benefits undertakings.

Although cooperatives vary in types and membership size, all were formed to meet the specific objectives of the members and are structured to adapt to members' changing needs. The following are basically the common types of cooperative societies in Nigeria.

3.2 Consumer Cooperatives

Its role is to provide affordable price for goods and services which are essential for the overwhelming majority of people. It is crucially important in the case of domestic commodity shortage. However, consumer cooperatives made its debut in during the second world war of the mid-40s. Aniagu in Umebali (2014) believed that the Second World War in its wake brought scarcity of consumer goods especially imported consumer items. He further argued that the scarcity been experienced during the war indeed brought about many abuses as well, such as high prices of goods, hoarding and discrimination and adulteration of products. These abuses enabled merchants to make abnormal profits at the expense of the consumers. It was suggested that a well cooperative could stand-up to the shylock merchants of imported items and negotiate price reduction for their members.

Consumer cooperative cuts across both urban and rural settings in its development process. For example from the Eastern part of Nigeria, it was reported that the people of Ogwofia Owa in Ezeagu Local Government Area were the first community to demonstrate a noticeable intention to set up a consumer shop during the early years of the Second World War. They came together and raised capital to build and finance a cooperative village shop to buy goods at Enugu at a moderate price.

3.3 Credit Cooperatives

Such cooperatives exist for providing savings and loan services to its members. There are such advantages such as convenient collateral for loans, low-interest rates on issued loans, high speed of decision-making on granting of the required amount of money, the minimum difference between interest on deposits and loans

3.3.1 Agricultural/Farmers' Cooperatives

In Nigeria, the agricultural sector is the main sphere of production. It involves the overwhelming mass of the population (about 43% of the working population). However, the low level of development of productive forces and the predominance of traditional low productivity types of farming makes this industry the most deprived in the structure of the national economy. This type of cooperatives is the most popular among Nigerians. Two-third of all the cooperatives in south eastern Nigeria are farmers' multi-purpose type. They harmonized the functions of marketing, credit, farming, fishing etc together. They assist their members in input purchase and serve as village bank where farmers can keep saving and also obtain a loan on short term basis at low interest rate. It sometimes undertake marketing function for farmers' members. World practices show that development of agriculture is largely determined by the use of the benefits of farmers' cooperative society. The development of a system of agricultural cooperation is the question of social, political and economic importance.

3.3.2 Housing Cooperatives

It is a cooperative where every member can buy a piece of land, take part in building houses and make investments on a profitable basis in real estate business. It offers several services to both tenants and owner members. To tenant members they offer services such as providing community services and other common facilities such as gardens, recreation/relaxation centres, central laundry, health centres, nursery schools etc.

To owner member they provide the following services:

- i. Extension services to member by advising them in all the problems involved in house building.
- ii. Technical services such as design and drawing of building plan, quantity survey and site supervision either by the society's staff or by contracted private Architect and Surveyor.
- iii. Real estate services such as purchase and development of building plots for the owner members.
- iv. The supply of building market – cooperative housing societies differ from most other cooperatives in one important characteristics. It is that while other cooperative societies carry on more or less continuous business with their members involving a number of individual's recurrent business transactions, the housing or society is limited to a single transaction, which is the supply of housing or related services. The moment the sale of dwelling units have been wound up, there

is no longer a functional relationship between members and the housing society since the economic aim has been fulfilled.

3.3.3 Fishing Cooperatives

This is usually organized for providing either fresh or processed fish products. There is even a special discount for its members for buying nets and gears. The fact that the prices are reasonable is why it is easy to get into this kind of cooperation.

3.3.4 Worker Cooperatives

A worker co-operative is a co-operative owned and democratically controlled by its employees. There are no outside- or consumer-owners in a worker co-operative. Only the workers own shares of the business. There are several worker owned and controlled co-operative societies in Nigeria.

3.3.5 Community Co-operatives

Community shops are not dissimilar from food co-ops but are often found in more remote villages and provide some of the services of a convenience store but also frequently have cafe, healthcare or library services.

3.3.6 Transport Cooperatives

In practice the term transport cooperative is applied to a number of different ventures such as the:

- i. Cooperative organized by members in need of transport for themselves, such as a bus services arranged by parents in outlying districts to take their children to school.
- ii. Productive societies formed by drivers, mechanics, etc offering transport services to the general public.
- iii. Cooperatives formed by independent transporters for the purpose of increasing the efficiency of their business.

3.3.7 Craftsmen's Cooperative Societies

Many societies of this nature grew especially in Eastern and Western Nigeria. There was the Awka carvers and blacksmith and in Ikot Ekpene there was the raffia workers based in eastern Nigeria. In Western Nigeria there was the Benin then under Western region with Benin bronze and wood workers, Oyo seamstresses and Oyo calabash carvers'

societies. Government provided legal recognition, while occasionally provides financial support.

3.4 Problems of Early Consumer Cooperatives in Nigeria

There is a perception in some quarters that consumer movements has not been that successful in Nigeria because as at March 1948, there were 10 consumer cooperative societies flourishing in Nigeria, but were all eventually stifled. The reasons for this state of affair could be attributed to the following:

- 1) The societies were unable to withstand the stiff competition from well-established entrepreneurs especially the Importers who bring in these consumer goods usually want to exchange them for cash crops which they happily shipped overseas to their parent companies.
- 2) Due to the nature and circumstances of surrounding the establishment of such organisation, it was not long before the problems of management manifested. This problem it was assumed was due to the hurried manner the cooperatives were started.
- 3) It was reported that most members were ignorant of the basic cooperative principles and proper structure and administration of their societies.
- 4) They sold goods in their shops at the lowest possible prices not minding what is competitors prices are in the local market
- 5) Their rivals allowed market forces to determine the prices of their goods, but this was not applicable in running of the cooperative shops.
- 6) The cooperatives inability to obtain goods at wholesale prices which compelled them to buying from middlemen at retail/semi retail rate and reselling to members often at a loss or the barest minimum profit.

Meanwhile, the indigenious consumer cooperative which functioned like village shops had same problems especially in eastern Nigeria. It was the Gorkida consumer society formed in August 1942 with membership of 200 that became the most successful. The story was not different in western Nigeria where the experiment to use marketing unions to trade in consumer goods failed.

In 1940, the Nigerian Cooperative Supply Association (NCSA) was formed. The idea was well intended because the NCSA was to supply societies nationwide with stationery and equipment such as weighing scale and create export bags. However, these lofty ideals became farfetched because people came to realize that establishing and

managing consumer cooperatives was more difficult than they had anticipated. In no time caution and pessimism set in. Nonetheless, things started looking up when upon the creation of NCSA, it commenced massive importation of goods into the country. The abundance of goods led to credit sales to societies. The attendant result was more failure.

3.5 Factors that Militated against the Growth of Consumer Societies

The following are factors which negatively affected consumer cooperatives in Nigeria:

- a) Nigeria's economy is predominantly agriculture based and less industrialized. This indicates that most of the consumable goods are imported.
- b) Consumer cooperatives in Nigeria do not stand on a solid economic ground. Its existence in Nigeria was directed at solving scarcity problems. So, if there is no scarcity, no need for consumer cooperative.
- c) Strong cartel and monopoly formed by expatriate firms usually work against cooperative societies.
- d) There are insufficient trained manpower to run the affairs of consumer cooperatives societies.
- e) High level of illiteracy and ignorance made it difficult to create a good sense of loyalty to their local cooperative shop
- f) Consumer societies faced stiff competition from prospective members.

4.0 CONCLUSION

In this unit, you are exposed to the history of consumer cooperatives in Nigeria and the common types of cooperative societies. The importance of consumer cooperatives especially the role it has played in improving the standard of living of its members cannot be discounted. The unit concluded by identifying those factors mitigating against the growth of consumer cooperatives in Nigeria.

5.0 SUMMARY

The unit explained the historical evolution of cooperative societies Nigeria and the problems they confronted in their early stage of development. It also identify the various types of consumer cooperatives in Nigeria. The section also identified and described the factors that have mitigated against the growth of consumer cooperatives in Nigeria.

6.0 TUTOR-MARKED ASSIGNMENT

1. Identify and describe the types of cooperatives in Nigeria.
2. Outline and discuss those elements responsible for the poor growth of consumer cooperatives in Nigeria.
3. Clearly explain the challenges that confronted early cooperative organisations in Nigeria.

7.0 REFERENCES/FURTHER READINGS

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UNIT 2 THE CHOICE BETWEEN A “TOP-DOWNWARDS” AND “BOTTOM-UPWARD” ORGANISATION STRUCTURE

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 History of consumer cooperative in Nigeria
 - 3.2 Organisation and Management of Consumer Cooperative
 - 3.3 Functions of Consumer Cooperatives of Consumer Cooperatives
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

The presence of financial institutions in rural areas will have positive effect on rural development. Besides community banks, there is need to establish rural bank branches to encourage rural investments through disbursement of loans. Micro-finance banks should have more presence in the rural areas to help develop the economic activities in the rural settings. There is therefore the need in addition to cooperative societies, the need to form groups such as youth clubs, women organisations, committee of friends etc with development oriented objectives.

