

**COURSE
GUIDE**

CRD 101
PRINCIPLES AND PRACTICE OF CO-OPERATION

Course Team: Dr Emejulu Gerald A.
Department of Cooperative Economics and Management,
Nnamdi Azikiwe University Awka, Anambra state (Course writer/developer)

Taiwo Olabisi Abdulahi
Department of Cooperative Economics and Management,
Nnamdi Azikiwe University Awka, Anambra State (Course writer/developer)

Dr. Oforbuike Nwachukwu (Course Editor)
Department of Entrepreneurial Studies,
Faculty of Management Sciences,
National Open University of Nigeria

Dr. Ibrahim Gadafi (Head of Department)
Department of Entrepreneurial Studies,
Faculty of Management Sciences,
National Open University of Nigeria

Prof. Willy Ugwuanyi (Dean)
Faculty of Management Sciences
National Open University of Nigeria



NATIONAL OPEN UNIVERSITY OF NIGERIA

National Open University of Nigeria

Headquarters

University Village
Plot 91 Cadastral Zone
Nnamdi Azikiwe Expressway
Jabi, Abuja.

Lagos Office
14/16 Ahmadu Bello Way
Victoria Island, Lagos

e-mail: centralinfo@noun.edu.ng
URL: www.noun.edu.ng

Published by:
National Open University of Nigeria

ISBN:

Printed: 2024

All Rights Reserved

CONTENTS	PAGE
Introduction	iv
Course Aims	iv
Course Objectives	iv
What you will learn in this Course	v
Working through this Course	v
Course Materials	v
Study Units	vi
Textbooks and References	vii
Assignment	vii
Assessment	vii
Tutor-Marked Assignment	vii
Final Examination and Grading	vii
Course Marking Scheme	vii
Presentation Scheme	vii
Facilitators, Tutors and Tutorials	viii
Summary	xiii
Main Content	x

INTRODUCTION

CRD 101: Principles and practice of co-operation is a first semester year one, two credit diploma core course of any student of entrepreneurship. The course introduces you to some basic concepts that will help you to understand the course. Such concepts are entrepreneurship, entrepreneur, small business enterprise, some basic characteristics of entrepreneurs, factors of entrepreneurship, factors of production and profit.

COURSE AIMS

This course aims at:

- Helping you to understand some basic concepts such as entrepreneurship, small business enterprises and entrepreneurs
- Assisting you to know what it takes to be an entrepreneur
- Explaining the relationship between entrepreneurship and small business management
- Examining the factors of entrepreneur
- Dealing with external factors of entrepreneurship
- Teaching and explaining what factors of production are
- Explaining the profit and objectives of entrepreneur
- Explaining what the business environment means.

When all the above stated aims are considered, we can conclude that the major aim of the course is to teach you some basic concepts and facts about entrepreneurship.

COURSE OBJECTIVES

As you go through this course material, you will realize that the objectives of each course unit are stated at the beginning of the unit. Read through these objectives before studying the unit.

The following are the broad objectives of the course. By striving to meet these objectives, you should have achieved the aim of the course as a whole.

During this course, you should be able to:

- Define entrepreneurship
- Explain small business enterprises
- Define entrepreneur
- State the relationship between entrepreneurship and small business enterprise
- Discuss factors of entrepreneur
- Explain how to deal with external factors of entrepreneurship
- Discuss factors of production
- Explain profit and other objectives of an entrepreneur
- Discuss the business environment.

WHAT YOU WILL LEARN IN THIS COURSE

The course CRD 101 consists of 19 units specifically; the course is an introduction to entrepreneurial studies. Before graduation you are likely to specialize in areas like marketing, business administration, cooperative management, entrepreneurship and small scale business, etc.

The course gives a general background of who an entrepreneur is and looks at your own characteristics to see if you have what it takes to be an entrepreneur. You will also learn about some business concepts and other objectives of an entrepreneur and business environment.

WORKING THROUGH THIS COURSE

For you to complete this course successfully, you are required to read the study units, reference books and other resources that are related to the unit. Each unit of the course contains Tutor-Marked Assignments, practical activities and self-assessments.

COURSE MATERIALS

Major component of the course are:

1. Course Guide.
2. Study Units.
3. Assignment File.
4. Presentation Schedule.

The time to submit the TMA will be specified. This course is a two-credit course. This means that you are to spend a minimum of two hours every week studying the course. You are expected to complete the entire course outline within a period of 18 – 25 weeks.