2.0 OBJECTIVES

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

- Describe top-downwards and bottom-upwards organisational structure.
- Explain the differences between the two approaches
- Outline the strengths and weaknesses of each approach

3.0 MAIN CONTENT

3.1 Top Downwards and Bottom Upwards Structure

In dealing with the rural dwellers, it is better to adopt the bottom upwards approach. It gives those in charge the opportunity to ascertain the feelings of the masses as against the top downwards where the decision was taken and handed down to the rural dwellers. If the option of top downward is preferred the fate and choice of the rural dwellers

will not be considered and such efforts can be frustrated in the end. The bottom upwards is therefore the preferred choice because of its ability to better galvanize support towards the attainment of the declared objectives.

The bottom-up philosophy which can be likened to democratic approach is also relevant to organisations in the sense that if policies and decisions are made at the top level without allowing contribution or participation from those in the lower cadre, there is a likelihood that such decision will not be implemented effectively. In fact such decisions are often greeted with apathy and in some cases suffer from sabotage from those who feel alienated. To this extent it is important for organisations to embrace collectivism by ensuring that majority of the people are carried along in the decision making process for it to be effective. People who have participated in a process are more likely to have a buy-in and be ready to defend it at all times. It makes for harmony and solidarity.

Some advanced economies such as Japan and Germany are reported to have largely adopted this bottom-up approach which obviously has served them well. In other words bottom-up or democratic approach will help an organisation to build team spirit that is critical to galvanizing the organisation to greater height. It also help in directing individual efforts towards a common goal since everyone will show commitment since they have participated in taking the decision.

On the contrary, top downward approach although might have a few merit, but is often derided for its capacity in creating apathy and disillusionment amongst the staff of an organisation. Similarly, top down approach demotivates and stifle creativity by not allowing those in the lower cadre to express themselves in the governance structure of the organisation. It could be harmful to the overall well-being of the organisation if staff have a feeling that they are not recognized or considered worthy enough to be consulted in matters in which they are the ones who will implement.

4.0 CONCLUSION

The two approaches have their merits and demerits. It must be acknowledge that some situation might favour top downward approach especially when it concerns strategic decision making, but nonetheless its drawbacks are more than its benefits. Creating a team approach is the new strategy in management that has proven to be successful. The bottom-up is better suited to creating a team spirit than the top downward for the reasons already discussed. It is to this extent, we suggest that the bottom-up should be embrace in view of its numerous advantages

5.0 SUMMARY

This unit has discussed the top-downwards and the bottom-upwards organisation structure and their inter-relatedness. Each of the approaches has its advantages and disadvantages depending on the situation. However, it is important for managers to carefully analyze a situation before adopting the approach that will better provide the desired outcome. Nonetheless, the bottom-upwards appears to be superior due to its capacity for creating team approach.

5.0 TUTOR-MARKED ASSIGNMENT

1. Carefully explain what you understand by top-upwards and bottom-downwards organisation structure?
2. Outline and discuss the weaknesses and strengths of each approach.

7.0 REFERENCES/FURTHER READINGS

- Nwaoke, N. M., & Umebali, E.E. (2005). *Cooperatives: A Historical Perspective*. Computer Edge Publishers, Ejigbo, Lagos.
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UNIT 3 THE HISTORY AND STRENGTH OF CONSUMER COOPERATIVES IN NIGERIA TODAY

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Top Downwards and Bottom Upwards Structure
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

The establishment of consumer cooperative in Nigeria was a product of the Second World War conditions. The war brought in its trail scarcity of consumer goods especially imported consumer items. But not long after the war ended the societies collapsed. This was because, immediately after the war conditions would return to normal and the consumer and the consumer cooperative would have no relevance any more.

2.0 OBJECTIVES

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

- Explain the history and strength of consumer cooperative in Nigeria today
- Describe the functions of consumer cooperatives
- Discuss the problems confronting consumer cooperatives

3.0 MAIN CONTENT

3.1 History of consumer cooperative in Nigeria

In eastern region of Nigeria, the first ever recorded consumer cooperative started in Ogwofia, Owa in then Udi native authority. However, as at March 1948 there were 10 consumer cooperative shops already flourishing but all these societies were stifled. This was because these societies were unable to withstand the fierce competition from well established companies.

Within the same period under review, that is around the mid-40s there were about 13 cooperative consumer shops in Northern Nigeria. These

shops can be categorized into two; those caring for the urban dwellers and those looking after the rural dwellers.

Meanwhile the indigenous consumer cooperatives which operated like village shops had some problems in the east. It was the Gorkida consumer cooperative established in 1942 with 200 members that became most successful.

The story in the Western Nigeria was not different from what was obtainable in other parts of the country. The experiment to use marketing unions to undertake trading in consumer goods failed woefully.

3.2 Organisation and Management of Consumer Cooperative

The responsibility of managing cooperatives is entrusted to the management committee or board of directors. The members of the committee are elected through a democratic process of voting. A general meeting is summoned and notice of the meeting is sent out in good time to all members informing them of the meeting, the time and place where the meeting will take place. During the meeting, members are allowed to discuss all matters concerning the election. Every member qualified to vote must be allowed to exercise his right without hindrance. It is one man one vote. The members must also have the right to be involved in other decision making such as determining the credit limit of the society and members appointment to certain categories of staff (top management).

Furthermore internal democracy is another key part of cooperative management. This allow members to delegate power to certain officials and still retain the power to withdraw same through a resolution. Therefore, to ensure democratic control, the members must have access to certain books and documents of the society, have the right to information and be allowed to exercise their control. In addition, periodic and final accounts and reports should be made available to the members. The accounts and operations of the societies must be audited and the report submitted to members.

3.3 Functions of Consumer Cooperatives

The effects of the activities of consumer cooperative had micro economic effects with socio-political implications. Onah (2000) believed that on the social aspect the principles of democracy and equity according to which cooperative societies operated created a sense of dignity in the members. Irrespective of a member's age, sex, race or social background, irrespective of the volume of business transactions a

member undertakes, when members meet in their cooperative meeting to take a decision on the fortunes of the cooperative, they meet as persons on the basis of equality, one man one vote. This cooperative principle is structured to afford every member a sense of pride and importance which may take the drabness out of his life.

When consumer cooperative operate efficiently, they have the effect of raising the standard of living of the members/customers, making the retail trade competitive. Some of the specific functions of consumer cooperatives are:

- 1) Ensuring fair and reasonable price for good and services
- 2) Ensuring the scale of goods with accurate weight and measure
- 3) Making goods available to a cross section of the community
- 4) Ensuring the sale of pure and unadulterated goods
- 5) Helping the government in its distribution policy
- 6) Protecting consumer interest especially during periods of scarcity of goods, trade malpractices by traders and uncontrollable inflation.
- 7) Helping to educate consumers
- 8) Ensuring competition.
- 9) Offering credit sales to their members.

3.3.1 Problems of Consumer Cooperatives

The question often asked is why do consumer cooperatives do better in advanced economies than in developing countries such as Nigeria. Yahaya (2001) is of the view that consumer cooperatives in Nigeria have not done well because her economy is predominantly agriculture driven. This can be explained in terms of internal and external factors:

- Little need for consumer cooperative
- Low purchasing power
- Higher overhead cost and stiff competition from small retailers
- Unavailability of some cooperatives due to their smallness
- Poor management and organisation
- Lack of supportive loyalty of members and general awareness on the part of the public
- Over-dependence of societies on private manufacturers and producers for the supply of goods
- Over-dependence of the country as whole on importation
- Over-dependence on manufactured goods instead of on basic need items most of which can be produced locally
- Too much government involvement in the affairs of cooperatives

- Corruption of government cooperative officials and cooperative officers and employees
- Stiff competition from well managed big stores
- Poor financing.

4.0 CONCLUSION

In this unit we have learnt the history and strength of consumer cooperative societies in Nigeria. You are now also conversant with the functions and problems of consumer cooperatives. Discussions on the organisation and management of consumer cooperatives have helped thrown more light on how they can be better managed for successful delivery on their mandate.

5.0 SUMMARY

This unit was focused on the history and strength of consumer cooperative in Nigeria. The section successfully traced the historical evolution of consumer cooperatives and also explained the functions they perform. The unit further discussed the problems confronting them and also explained how they are organized and managed.

6.0 TUTOR-MARKED ASSIGNMENT

1. Explain the functions of consumer cooperative in Nigeria
2. Describe the challenges confronting consumer cooperative societies
3. How are consumer cooperatives organized and managed?

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UNIT 4 ORGANISATION STRUCTURE OF COOPERATIVE SOCIETIES IN NIGERIA

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 The Consumer Approach
 - 3.2 Wholesale Societies
 - 3.3 Retail Societies
 - 3.4 The Producer Approach
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

It is difficult to have a uniform classification that will be accepted by all as there is no fixed method of classifying cooperative societies. In this section therefore, various approaches will be discussed to help enhance understanding of the topic. Ordinarily, it is possible to classify cooperative societies as either consumer or producer. This is to enable us identify members as either providing daily needs or services or helps members improve their well-being through production.

2.0 OBJECTIVES

At the end of this study session, the readers should be able to:

- Explain what an organisation structure means
- Describe the various types of categorizations

3.0 MAIN CONTENT

3.1 The Consumer Approach

In the consumer approach, two types are prevalent. These are:

- i. Goods
- ii. Services

Under goods, we have

- a) Wholesale societies and;

- b) Retail societies

3.2 Wholesale Societies

These are tertiary or secondary cooperatives with affiliates. The main objectives of these type of societies is to pull resources of affiliate members by buying in bulk from producers. Some in advanced economies even go as far as importing scarce goods from abroad.

3.3 Retail Societies

These are basically primary cooperatives with individuals as members. They sell to members in small quantities.

In the category of services, there are cooperatives established by individuals who wishes to meet their socio-economic need through their membership of cooperative societies. Some of the services availed to members include:

- a) Housing
- b) Telephone
- c) Banking
- d) Recreation
- e) Insurance

3.4 The Producer Approach

This is a type of cooperative where members are producers and not consumers. Due to the flexible nature of cooperatives, producers leverage on it to increase their relevance and earning capacity. Membership of this type of cooperatives is often found in agricultural driven economies prevalent in developing countries. This is so because the producers are farmers who farm on fragmented small scale farms using poor and archaic farming tools such hoes and cutlasses etc. To this end they form cooperative societies to improve their productivity and proficiency as was practiced by cocoa farmers in the old western region of Nigeria.

It is also possible for producers to be manufacturers in non-agricultural sector or industrial sector with membership cutting across artisans and industrialists. In essence they use membership of cooperative society to further their socio-economic well-being.

Under this category are producers in agriculture and non-agricultural sectors. Under the agriculture sector are:

- a) Supply cooperatives
- b) Purchasing cooperatives
- c) Marketing cooperatives
- d) Credit cooperatives
- e) Fishery cooperatives
- f) Insurance cooperatives
- g) Farming cooperatives
- h) Production cooperatives.

Others in non-agricultural sector includes:

- a) Industrial cooperatives
- b) Artisans cooperatives
- c) Credit cooperatives
- d) Builders cooperatives
- e) Manufacturers cooperatives

However, scholars such as Onuoha suggested that five categorizations based on economic zones such as:

1. Production
2. Processing
3. Sales
4. Purchasing
5. Services.

Onuoha further argued that all cooperatives can be categorized under any of the categories listed above. A further breakdown into subdivisions. For example in production you have the following:

1. Livestock
2. Fishing
3. Lumbering
4. Mining

Under processing, you have:

1. Mills
2. Gin
3. Dairy
4. Butchery

Sales has only marketing; while purchasing has consumers and supply cooperatives. The last category which service has the following:

1. Credit

2. Banking
3. Insurance
4. Housing
5. Transport
6. Health
7. Education
8. Electricity
9. Recreation

Classification criteria – there are about 10 criteria for classifying cooperative societies. These are by:

- 1) Legal status
 - (a) Registered cooperative – liability limited by shares
 - Liability limited by guarantee
 - Unlimited liability
 - (Formal society)
 - (b) Unregistered cooperative - Unlimited liability
 - (Informal society)
- 2) Functions performed
 - a) Productive cooperative - ordinary productive cooperative
 - Full productive cooperative
 - b) Auxiliary cooperative - Multi-purpose cooperative
- 3) Geographical area of operations
 - a) Urban
 - b) Rural
 - c) Semi-urban
 - d) Maritime

It is important to emphasize that readers should understand that while some types of cooperative excel in each of these areas, consumer cooperatives do well in urban areas while Artisans seem to blossom in the semi-urban areas. Equally, fishery will easily do well in the maritime sector, while agriculture will excel in the rural areas.

- 4) Economic function performed
 - a) Production (i) extractive (farming, mining, fishing, forestry, livestock etc)
 - (ii) Craft or Artisan cooperative (iii) manufacturing small, medium and large scale.
 - b) Processing mills, gins cosmetics etc
 - c) Sales (i) marketing cooperatives (ii) collective bargaining cooperative
 - d) Purchasing of producer's goods

4.0 CONCLUSION

This unit has exposed us to the various categorization of organisation structure in consume cooperatives. The various categorizations and criteria made it easier to differentiate and understanding them. These categorization include producers and consumers approaches. Of significance is the economic functions performed by each of the elements identified.

5.0 SUMMARY

In this unit we have discussed organisation structure. The various approaches of categorization were also highlighted. Indeed several categorization were identified which covered the consumer and producer approaches. Also covered were the classification criteria for the classifications. Wholesales and retails societies were outlined and discussed.

6.0 TUTOR-MARKED ASSIGNMENT

1. Outline the various categorization of organisation structure
2. Explain the differences between the consumers and producers approach
3. Discuss the legal status of registered and unregistered cooperative society

7.0 REFERENCES/FURTHER READINGS

- Mutalla, B. (1977). The development of Cooperative Movement and Banking in Nigeria. *The Nigerian Trade Journal* July/September edition
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UNIT 5 ORGANISATION AND MANAGEMENT OF CONSUMER COOPERATIVES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 The Nature of Cooperatives
 - 3.2 Management of Cooperatives
 - 3.3 Elements of Cooperative Management
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

Cooperative management can be described as the act of combining ideas, processes, materials, facilities, and people to effectively provide the services to meet members-owners expectations. It sometimes demands the creation of a unique business model, which is based on its peculiar characteristics which have their roots in the template designed by Rochdale pioneers several years ago. Therefore, the roles of management in cooperative requires formulating, and executing policies, operating efficiently, providing goods and services, keeping the cooperative financially sound so as to adequately meet the objectives for which it was created.

2.0 OBJECTIVES

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

- The nature of cooperative societies
- Management of cooperatives
- Elements of cooperative management
- The functions of each organ of the cooperative

3.0 MAIN CONTENT

3.1 The Nature of Cooperatives

Cooperatives were first introduced into Nigeria during the colonial period. The British colonial masters who introduced cooperatives already had a good knowledge of its operation through the cooperative movement and equitable society of Rochdale Pioneers who had its

origin in Britain in 1844. However, unlike the British whose cooperatives emerged as a weapon of the peasants such as farmers and artisans, cooperative societies in Nigeria owe their origin, objectives and pattern of development to the benevolence of the government. The colonial government introduced cooperative society into Nigeria as part of its overall policy of stimulating the production, processing and exporting of cocoa, palm oil, groundnuts and other crops to Europe.

This historical antecedent Umeabali et al (2014) noted has left the Nigeria cooperative movement with three essential legacies. First, the Nigeria cooperative society has remained essentially a government affair, wherein the government is often the one initiating, spreading, mobilizing and organizing the people into cooperatives for their own benefits and to also help achieve the socio-economic policies of the government. Second, the cooperative movements has remain largely a rural affair with agricultural cooperatives of various types forming the bulk of registered cooperatives. This situation has tended to a wrong signal that only the rural farmers need cooperative society. Third, there seems to be very little interest from the generality of Nigerians in forming cooperatives based on self-help. To this extent the Nigeria cooperative movement appears weak and lethargic in pursuing self-help, independence and self-reliance which is the bedrock of cooperative societies generally.

3.2 Management of Cooperatives

Cooperative management can be described as the act of combining ideas, processes, materials, facilities, and people to effectively provide the services to meet members-owners expectations. It sometimes demands the creation of a unique business model, which is based on its peculiar characteristics which have their roots in the template designed by Rochdale pioneers several years ago. Therefore, the roles of management in cooperative requires formulating, and executing policies, operating efficiently, providing goods and services, keeping the cooperative financially sound so as to adequately meet the objectives for which it was created.

Meanwhile, managing a cooperative remains a challenging undertaking. This is because it goes beyond just managing of resources and business operations as is common with other types of business, but includes dealing with challenges arising from cooperative unique characteristics. In cooperatives, members are both owners and also patron, consequently special relationships and problems often arise with respect to responsibilities of the members and board of directors.

To successfully manage a cooperative society, the following skills and competences must be acquired by a cooperative manager that desired to be effective on the job.

1. Ability to adjust decision making process to suit a business where owners are also patrons
2. Ability to deal with complex issues of equitable treatment of owners – patrons
3. Ability to work in a service oriented organisation
4. Competencies in appreciating the managerial implications of business ownership and control peculiar to cooperative.

3.3 Elements of Cooperative Management

Generally speaking, cooperative management is carried out by three major components. These are:

- a. Member
- b. Board of Directors
- c. Hired Management

A. Members

These are individual/group who have joined the cooperative right from inception or were admitted after the cooperative was registered. Members have interest and responsibilities in the broad management of the cooperative. They are both the owners and patrons and responsible for its operations.

Each members is required to gives its full support and cooperation and offer continuous loyalty by living up to his membership agreement. Members are also expected to show concern for the management of the cooperative and its policies.