STUDY UNITS

In this course, we have discussed the topic of the course content titled Principles and practice of co-operation under different topics. Based on this, the following units have been designed for the course. The study units are nineteen in number, as follows:

- Unit 1 The Industrial Revolution in Britain, its effects and Consequences
- Unit 2 Early Co-operative leaders and founders – Robert Owen and Dr. William King
- Unit 3 Raiffeisen and Schultze Delitzsch,
- Unit 4 Early co-operative school of thoughts
- Unit 5 The nature and definitions of co-operatives
- Unit 6 The Pre-Rochdale Co-operatives and their Failure
- Unit 7 The Rochdale Pioneers and the Rochdale Society of Equitable Pioneers
- Unit 8 The Business Practices of the Rochdale Pioneers and the Rochdale Principles
- Unit 9 First ICA Review of the Rochdale Principles
- Unit 10 The Second ICA Review of the Rochdale Principles (1966)
- Unit 11 The Concept of SHOs and NGOs
- Unit 12 The Distinction between Indigenous Co-operatives and Imported Modern co-Operatives
- Unit 13 Distinguishing Co-operatives from other Business Organizations
- Unit 14 Classification of Co-operatives
- Unit 15 The Financing and Management of Co-operatives
- Unit 16 Co-operatives in Socio-economic Development
- Unit 17 The Early History of Co-operation in Nigeria
- Unit 18 A Survey of the Future of the Co-operative Movement in Nigeria
- Unit 19 An Overview of the Problems of Co-operatives in Nigeria

The units follow sequentially and as such must be studied in that order. A maximum period of one week is required for every unit.

TEXT BOOKS AND REFERENCES

The materials and books relevant to this course are listed below. However, you can use other ones that are not listed here.

ASSIGNMENT

The assignment file will be made available to you. You will find all the details of the work you must submit to your tutor for marks. The marks you obtain for this assignment will count towards the final mark you will obtain for this course. Any further information on the assignment will be found in the assignment file.

ASSESSMENT

Your performance in this course will be based on two major approaches. First, are the tutor-marked assignments (TMAs).

TUTOR-MARKED ASSIGNMENT

With respect to TMA, you are expected to apply the information, knowledge and techniques gathered during the course or studying this material. The assignment must be submitted to your tutor for formal assessment in accordance with the laid down rules. The total score obtain in the TMAs will account for 30 per cent of your overall course mark. There are many TMAs in the course you should submit any four to your tutor for assessment the highest three of the four assignments will be counted and this credited to your overall course mark.

FINAL EXAMINATION AND GRADING

At the end of the course, you will need to sit for a final written examination of two hours duration. This examination will count for 70 per cent of your overall course mark. The examination will consist of questions which reflect the type of self-testing, practice exercises and TMA Questions you have previously encountered. You are advice to prepare adequately for this examination. Since the general broad area will be assessed.

COURSE MARKING SCHEME

The following table lay out how the actual course marking is broken down.

PRESENTATION SCHEDULE

Assessment submitted	Marks
Four E- TMA/assignment submitted	Best three assignment with 10 marks each = 30% of overall course
Final examination	70% of overall course marks
Total	100% of course marks

FACILITATORS/TUTORS AND TUTORIALS

Detailed information about the number of tutorial contact hours provided in support of this course will be communicated to you. You will also be notified about the dates, time and location of these tutorials, together with the names and telephone number of your tutor, as soon as you are allocated to a tutorial group. Your tutor will make and comment on your assignments, keep a close watch on your progress and on any difficulties you might encounter, and provide assistance to you during your course. Please do not hesitate to contact your tutor by telephone or email if you need help. The following might be circumstances in which you would find help necessary.

- You do not understand any part of the course units.
- You have difficulties with self-test or exercises.
- You have a question or problem with an assignment or with the grading of assignment.

You should endeavour to attend tutorial classes, since this is the only opportunity at your disposal to experience a physical and personal contact with your tutor, and to ask questions, which are promptly answered. Before attending tutorial classes you are advised to thoroughly go through the study units and then prepare a question list. This will afford you the opportunity of participating very actively in the discussion.

SUMMARY

By the time you go through this course material, you would have had some background knowledge of entrepreneurship.