Some of the major management responsibilities of members are:

- i. Adopt and amend bye-laws that cover all the control and rules of operations of the cooperative
- ii. Select competent board of directors (who must fairly represent the interest of the management)
- iii. Study major issues and cast votes (eg adoption of long range plans, major expansions in facilities, change in capital structure, adoption of marketing contracts etc)
- iv. Required the management to make complete, accurate and detailed accounts of each member's business and to make prompt returns

- v. Examine or request an audit of the books, records and property of the cooperative.

In order for the members to exercise their rights, they must take action in properly called meetings. The bye-laws should specify the procedure of calling meetings. The annual general meeting, or a special meeting called meeting is regarded as the proper time for legislation and policy making by members.

B. The Board of Directors (Executive/Management Committee)

This refers to a group of elected members of a cooperative who are vested with all the corporate powers other than those deliberately conferred on members. Their powers and responsibilities are set forth in the cooperative bye laws. Directors (Exco members) occupy a position of trust, responsibility and liability. They are subject to legal actions resulting from gross negligence, fraud and dishonesty. It is therefore very important they are good leaders and have a philosophy and purpose in sync with that of the cooperative. Their major functions are:

- i. Establishment of business objectives and policies which are in line with the bye laws and programmes adopted by the membership
- ii. Function as trustees for the membership in safeguarding the assets in the cooperative
- iii. Adopt long range plans
- iv. Employ competent managers and other officers and delegate authority and responsibilities to them
 - v. Pressure the cooperative character of the organisation
- vi. Control the local operations of the cooperative in a business-like manner
- vii. Attend board meetings regularly
- viii. Distribute net margins and or savings made by the cooperative equitably
- ix. Provide tools for effective communications
 - x. Employ qualified auditors to make an independent audit
 - xi. Provide indiscriminate leadership
- xii. Patronize the cooperative
- xiii. Keep informed (attend meetings, read magazines and papers, study reports, observe compilation, inspect cooperative's asset etc)

Meanwhile, the following considerations are important when electing members of the Board (Executive Committee).

- a) **Personal characteristics:** This talks about integrity and the strength of character to resist undue pressure, good inter-personal relation, fair-mindedness and good judgement, loyalty, ability to communicate and express ideas clearly and emotional stability.
- b) **Business characteristics:** Entrepreneurial skills which is necessary to manage the business successfully, knowledge of cooperative business, leadership abilities, knowledge and understanding of finance and ability to relate information to affairs of the business.
In essence, to have an effective management, the board of directors of a cooperative must be honest, selfless, level-headed, progressive, punctual, innovative, knowledgeable and above all respectable.
- c) **Directing:** This refers to the day-to-day implementation of detailed activities. It is the process of instructing employees/members on what to do and when to do it. Basically directing involves assigning duties, delegating the necessary authorities, creating the desire for success, setting targets to be achieved and ensuring that the job is executed perfectly.
- d) **Coordinating:** This is basically a communication function. It is fitting together all the components of an organisation/corporation such as people, facilities and other resources to achieve a seamless operation.
- e) **Controlling:** This consists of checklist of expected outcomes to ensure that plans are being followed as intended. Control is not primarily to prevent certain activities from being carried out, but to serve as yard-stick for measuring the progress of the business. Therefore, control is a complementary function to other functions of the board of directors (or a manager).

C. The Cooperative Manager (Hired management)

- a) He must know his job. In other words he must grounded in knowledge of his job. He must have the capacity to adjust decision-making to a business where patrons or suppliers are also members and be able to deal with complex issues to achieve an equitable treatment of owners/patrons
- b) He must be a good administrator – this is to say he must understand various efficient methods of doing the job; delegate responsibilities while maintaining authority; work in a service oriented organisation.
- c) Must have the education and experience that go with the job
- d) Must have thorough understanding of the operations of cooperatives. Understand the purpose of the business/service, understand his position between the Board and the members; promote the cooperative to non-members.

- e) Must have the ability to go along with the clients, Board of Directors, supervisory committees, members, other groups and other individuals or stakeholders connected with the cooperative
- f) Must realize the managerial implications of business ownership and control techniques unique to cooperatives.

4.0 CONCLUSION

This unit has explained the nature, management and elements of consumer cooperative management. Indeed the management of cooperative is key determinant of whether consumer cooperative will be successful. It is due to this imperative that the functions of each organ of the cooperative was outlined and discussed.

5.0 SUMMARY

The unit discussed the nature, management and key elements of cooperative societies. It highlighted their functions to help us understand the role each one of them is expected to play. The skills and competences expected from those who which to be elected officials of the cooperative or manage its affairs were discussed in detail.

6.0 TUTOR-MARKED ASSIGNMENT

1. Outline and discuss the elements of consumer cooperative
2. Enumerate and explain the qualities expected from those to be elected into the board of cooperative societies
3. Clearly explain the major responsibilities of members of a cooperative society.

7.0 REFERENCES/FURTHER READINGS

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MODULE 3

Unit 1	Selling, Financing, Pricing and Salesmanship
Unit 2	Book-Keeping in a Consumer Cooperatives
Unit 3	Distribution of Surplus
Unit 4	General Meetings: Committee Meetings, Functions of the General Manager
Unit 5	Duties of Secondary and Apex Consumer Societies. Case Study Guides to Case Study for Examination Purposes And Class Discussions

**UNIT 1 SELLING, FINANCING, PRICING AND
SALESMANSHIP**

CONTENTS

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Pricing
3.2	Salesmanship
3.3	Selling
3.3.1	Selling Process
3.4	Financing
3.5	Sources and Methods of Cooperative Financing
3.6	Share Capital
3.6.1	Capital reserve
3.6.2	Borrowed Capital
3.7	Trade Credits
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Readings

1.0 INTRODUCTION

In this unit we are going to look at the supply problems display, selling, stock-keeping, financing, pricing and salesmanship in the context cooperative organisation.

2.0 OBJECTIVES

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

- Explain the meaning of supply problems display, selling, stock-keeping, financing, pricing and salesmanship.
- Understand how this variables operate in a cooperative setting

3.0 MAIN CONTENT

3.1 Pricing

Price is a critical factor in any economic activity. The importance of price has always been recognized. In micro economic theory or price theory, is essentially devoted to the study of those factors that determine what price to charge for a good or service.

Pricing Agbonifor, Ogwo, Nnolim and Nkamnebe (2007) said can be define as “the process of price determination or price fixing”. Pricing is a key activity in any free enterprise economy. Pricing is important to both the seller and the buyer of a product. To a seller price is very important in several interrelated ways. For example the price of a product determines what quantity can be sold at given time. Similarly, the price of a product helps to determine the revenue accruing to the seller. Furthermore, price has an effect on the profit or loss margin of the seller. In essence the higher the price the higher the profit margin, given that all other things remain equal.

3.2 Salesmanship

Salesmanship is a key skill adopted in personal selling. In other words Salesmanship is the tactics of convincing a buyer to buy a product or service. According to Ifezue (1999) “Salesmanship is the effort of the sellers to provide the buyers with important product information aimed at motivating and persuading them to take favourable buying decisions concerning a product. Salesmanship involves persuading people to buy what you are selling by making them wanting it and helping them make up their minds as fast as possible. A salesman must have the ability to explain a product features adequately to buyers by focusing on the product benefits to the buyer. Salesmanship can be executed through the application of selling techniques and advertising. However, it must be pointed out that while advertising brings buyers to the product, personal selling brings the products to the buyers.

A salesman man have the following qualities

- i. Education
- ii. Honesty
- iii. Good appearance
- iv. Good temperament

- v. Loyalty
- vi. Initiative
- vii. Commitment

3.3 Selling

This refers to those activities directed majorly at immediate exchange. It is the responsibility of the sales personnel to ensure that the company's products are sold.

3.3.1 Selling Process

The personal selling process represents the various stages a salesman has to go through before actualizing the sale of his goods. The number of stages a sales person passes through in selling his products depends on the nature of the product and the selling situation that the sales person is being confronted with. Several marketing scholars have come up with various versions of personal selling process. However, for the purpose of this module, we shall list the stages of personal selling adopted by (Eniola & Olutade, 2013). The processes which must be followed in the order listed are:

1. Prospecting
2. Pre-approach
3. Approach
4. Presentation demonstration
5. Objection (NO/Acceptance (YES)
6. Closing sales
7. Follow-up

3.4 Financing

Finance is very critical to any organisation, cooperative societies inclusive. There is no gainsaying that without financial capability and by extension supported by effective financial management the programmes and policies of the cooperative may not be able to be implemented.

Adequate financing of a cooperative business ensures and guarantees the continuity of the enterprise. It also helps the organisation to plan ahead in investing in other areas such as stocks, in human development and other viable business interest.

3.5 Sources and Methods of Cooperative Financing

Cooperative societies need funds or capital to finance their fixed and capital assets, pay for services and other commitments. Lack of funds

has been identified as a major constraint of cooperative business in most developing countries including Nigeria.