**MAIN
CONTENT**

CONTENTS	PAGE
MODULE ONE: Nature of Cooperatives, School of Thoughts and Industrial Revolution	
Unit 1 The Industrial Revolution in Britain, its effects and Consequences	1
Unit 2 Early Co-operative leaders and founders – Robert Owen and Dr. William King	18
Unit 3 Raiffeisen and Schultze Delitzsch,	31
Unit 4 Early co-operative school of thoughts	43
Unit 5 The nature and definitions of co-operatives	56
MODULE TWO: Early Cooperative Movement Practices, Rochdale Pioneers and ICA	
Review of the Cooperative Principles	
Unit 6 The Pre-Rochdale Co-operatives and their Failure	63
Unit 7 The Rochdale Pioneers and the Rochdale Society of Equitable Pioneers	73
Unit 8 The Business Practices of the Rochdale Pioneers and the Rochdale Principles	81
Unit 9 First ICA Review of the Rochdale Principles	95
Unit 10 The Second ICA Review of the Rochdale Principles (1966)	104
MODULE THREE: Self-Help Organizations, Classification of Cooperatives and Other Business Organizations	
Unit 11 The Concept of SHOs and NGOs	112
Unit 12 The Distinction between Indigenous Co-operatives and Imported Modern co-operatives	125
Unit 13 Distinguishing Co-operatives from other Business Organizations	134
Unit 14 Classification of Co-operatives	151
MODULE FOUR: Cooperatives Finance and Socio-economic Development	
Unit 15 The Financing and Management of Co-operatives	163
Unit 16 Co-operatives in Socio-economic Development	175

MODULE FIVE: History and Challenges of Cooperative Movement in Nigeria

Unit 17 The Early History of Co-operation in Nigeria	185
Unit 18 A Survey of the Future of the Co-operative Movement in Nigeria	199
Unit 19 An Overview of the Problems of Co-operatives in Nigeria	208

MODULE ONE: NATURE OF COOPERATIVES, SCHOOL OF THOUGHTS AND INDUSTRIAL REVOLUTION

UNIT 1: The Industrial Revolution in Britain, Its Effects and Consequences

UNIT STRUCTURE

- 1.1 Introduction
- 1.2 Learning Outcomes
- 1.3 History of Industrial Revolution
 - 1.3.1 The Industrial Revolution
 - 1.3.2 Important Technological Development during Industrial Revolution
 - 1.3.3 Consequences of Industrial Revolution
- 1.4 Summary
- 1.5 Glossary
- 1.6 References/Further Readings
- 1.7 Answers to Self-Assessment Exercise(s) within the content

1.1 Introduction

This unit provides background information on how and when industrial revolution started and the consequences of industrial revolution.

1.2 Learning Outcomes

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

- Describe history of how industrial revolution was originated.
- Explain the circumstances that lead to the revolution in the industrial sector
- Highlight how the industrial revolution was spread to every part of the world
- Evaluate the benefits of industrial revolution to the modern industries.

1.3 History of Industrial Revolution

1.3.1 The Industrial Revolution

The era known as the Industrial Revolution was a period in which fundamental changes occurred in agriculture, textile and metal manufacture, transportation, economic policies and the social structure in England. This period is appropriately labeled-revolution, which thoroughly destroyed the old manner of doing things; yet the term is simultaneously inappropriate, for it connotes abrupt change. The changes that occurred during this period (1760-1850), in fact, occurred gradually. The year 1760 is generally accepted as the —eve of the Industrial Revolution. In reality, this eve began more than two centuries before this date. The late 18th century and the early 19th century brought to fruition the ideas and discoveries of those who had long passed on, such as, Galileo, Bacon, Descartes and others.

Advances in agricultural techniques and practices resulted in an increased supply of food and raw materials, changes in industrial organization and new technology resulted in increased production, efficiency and profits, and the increase in commerce, foreign and domestic, were all conditions which promoted the advent of the Industrial Revolution. Many of these conditions were so closely interrelated that increased activity in one spurred an increase in activity in another.

Industrial Revolution, in modern history, the process of change from an agrarian and handicraft economy to one dominated by industry and machine manufacturing. This process began in Britain in the 18th century and from there spread to other parts of the world. Although used earlier by French writers, the term Industrial Revolution was first popularized by the English economic historian Arnold Toynbee (1852–83) to describe Britain's economic development from 1760 to 1840. Since Toynbee's time, the term has been more broadly applied.