There are different sources of finance available to cooperative societies. These sources can be classified as **owned and borrowed capital**. Owned capital this is sourced from within the cooperative organisation while borrowed capital is from outside the cooperative or third party. Amahalu, (2003) noted that the ability of a cooperative organisation to meet its long term and short term capital requirements is a function of the extent to which it can raise money from other sources. The sources cooperatives often turned to for financial help vary from country to country. For example Rochdale Pioneers believed in accumulating sufficient share capital while Raiffeisen credit societies depends exclusively on borrowed funds and had no shares at all Onuoha (1996). Owned capital is made up of share capital otherwise known as Equity or risk capital and capital reserves. Owned capital is that part of a cooperative's financial resources which remains in the society and is not repayable at any future date with the exception of the share capital contributions which is repayable on member's withdrawal or expulsion (Helm, 1998)

3.6 Share Capital

This is the money contributed by members of the cooperative when they join the society and by any subsequent payment. Share capital enables the cooperative to be functional. In Britain, share capital is a prerequisite for membership.

3.6.1 Capital Reserve

This is an example of self-finance or also called common or social capital. It is the fund created and maintained within the cooperative business enterprise for different reasons but essentially as a buffer against unforeseen circumstances. Reserves can either statutory or voluntary. Statutory reserve are backed by relevant cooperative law. It is compulsory whether members like it or not. On the other hand voluntary reserve derives its existence from the free will of members who maintain them as a result of their conviction as to the advantages and its necessity. Voluntary reserve is an addition to the statutory reserves and it is created after the statutory reserves are met.

3.6.2 Borrowed Capital

This is sourced from outside the cooperative such as from a third party. The need for it often arises due to the limitations of share capital and reserve capital. It does not remain permanently in the cooperative and it is repayable at a pre-determined interest and date.

3.7 Trade Credits

This is an option whereby instead of a cooperative paying cash for the goods and materials procured, it gets credit facility from her customers. It is an arrangement that allows a cooperative delay payment until future date.

4.0 CONCLUSION

Selling, salesmanship, pricing and financing as are key ingredients for a cooperative have been discussed. It is important for cooperative to continually improve on them so as to better serve her members.

5.0 SUMMARY

Various key elements of cooperative such as selling, pricing, salesmanship and financing have been discussed. For example the unit outlined the various financing options opened to a cooperative organisation which it can take advantage of to help it be successful. Understanding of pricing mechanism is also noted. Salesmanship and selling are other key areas which every cooperative should pay attention to.

6.0 TUTOR-MARKED ASSIGNMENT

1. Write short notes on salesmanship, pricing and financing
2. Outline and discuss sources of financing available to a cooperative
3. List five qualities of a salesman.

7.0 REFERENCES/FURTHER READINGS

- Agbonifoh, B., Ogwo, E., Nnolim, D., & Nkamnebe, A. (2007). *Marketing in Nigeria: Concepts, Principles & Decisions*, 2nded, Afritowers Books Benin-City.
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UNIT 2 BOOK-KEEPING IN A CONSUMER COOPERATIVES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Legal provisions Relating to Accounting in Cooperative Business
 - 3.2 Level of Accounting in Cooperative Societies
 - 3.3 Accounting Books and Records Kept by Cooperative Societies
 - 3.4 Importance of Accounting to Cooperative Societies
 - 3.5 Nature of Cooperative Audit
 - 3.6 Cooperative Audit Compared to Audit of other Business Organisations
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

Book-keeping in cooperative society is statutory. Rule 8 of the cooperative laws, rules and bye-laws mandates all cooperative businesses to keep accounts of their transactions and to maintain such books as prescribed by the Director of cooperative or Chief Registrar.

2.0 OBJECTIVES

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

- The importance of book-keeping in consumer cooperative
- The legal requirement of book-keeping in cooperatives
- The various types of accounting records in use in a consumer cooperative
- The benefits of conducting audit in cooperative societies.

3.0 MAIN CONTENT

3.1 Legal provisions Relating to Accounting in Cooperative Business

Furthermore, rule 15 also stipulates that annual accounts are expected to be prepared by the cooperative societies in order to reflect the trading

operations, income and expenditure or the profit and loss accounts, the balance sheet and other financial information as may be required by the Chief Registrar. The fore-going has indicated the importance the governing law placed on cooperative societies to keep proper and up to date accounting books. Adeleye (1976) observed that the primary objective of cooperative accounting system is not for profit measurement, but assessment and accountability of the resources available for cooperative activities.

3.2 Level of Accounting in Cooperative Societies

The level of accounting in cooperative organisations depends on the type and volume of businesses for which the organisation is involved. For example in a credit cooperative society whose functions is usually to give loans to members, collect savings etc. The accounting level is that of income and expenditure accounts and balance sheet. These accounts deal only with nominal items involve expenses incurred and income earned.

Equally, in a produce marketing organisations whose functions involve bulk buying and selling of members products, the accounting level is that of trading, profit and loss accounts and balance sheet. Here, the profit and loss accounts will contain other expenses and income which are not reflected in the trading account during the accounting period and also contains nominal charges such as depreciation and provision for depreciation. This is also applicable to consumer organisation.

In a manufacturing cooperatives, there are three sets of accounts plus the balance sheet. These are manufacturing, trading and profit and loss accounts. Similarly, in a multi-purpose cooperative organisations, which are involved in several activities as their functions, there is need to segregate different accounts into different activities in order to judge the trading or operational performance of each activity. According to Nnadi (1991), "accounting is a language used to communicate financial and other information to all the interested parties. Thus business enterprises use accounting to plan, control their business activities and to report to owners, creditors, labour unions and government agencies". To this end the accounting information contained in the arranged system according to the nature of each type of cooperative organisation helps members and non-members to make sound economic decisions and make predictions. Meanwhile, Nwokedi (1985) observed that although cooperatives societies are not created to make profit in the business sense, however, it is important they do not depend wholly on the funds from contribute by members, but should be organized in such a way that their activities will generate profit for the their owners. To this end, it is helpful there is an accounting system that provide members the information that will help

them evaluate the business success in making profit like other businesses.

Arising from the foregoing, Adeyeye (1976) suggested that financial reporting for cooperatives should:

- 1) Cooperative reports should assist members in fulfilling their duty to be accountable to each other and should enable users to assess that accountability. Cooperative accounting should assist in evaluating the operating results of the cooperative entity for the year.
- 2) They should assist users in assessing the level of services that can be provided by the cooperative entity and its ability to meet its obligations when due.

3.3 Accounting Books and Records Kept by Cooperative Societies

Berko (1991), believed cooperative accounting systems have several unique characteristics which are based on the nature of the business they do. To meet their objectives, various types of accounting records are operated to record their transactions for easy understanding, interpretation of the data captured therein. The books include:

- 1) Cash receipt book
- 2) Produce receipt book
- 3) Payment vouchers
- 4) Cash book
- 5) Monthly analysis book
- 6) General ledger
- 7) Personal ledger
- 8) Journal book
- 9) Purchase book
- 10) Sales book
- 11) Loan bonds
- 12) Loan register
- 13) Members passbook
- 14) Patronage register

These records help the cooperative society to evaluate their economic resources as a business concern and to members as owners in decision making.

3.4 Importance of Accounting to Cooperative Societies

Accounting play an important role as a process of identifying, measuring and communicating economic information expressed in terms of money,

to enhance better judgement and decision by users of the information. The relevance of accounting cooperative societies can be seen in the impact it has on cooperative business. Conducting a business requires several transactions and every transaction affects the financial position of the business. Some of the usefulness of cooperative accounting are:

- 1) In cooperative business where loans are granted to members, there is need to use accounting to value loans given to members especially those issued in kind as cash. There is need to determine the amount of loan issued, amount repaid and the outstanding balance at any given time.
- 2) The monetary value of produce sold or marketed in a produce marketing cooperative can be ascertained thorough accounting. Similarly, in a processing cooperatives, the importance of accounting is manifestly shown when the cooperative measures and value paddy rice from members for processing or where it buys for resale. It is through cooperative accounting that we can determine the income generated from sales and expenses incurred, thereby making it possible for the cooperative to adjust and re-adjust for efficiency.
- 3) In consumer cooperative, accounting helps to determine the quality and value of goods bought for resale. Stock books are maintained and all incidental cost recorded in order to know how the business of the cooperative has been fairing and the issues that need attention, if necessary as it relates to the business. Equally, where members are expected to receive patronage rebate from profit made, there is need to maintain records of purchases for easy patronage payment.
- 4) Cooperative organisations are expected to operate at a margin or surplus. To determine if this outcome has been achieved is dependent on well the accounting details of the cooperative are articulated.
- 5) It helps to determine the appropriation of profit or disposal of surplus. Indeed the importance of this cannot be understated because cooperatives are established to ensure equity and comply with statutory requirements. In preparing accounts of cooperative organisation, provision of cooperative law with respect to reserve funds stipulate that 25% of the surplus of the cooperative is transferred to the reserve fund account. To comply with the provision, it is important to keep proper accounting details of the cooperative activities because such funds can be invested elsewhere to generate income for the organisation.
- 6) Activities of the cooperatives are under the watchful eyes of the Chief Registrar of cooperative societies who is a representative of the government. To ensure effective control of this functions, annual accounts prepared by cooperatives are sent to his office

for evaluation and approval. Thus, the Chief Registrar, obtains accounting information about the cooperative. The financial details sent to the Chief Registrar helps to evaluate the performance of the societies.

- 7) Statistical information such as information on the shares, loans, working capital help management to plan, to attract more members to the cooperative and aid in national planning. All these can be provided or made available if proper account are kept by cooperative societies.
- 8) Cooperative accounting helps to ensure accountability of the management committee to the shareholders/members and to others who may have some contacts with the cooperatives.

However, where a cooperative organisation fails to keep financial accounts of its activities section 40 of the cooperative law empowers the Registrar to audit or cause to be audited by some persons authorized by him by general or special order in writing the accounts of every registered society at least once in every year.

Auditing Aguolu (1998) says is the independent examination of the financial statements of an organisation with a view to expressing an opinion as to whether these statements give a true and accurate view of the financial transaction of the organisation in consonance with the relevant laws.

3.5 Nature of Cooperative Audit

The primary focus of audit as postulated by Okoye (1998) is to examine all available and relevant evidence that relates to financial statement with the intent of reporting whether the said accounts give the required information and in the manner prescribed by law. In cooperative societies, the nature of audit work is guided by cooperative law 40(2). The section states that audit of cooperatives activities shall include an examination of any overdue debt and valuation of the assets and liabilities of the registered society. Similarly, section 40 sub-section 3 of the law also stipulates that the Chief Registrar and every other person appointed to audit the accounts of a society shall have power to:

- a) Summon at the time of the audit any officer, agent, servant or member of the society whom he has reason to believe can provide material information in regard to any transaction of a society or the management of its affairs; or
- b) Acquire the production of any book or document relating to the affairs of, or any cash or securities belonging to the society by the officer, agent, servant or member in possession of such book, document, cash or securities.

Therefore, any officer, servant or member of a registered society willfully, neglecting or refusing to do any act of provide any information, or providing information known to be false or without reasonable excuse for disobeying any summons, requisition or order under subsection (3) shall be guilty of an offence punishable on conviction to a fine or imprisonment.

The nature of cooperative audit is conventional and is performed by an independent statutory authority directly attached to the Chief Registrar of the cooperatives. In recognition of this fact, the cooperative law gives a special status to the auditor to guarantee his independence and performance. Cooperative societies rules38(2) stipulates that any contravention reported by the auditor shall be notify to the Chief Registrar of the cooperative organisation concerned and such audit report or notification shall be considered at the meeting of the general management committee after its receipt and read out at the next general meeting of the cooperative society.

3.6 Cooperative Audit Compared to Audit of other Business Organisations

The appointment of cooperative auditor is governed by section 40 of the cooperative which empower the Chief Registrar of the cooperative organisations to audit and report on the accounts and events of cooperative businesses which are entrusted to him to supervise. However, in other statutory audits, the appointment of an auditor of a limited liability company is governed by section 357 of the Companies and Allied Matters Act of 1990 (CAMA) which provides as follows:

- a) Every company shall at each annual general meeting (AGM) appoint an auditor or auditors to audit the financial statements of the company and to hold office from the conclusion of that annual general meeting until the conclusion of the next meeting
- b) At any annual general meeting, a retiring auditor, however, appointed, shall be reappointed without any resolution being passed.

On the qualification of the person to be appointed as auditor, cooperative law does not specified the qualification necessary to be so appointed. It only say that the Chief Registrar or any person authorized by him by a general or special order in writing shall audit the accounts at least once in every year. Therefore, for a person to be qualify to be appointed by the Chief Registrar such an appointee shall not be a staff in the Chief Registrar's office. In effect the law provides that a person shall not be qualify to be appointed as an auditor of a company unless he is a

member of a body of Accountants in Nigeria established by an act or decree.

With respect to the powers of the auditor Law 41(1) stipulates that the Registrar and every other person appointed by him on his behalf under the provision of this section shall at all reasonable times have access to all the books, accounts, documents and securities of a registered society and shall be entitled to inspect the cash in hand and every officer of the society is required to provide such information as regards to any transactions and workings of the society as the person undertaking such inspection may require. But in the case of a limited liability company, the auditors have some duties assigned to them under the Companies and Allied Matters Act (1990). He is required to make a true and fair report of the financial activities. If he is negligent in any way and fails to discover that the financial statements contain matters that are untrue or do not fairly represent the position, then he may be legally required to make good any losses suffered by persons who have acted in reliance to the false statements. To ensure the proper performance of its duties, the act confers on the auditor extensive rights and protection. However, the act does not specifically confer on the auditor any powers except to the extent that he may include any matters in respect of which he has doubts in his report.

With respect to report, cooperative auditors report to the Chief Registrar at the end of their assignments, while the auditors of other business organisations report to the Board of Directors. Section 359(3) of CAMA 1990 provides that every public liability company shall establish an audit committee comprising an equal number of Directors and representatives of the shareholders of the company subject to a maximum number of six members. The committee will examine the auditor's report and make recommendations thereon to the AGM as he thinks appropriate for consideration.

4.0 CONCLUSION

Since cooperatives are not intended to make profit, but a surplus, they however, lack the taxing capacity of a government. Taxing requires that the revenues of a cooperative at least equals its expenses over the long run, hence the need for cooperative accounting helps members to evaluate the management performance while the society as whole use it for outside business contacts. Thus, there is need to use it to help improve the predictive power in cooperative business by giving a picture of the financial condition and performance of the cooperative over time and often reveals the direction of future trend. To this end cooperatives, as an enduring group of people or persons who interact in a particular

ways towards fulfilling the basic institutional requirement needs by accounting and auditing for its sustenance and improvements.

5.0 SUMMARY

We have discussed the legal requirement of book-keeping in cooperatives, outlined the various types of records expected to be kept and the importance of keeping the records. The unit also explained the nature of audit to be carried out and highlighted the powers and procedures of appointing an auditor.

6.0 TUTOR-MARKED ASSIGNMENT

1. Outline the types records kept by a cooperative society
2. What is the importance of keeping records to a cooperative society
3. What are the powers of an auditors in cooperative setting

7.0 REFERENCES/FURTHER READING

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UNIT 3 DISTRIBUTION OF SURPLUS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Surplus can be Created in Cooperatives from both Member and Non-Members
 - 3.2 Payment of Dividends on Members' Share Capital
 - 3.3 Maintaining Reserve Fund
 - 3.4 Temporary "Deposit" Account for Non-Members
 - 3.5 Patronage Refund (Rebate)
 - 3.6 Equitable Distribution of Surplus
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

Although cooperative societies are not for profit making, it however, accumulate surpluses from its transactions. These accumulated amount is often shared amongst whose transactions with cooperative has resulted in the surpluses. The equitable distribution of surpluses can be possible through various methods. It could be by investing the money back into cooperative activities or through providing common services to members or by sharing the money for members in proportion to the volume of their transactions.

2.0 OBJECTIVES

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

- Understand how surpluses are created
- Explain different ways of distributing surpluses
- The legal backing for the distribution of surpluses.

3.0 MAIN CONTENT

3.1 Surplus can be Created in Cooperatives from both Member and Non-Members

The non-members' surplus can be thus:

- a) Payment of dividend on members share capital

- b) Maintaining reserve funds
- c) Maintaining temporary “deposit” accounts for the non-members as preclude to membership

Furthermore, there are three different possibilities of how funds can be appropriated via maintenance of reserves, payment of dividends on share and patronage refunds.

3.2 Payment of Dividends on Members’ Share Capital

Since consumer cooperative involves itself in business means that it has to bear the risk which goes with operating a business. The share capital has to bear this risks arising thereof. It is therefore suggested that this share capital be compensated from the surpluses arising from the business.

3.3 Maintaining Reserve Fund

In the opinion of Chukwu (1990), “reserves are usually indivisible social capital unlike the share capital”. Their contributions result in improved and enhanced cooperative effect. This means it is retained continuously in the service of all.

3.4 Temporary “Deposit” Account for Non-Members

This is an advantage for practicing non-member business transaction. It represents a painless way of raising the initial share capital payment for the prospective member in case he later joins the society.

3.5 Patronage Refund (Rebate)

The disbursement of a rebate is according to the magnitude of patronage of the business by the members. This is linked to turnover.

3.6 Equitable Distribution of Surplus

This implies that even though the cooperative is not a profit making business, it is expected that in its operations or transactions there will be some surpluses. In such a situation what is earned through cooperative effort should be equitably distributed among members through whose efforts the surplus was made possible. The equitable distribution of surplus could be achieved in a cooperative through several methods. It could be done through investing the money back into cooperative activities of the society or through providing some common services which will be beneficial to the entire membership and community at large.

Meanwhile, section 34 of the Nigerian cooperative societies act, chapter 98 of the laws of the federation of Nigeria defined the criteria for distribution of the surplus as:

1. As a registered society shall not pay a dividend or bonus or otherwise distribute any part of its net surplus except as provided under this decree and until the proposed payment or distribution has been approved by the committee of the society.
2. At least one-fourth of the net profit of registered society as ascertain by the audit report shall be paid into a fund to be called the “reserve fund” which shall be applied as specified in this decree but the Director may in case of any registered society of limited liability grant from time to time exemptions from further contributions to the reserve fund or reduce the rate thereof and may at any time revoke the exemption or reduction.
3. A registered society may, with the approval of the Director, and after one-fourth of the net profit in any year has been paid into a reserve fund, contribute an amount not exceeding 10% of the remainder of the net surplus to an education fund.
4. In the case of a society of unlimited liability, no distribution of the net surplus shall be made without the approval of the Minister or Commissioner as the case may be.