The main features involved in the Industrial Revolution were technological, socioeconomic, and cultural. The technological changes included the following:

1. The use of new basic materials, chiefly iron and steel
2. Use of new energy sources, including both fuels and motive power, such as coal, the steam engine, electricity, petroleum, and the internal-combustion engine
3. The invention of new machines, such as the spinning jenny and the power loom that permitted increased production with a smaller expenditure of human energy
4. A new organization of work known as the factory system, which entailed increased division of labour and specialization of function
5. Important developments in transportation and communication, including the steam locomotive, steamship, automobile, airplane, telegraph and radio.

The increasing application of science to industry. These technological changes made possible a tremendously increased use of natural resources and the mass production of manufactured goods. There were also many new developments in nonindustrial spheres, including the following:

1. Agricultural improvements that made possible the provision of food for a larger nonagricultural population
2. Economic changes that resulted in a wider distribution of wealth, the decline of land as a source of wealth in the face of rising industrial production, and increased international trade,
3. Political changes reflecting the shift in economic power, as well as new state policies corresponding to the needs of an industrialized society
4. Sweeping social changes, including the growth of cities, the development of working-class movements, and the emergence of new patterns of authority and

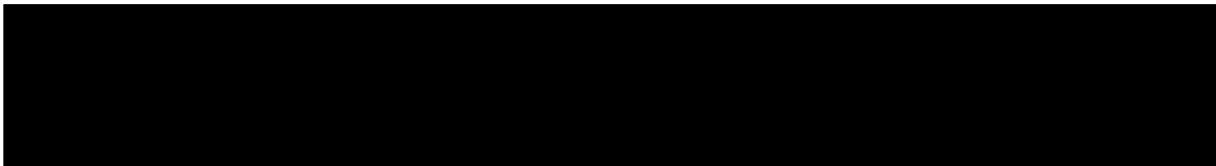
5. Cultural transformations of a broad order. Workers acquired new and distinctive skills, and their relation to their tasks shifted; instead of being craftsmen working with hand tools, they became machine operators, subject to factory discipline.

Finally, there was a psychological change: confidence in the ability to use resources and to master nature was heightened.

The Industrial Revolution marks a major turning point in history; almost every aspect of daily life was influenced in some way. In particular, average income and population began to exhibit unprecedented sustained growth. Some economists say that the major impact of the Industrial Revolution was that the standard of living for the general population began to increase consistently for the first time in history, although others have said that it did not begin to meaningfully improve until the late 19th and 20th centuries. About the same time the Industrial Revolution was occurring, Britain was undergoing an agricultural revolution, which also helped to improve living standards and provided surplus labour available for industry.

Mechanized textile production spread from Great Britain to continental Europe in the early 19th century, with important centres of textiles, iron and coal emerging in Belgium, and later in France. Since then, industrialization has spread throughout much of the world. The precise start and end of the Industrial Revolution is still debated among historians, as is the pace of economic and social changes. GDP per capita was broadly stable before the Industrial Revolution and the emergence of the modern capitalist economy, while the Industrial Revolution began an era of per-capita economic growth in capitalist economies. Economic historians are in agreement that the onset of the Industrial Revolution is the most important event in the history of humanity since the domestication of animals and plants.

Self-Assessment exercises 1



1.3.2 Important Technological Development during Industrial Revolution

The commencement of the Industrial Revolution is closely linked to a small number of innovations, beginning in the second half of the 18th century. By the 1830s the following gains had been made in important technologies:

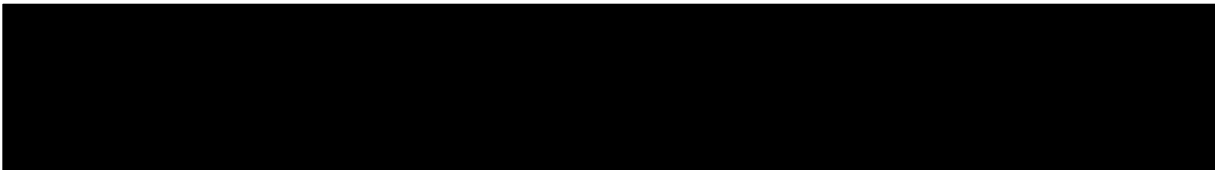
- **Textiles:** mechanized cotton spinning powered by steam or water greatly increased the output of a worker. The power loom increased the output of a worker by a factor of over 40. The cotton gin increased productivity of removing seed from cotton by a factor of 50. Large gains in productivity also occurred in spinning and weaving of wool and linen, but they were not as great as in cotton.
- **Steam power:** the efficiency of steam engines increased so that they used between one-fifth and one-tenth as much fuel. The adaptation of stationary steam engines to rotary motion made them suitable for industrial uses. The high pressure engine had a high power to weight ratio, making it suitable for transportation. Steam power underwent a rapid expansion after 1800.
- **Iron making:** the substitution of coke for charcoal greatly lowered the fuel cost for pig iron and wrought iron production. Using coke also allowed larger blast furnaces, resulting in economies of scale. The cast iron blowing cylinder was first used in 1760. It was later improved by making it double acting, which allowed higher furnace temperatures. The puddling process produced a structural grade iron at a lower cost than the finery forge. The rolling mill was fifteen times faster than hammering wrought iron. Hot blast (1828) greatly increased fuel efficiency in iron production in the following decades.
- **Invention of machine tools:** the first machine tools were invented. These included the screw cutting lathe, cylinder boring machine and the milling machine.
- **Mechanized Farming:** The British Agricultural Revolution is considered one of the causes of the Industrial Revolution because improved agricultural productivity freed up workers to work in other sectors of the economy. Industrial technologies that affected farming included the seed drill, the Dutch plough, which contained iron parts, and the threshing machine. Jethro Tull invented an improved seed drill in 1701. It was a mechanical seeder which distributed seeds evenly across a plot of land and planted them at the correct depth. This was important because the yield of seeds harvested to seeds planted at that time was around four

or five. Tull's seed drill was very expensive and not very reliable and therefore did not have much of an impact. Good quality seed drills were not produced until the mid-18th century.

- **Mining:** Coal mining in Britain, particularly in South Wales, started early. Before the steam engine, pits were often shallow bell pits following a seam of coal along the surface, which were abandoned as the coal was extracted. In other cases, if the geology was favourable, the coal was mined by means of an adit or drift mine driven into the side of a hill. Shaft mining was done in some areas, but the limiting factor was the problem of removing water. It could be done by hauling buckets of water up the shaft or to a sough (a tunnel driven into a hill to drain a mine). In either case, the water had to be discharged into a stream or ditch at a level where it could flow away by gravity. The introduction of the steam pump by Savery in 1698 and the Newcomen steam engine in 1712 greatly facilitated the removal of water and enabled shafts to be made deeper, enabling more coal to be extracted. These were developments that had begun before the Industrial Revolution, but the adoption of John Smeaton's improvements to the Newcomen engine followed by James Watt's more efficient steam engines from the 1770s reduced the fuel costs of engines, making mines more profitable.
- **Transportation:** At the beginning of the Industrial Revolution, inland transport was by navigable rivers and roads, with coastal vessels employed to move heavy goods by sea. Wagon ways were used for conveying coal to rivers for further shipment, but canals had not yet been widely constructed. Animals supplied all of the motive power on land, with sails providing the motive power on the sea. The first horse railways were introduced toward the end of the 18th century, with steam locomotives being introduced in the early decades of the 19th century.

The Industrial Revolution improved Britain's transport infrastructure with a turnpike road network, a canal and waterway network, and a railway network. Raw materials and finished products could be moved more quickly and cheaply than before. Improved transportation also allowed new ideas to spread quickly.

Self-Assessment exercises 2



1.3.3 Consequences of Industrial Revolution

i. Impact on Women and Family Life

Women's historians have debated the effect of the Industrial Revolution and capitalism generally on the status of women. Taking a pessimistic side, Alice Clark argued that when capitalism arrived in 17th century England, it lowered the status of women as they lost much of their economic importance. Clark argues that in 16th century England, women were engaged in many aspects of industry and agriculture. The home was a central unit of production and women played a vital role in running farms, and in some trades and landed estates. Their useful economic roles gave them a sort of equality with their husbands. However, Clark argues, as capitalism expanded in the 17th century, there was more and more division of labour with the husband taking paid labour jobs outside the home, and the wife reduced to unpaid household work. Middle- and upper-class women were confined to an idle domestic existence, supervising servants; lower-class women were forced to take poorly paid jobs. Capitalism, therefore, had a negative effect on powerful women.

ii. Effects on Textiles Production

Prior to 1760 the manufacture of textiles occurred in the homes, by people who gave part of their time to it. It was a tedious process from raw material to finished product. In the case of woolen cloth, the wool had to be sorted, cleaned and dyed. Then the wool was carded and combed. Next, it was spun into thread which was woven into cloth. Subsequent processes were performed upon the cloth to change the texture or the color of the woolen cloth. Many of these stages of production were performed by women and children. The supply of raw material for the woolen industry was obtained domestically. In the cases of silk and cotton, the raw materials were obtained from foreign sources, such as, China, the West Indies, North American and Africa.