In practice, the formula for the distribution of the surplus is as follows:
25% - to the reserve fund
10% - to the development of common services beneficial to all members.
Not more than 5% as patronage refund and
not more than 5% as honorarium to the management committee members of the society.

The reserve fund belongs to the cooperative society as an entity and the purpose is to boost the society's capital base. It is expected that when the capital base is improved, the society would be in a position to provide micro services to the members or carry out more lines of business operations. No individual member of the cooperative has a claim over the reserved fund. The 10% is usually used to provide education to the members, employees and the general public about the cooperative. The members are given the education to create awareness that could lead to active participation in business. While the purpose of educating the employees is to enlighten them and encourage to be more dedicated to their duties towards the cooperative.

Equitable distribution can be undertaken by a system of distribution according to the contribution of each member to the business activities of the society at a given time period. However, the implication of this principle is that even if it has been agreed that services to the members should be provided in such a way that it can yield dividend for the

society, such of course should be equitably divided. This will lead to reduction of economic disparities among members and also curb vested interest. Therefore, the surplus should in such a way that it is not added to the savings of members. Members should not expect profits in a manner that is contrary to the basic cooperative philosophy of individual equality of members. Hence this principle distinguishes a cooperative society from other business organisations.

4.0 CONCLUSION

Distribution of surpluses is a major benefit to members of a cooperative. It serves to encourage members to increase their volume of transaction since surplus sharing is dependent on the amount of purchase a member has made. It is important to adhere to the legal requirement stipulated for its sharing and ensure it is equitably distributed

5.0 SUMMARY

The unit discussed the legal requirement of surplus distribution in a cooperative setting and the different recognized criteria for sharing surpluses. The unit made it clear that cooperatives are not for profit making, hence members should not see it as a right that surpluses must share at all times.

6.0 TUTOR-MARKED ASSIGNMENT

1. Outline and explain the criteria for sharing surpluses in a cooperative society
2. Write short notes on patronage refund and reserved fund

7.0 REFERENCES/FURTHER READINGS

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UNIT 4 GENERAL MEETINGS: COMMITTEE MEETINGS, FUNCTIONS OF THE GENERAL MANAGER

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Organs of the Cooperative Organisation
 - 3.2 General Meeting
 - 3.3 Types of General Meeting
 - 3.4 Quorum at General Meeting
 - 3.5 Officers of the meeting and minutes Book
 - 3.6 Minutes
 - 3.7 Functions of the General Meeting
 - 3.8 Management Committee
 - 3.9 Functions of Management Committee
 - 3.10 Committee Meeting
 - 3.11 Subcommittees
 - 3.12 The Council of Inspection or Scrutinizer
 - 3.13 Secretary/Manager
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

Cooperative societies are organisations set up to achieve a purpose for the benefit of its members. To achieve this purpose it requires the creation of specific organs that will enable it function and achieve its goals and objectives.

2.0 OBJECTIVES

After studying this unit, the reader should be able to:

- understand the functions of a general manager and committee meetings in a cooperative setting
- identify the major organs of cooperative organisations
- types of meetings and their functions

3.0 MAIN CONTENT

3.1 Organs of the Cooperative Organisation

The major organs of cooperative societies are:

- a) General meeting
- b) The Management Committee
- c) The Council of inspection or scrutinizer
- d) The secretary manager.

3.2 General Meeting

The general meeting is composed of all members of a cooperative society. It is the supreme organ of any cooperative society.

The cooperative law in Nigeria accords the supremacy of the general meeting in the following zones/regions.

1. Section 14 of the Eastern Nigeria Cooperative Societies rules
2. Section 16 of the Western Nigeria Cooperative Societies regulations
3. Section 20 of the Northern Nigeria Cooperative Societies regulations

The law in itself does not regulate the activities of the General Meeting but empowers the rules and bye-laws to regulate the general meeting.

- a) **Procedures at General Meeting** – Okonkwo, J.P believes that the success or failure of the general meeting depends largely on the effectiveness and efficiency of the society's secretary. For example if a secretary is diligent h e/she will make sure that the procedures of the meeting are clearly articulated by preparing an agenda before the meeting. An agenda for a General Meeting can read as follows:
 - Reading and adoption of minutes of last meeting
 - Matters arising from the minutes
 - Finance: this includes payment of dues, entrance fee, shares and thrift savings, loan request consideration and refund of existing loans
 - A.O.B (any other business) or other matters arising.
- b) **Voting at General Meeting** – One of the cardinal principle of cooperative society is democratic management and control which emphasize one man one vote irrespective of shareholding. However, this principle holds largely only in primary cooperatives because when it comes secondary and tertiary

cooperatives the situation changes. This so because it makes better sense that those who contribute more funds and run a greater risk and have more at stake should have more say in decision making. Therefore, in secondary and tertiary cooperatives, they practice 'proportional voting'. That is your vote is proportional to your share capital holding.

3.3 Types of General Meeting

There are four types of general meetings. They are:

- i. Inaugural Meeting - This first general meeting to be held immediately after registration
- ii. The annual general meeting – As the name suggests, it takes place once in a year.
- iii. The ordinary general meeting – This is the usual meeting that is held at regular intervals
- iv. Special or Emergency meeting – This type of meeting is called when there is an emergency or a need has arose that require an urgent action of the cooperative. It can be called by:
 - (a) Management committee of the cooperative
 - (b) The Registrar/Director
 - (c) Scrutinizers or council of inspectors
 - (d) At least one-fifth of the members or delegates or 20 members or delegates whichever is less must be present to form a quorum. The cooperative regulates the functions of each of the meeting. Major functions of the meeting can only be implemented by the Annual General Meeting.

3.4 Quorum at General Meeting

Quorum means the minimum number of members who must be present before a meeting can commence and take binding decisions on behalf of members present or absent. Okonkwo J.P suggested that the quorum for a general meeting should be one quarter of members, but where the total number of members exceeds 120, thirty members shall form a quorum of members present shall be deemed to have formed a quorum provided that at least four days' notice of such meeting was given by the Registrar. This power of exemption of quorum given to the Registrar is contained in:

- i) Eastern Nigeria cooperative society's law and rules 17(2)
- ii) Northern Nigeria cooperative regulations section 26
- iii) Western Nigeria cooperative societies' law and rules section 19.

However, if after an hour there are no enough members present to form a quorum in a meeting, the meeting shall be cancelled and another meeting will be fixed for same day, same time and same venue. A notice to this effect shall be circulated or pasted within 24 hours and if at the next meeting a quorum is no formed within one hour from the time stipulated for the meeting, the members present shall form a quorum and any decision taken shall be binding.

3.5 Officers of the meeting and minutes Book

The Officers of the meeting shall include:

- 1) President and Vice President – The President presides in all meeting or in his absence his absence the vice presides. However, in the absence of the President and his Vice, the meeting has the right to appoint any member or officer to act on their behalf.
- 2) Secretary/Assistant Secretary/Financial Secretary: In Nigeria, posts are sometimes lumped together. For example the office of the secretary and financial secretary is one. He keeps minutes of the meeting and account of the cooperative. There may also exist other offices such as treasurer, provost publicity secretary etc.

3.6 Minutes

The minute's book is where the summary of the meeting's proceedings are recorded. It contains the following:

- a) The number and names of members present unless recorded in attendance register
- b) The name of the chairman who presided at the meeting
- c) Time, the meeting commenced
- d) Deliberations and conclusions reached

3.7 Functions of the General Meeting

The general meeting carries out these functions:

- a) Fixing the maximum credit limit of loans a society may receive from members and non-members
- b) Fixing a maximum credit limit for members
- c) Considering any audit report and the registrar's audit comment
- d) Considering inspection reports and any other reports
- e) Consideration of communication from the registrar and other third parties and authorities.
- f) Dealing with members' complaints.

As had been earlier noted, the general meeting is the most important organ of the society as it embraces all members irrespective of economic might and strength. It follows that a society with a strong general meeting, where members attend and participate in decision making will flourish better than that than the one where members buy share and do not bother to attend meeting.

3.8 Management Committee

The cooperative law and rules refer to the “governing body of a registered cooperative society to whom the management affairs is entrusted as a **Committee**”. It is usual to refer to this central governing body as MANAGEMENT COMMITTEE in a primary cooperative society. Equally a committee of secondary society below the state apex is also known as Management Committee, while the committees of societies at the state apex level and above are called BOARD OF DIRECTORS.

Although the cooperative law and rules in Nigeria do not expressly makes this committee compulsory, as it is obtainable in other cooperative laws in a country such as Germany, it is however if any cooperative can exist without it. This committee is the body charged with the responsibility of carrying out the directives of the General Meeting. It must be emphasize that the committee is the servant of the General Meeting and not its master. Indeed the relevance of the cooperative management committee can be seen from the critical functions it performs.

3.9 Functions of Management Committee

1. The committee shall represent the registered society before all competent public authorities and all dealings and transactions with third parties, with powers to institute or defend suits brought in the name of or against the society. In general it shall carry out such duties in the management of the affairs of the registered society except those reserved for the general meeting and subject to any instructions or restrictions duly lid down by the bye-laws rule 27(1).
2. The committee is responsible for laying before the Annual General Meeting, annual report and accounts approved by the Registrar/Director.
3. The Management Committee is to ensure that the provisions of the law, rules and bye-laws are complied with.
4. To ensure true and accurate account of the society is maintained.
5. To open and run a bank account on behalf of the society

6. To hire senior employees subject to, in some case the approval of the General Meeting. It also determines the remuneration, discipline and other conditions of employment of such employees.
7. In marketing cooperatives, the committee has to ensure that the produce marketed are of highest quality
8. In credit cooperatives, the committee approves loan and supervises loan and oversees the processes preceding the loan application.
9. To ensure that money is not borrowed in excess of the society's maximum liability and that money is not lent to members in excess of their maximum credit limits.
10. To take prompt action to remedy any discrepancies reported in the audit report, Registrar's audit comment or inspection of the society.

The functions of the committee are regulated by the rules. Besides, the bye-laws of every society may give other functions and powers to this body as contained in section 11(2). The management committee being responsible for the smooth running of a society has varying degrees of responsibility, depending on the type/nature of the cooperative society. In the conduct of the affairs of the society, the management committee shall exercise the prudence and diligence of men of business. Members of the committee may be held responsible for any loss sustained through their failure to exercise such prudence and diligence or through acts which are ultra vires.

3.10 Committee Meeting

In order to successfully execute the various tasks assigned to it, the committee members must meet regularly to fashion out policies and regulations necessary in moving the society forward. It must be noted that the management committee is not a master but a servant of the General Meeting. Therefore, most or some of its decisions will have to be ratified by the General Meeting as stipulated by the cooperative laws, rules and bye-laws. Under no condition should members of the committee see themselves as above the General Meeting, or over other members especially where a lot of members are illiterate.

The agenda of the committee meetings should be as follows:

1. Reading and adoption of the previous minutes
2. Financial checking of cash and records
3. Reading of correspondence(s)
4. Any other business (AOB) that may be discussed.

The minutes of the meeting of the committee is as important as that of the General Meeting and should be kept by the secretary.

The minutes will include:

- The number and names of those present
- The name of the presiding chairman
- A brief record of business done and decisions taken including whether each decisions taken, including whether each decision was taken unanimously or by majority vote.

3.11 Subcommittees

This body becomes useful when the society have need for special attention to be paid to some specific areas, which the management committee or general meeting may not have the time to attend to. Where the activities of the cooperative society are many and varied, sub-committee is set up to achieve specific objectives. In marketing cooperatives, a sub-committee is to relief the management committee and free them from engaging in various matters. This will enable management committee focus on the core issue of managing the society. The following are some of the sub-committees found in cooperative societies.

- i. Education committee
- ii. Arbitration
- iii. Loans committee, in the case of a society with credit functions
- iv. Quality control of a cooperative committee, in case of marketing cooperatives
- v. Land acquisition committee in case of housing cooperatives.

Spreading the membership of the sub-committee among the members allows more members to be involve in the running of the cooperative society.

3.12 The Council of Inspection or Scrutinizer

Section 2 of the cooperative society's law defines the council of inspection as "The elected council of members of the committee to whom the supervision of the committee is entrusted". The cooperative law is section 2 defines Scrutinizer as "A member of a society and who is elected to supervise the work of the committee on behalf of the member of the society". From the foregoing, the council of inspection and the council of scrutinizers are same. The provisions of the rule on this council are as follows:

- a) The bye-laws of a society may suffix for this council

- b) The Council is elected annually
- c) The election comes up after the election of the committee
- d) No member of the committee shall be elected a member of the council, nor should any member of the committee fail to call such a meeting within one month of the submission of its report.

It is clear that this council from all indication is a watch-dog. It is a kind of separation of power invested in the cooperative to ensure checks and balances. Meanwhile, it is perplexing that most cooperatives in Nigeria do not constitute them. Government over bearing influence on the cooperative institutions cannot be divorced from it.

3.13 Secretary/Manager

The cooperative law, and bye-laws empower the management committee of the society to, if need be, to hire employees. This is in performance of its statutory role of ensuing day-to-day running of the society. The highest employee to be contracted is the Secretary or Manager or General Manager in the secondary societies. Cooperative rule therefore authorizes the committee to appoint employees. The need for hired Secretary is important because the rule in section 44 assigned him some duties. The bye-law of the society often extends the duties of the secretary. The secretary often perform dual roles of secretariat functions and pure business activities of the society.

It is therefore important for the management committee to hand-over the day-to-day running of the society to the hired professionals, while they exercise supervisory role. The secretary from the functions it performs is the engine room of the society. It is not surprising sometimes especially in marketing cooperatives to find the President or other committee members assisting the secretary. In a nutshell the secretary is an organ of the society because the cooperative law recognize him and assigned clear responsibilities to him.

4.0 CONCLUSION

This section is of particular importance because without which it will be difficult for anyone to operate effectively within a cooperative society. Understanding the functions of the various meetings and committees in a cooperative and how they are organized will enhance members' participation and help achieve the objectives of the cooperative.

5.0 SUMMARY

The unit outlined and offered a detailed explanations of the various types of meetings prevalent in cooperative society and their respective functions. The section also captured the functions of key officers of a cooperative. It concluded by highlighting the procedures for conducting meetings that enhances the smooth running of the societies.

6.0 TUTOR-MARKED ASSIGNMENT

1. Outline and explain the procedures of a General meeting
2. What are the functions of a General meeting?
3. Explain the functions of a management committee.

7.0 REFERENCES/FURTHER READING

- Berko, S. Y. (2001). *Self-help Organisations, Cooperative and Rural Development*. Enugu, Computer edge
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UNIT 5 DUTIES OF SECONDARY AND APEX CONSUMER SOCIETIES. CASE STUDY GUIDES TO CASE STUDY FOR EXAMINATION PURPOSES AND CLASS DISCUSSIONS

- a) Read the instruction or question first
- b) Satisfy yourself that you understand exactly what is expected of you
- c) Read the passage for the first time, carefully, and quickly look out for specific problems
- d) When you are satisfied that you have found all the problems confirmed in the passage of the case study, write them out specifically.

3.1 Case study

Abulesoki is a rural community where the people came together to form a cooperative society in order to run a consumer cooperative business. They made contribution in the following format

Share capital contributed by members	N30, 000:00
Loan from the cooperative bank	N40, 000:00
Loan from the village union	N10, 000:00
Total amount	N80, 000:00

The amount raised was sufficient to start a small shop because members did a lot of work without payment. They constructed the shop and made the furniture through self-help, paying only for the materials used. This is how they used the money:

Materials for building	N15, 000:00
Furniture and other equipment for the shop	N10, 000:00
Goods	N50, 000:00
Cash balance	N5, 000:00
Total	N80, 000:00

The consumer shop made a very good start. They sold goods to members and collect cash immediately, thereby getting back some money for the goods sold valued at N20, 000:00. The community members were very happy with this development. Some members therefore, suggested using part of the money to buy spare parts to repair the old community tractor, so N10, 000:00 was used for that purpose.

The action left very little cash to replenish the store. It was not quite enough to refill the shelves completely. Nonetheless trading continued and they got some more cash from their trading activities. Unfortunately, the committee members could not resist taking money from the shop and spending it on non-essential things. So the working capital was further reduced. It became difficult to refill the shop with as many goods as it was at the beginning because of depleted capital. To compound the situation, committee members were not keeping adequate records. Members were confronted with a lot of empty shelves, lost interest, seek for alternatives and eventually the shop was closed.

3.2 Suggested Solution

- a) List out the major problems of the society
- b) As a cooperative officer, if this society was under your supervision, how will you resuscitate it?

Answers:

- a) The major problems of the society are:
 - 1) Improper store management
 - 2) Lack of cooperative education on the part of the committee members
 - 3) Empty shelves means members could not buy things
 - 4) Misplaced priorities (diversion of funds for other purposes)
 - 5) Non-observance of bye-laws
 - 6) Improper record keeping
- b) Solutions to reviving the society
 - 1) Emergency general meeting will called by the cooperative officer to appeal to members to return to the society with a promise to turn things around for the best
 - 2) There will be a complete reorganization of the society (that is new committees to be elected)
 - 3) Committee members to be educated on sound cooperative business investments and techniques.
 - 4) Regular supervision of the society by cooperative officer(s) to ensure compliance with the society's stated objectives and the relevant bye-laws
 - 5) Cooperative education to be intensified by cooperative officer(s)
 - 6) The Secretary should be trained in the act of book-keeping and be provided with the necessary accounting books for proper record keeping.