The organization of the textile industry was complicated and grossly inefficient before the age of mechanization. Differences existed from one locality to another; generally, a merchant employed putters-out to distribute the raw materials to spinners and weavers who were scattered throughout the countryside.

Changes in the textile industry were already occurring in the early 1700s; however, these changes were not easily accepted as evidenced by the workers' riots which broke out in response to these

new machines. John Kay's flying-shuttle, which enabled one weaver to do the work of two, and Lewis Paul's roller spinner, which was to make spinning more efficient (later to be perfected by Richard Arkwright), were the precursors of the inventive spirit and the application of new technology to the textile industry.

In the mid-1760s the textile industry began to experience rapid change. James Hargreaves' jenny, a device which enabled the operator to simultaneously spin dozens of threads, was readily adopted. By 1788 nearly 20,000 of them were being employed in England. Arkwright and others developed the water frame. This device performed similarly to Paul's roller spinner, though its use demanded greater power than could be applied by muscle.

The changes that took place in the textile industry must certainly center about the inventions and their inventors, though not necessarily be limited to them. These inventions that were perfected and employed led to tremendous change in the world of work. Gone were the days of the Domestic System, yielding to the new ways of the Factory System. These factories which were to spring up throughout the countryside were large, dusty, poorly illuminated and ventilated and dangerous. The employment of women and children was commonplace and desired, for they were paid lower wages than their male counterparts. Working conditions in these factories were not subject to much regulation.

iii. Coal Mining

One finds the working conditions and practices of coal mining in the 18th and 19th centuries to be risky, at best, and suicidal at worst. This industry, even today, provokes thoughts of hazards at every turn. During the 18th and 19th centuries one even finds specific jobs in mining which required the employee to have a —death wish of sorts. For example, a fireman employed in a colliery had the duty of ridding a mine tunnel of dangerous, flammable gases. His job entailed crawling through the tunnel holding a long stick. Attached to the end of the stick was a lighted candle which exploded any gases that might be accumulated ahead of him. All of the jobs that existed in coal mining were not as dangerous as the fireman's', however, every one of them could be termed hazardous.

Different methods of mining coal were employed in various locales throughout England. All coal mining had one trait in common; the movement of coal was accomplished solely by muscle power

animal, man, woman and child, the latter being the most desirable for their size. The process of removing the coal was obviously as slow as it was dirty. Coal was moved along horizontal tunnels by the basketful and hauled up a vertical shaft to the surface. Later, the underground movement of coal was speeded up by the utilization of ponies and carts on rail. The production of coal increased steadily, from 2 1/2 million to more than 15 million tons by 1829. Improvements in coal mining came in the form of improved tunnel ventilation, improved underground and surface transportation; the use of gunpowder to blast away at the coal seams, and improved tunnel illumination through the use of safety lamps.

Coal mining today continues to be a hazardous job, though modern machinery and safety equipment have made the industry more efficient and safer. Students should better understand the difficulties of mining coal in the 19th century by studying modern-day coal mining. Several modern-day issues related to the use of coal (strip-mining, air pollution, etc.) should make for some lively discussions in class. Discussions may also touch upon the question of health-related problems of this industry (black lung disease).

It was not uncommon in the 19th century for women to be employed in the mining of coal. Entire families could be found working side by side in the mines. Several sections of Pike's book, *Hard Times*, are an excellent teacher resource for material related to women and children working in England's coal mines. All of these short stories, as well as the illustrations, should be sufficient to help the students to understand the harsh conditions that were endured by these people.

iv. Iron Industry

Improvements in the iron industry came in the early 18th century. Abraham Darby successfully produced pig iron smelted with coke. This was a significant breakthrough, for prior to this discovery pig iron was smelted with the use of charcoal. Charcoal, derived from the charring of wood in a kiln, was an excellent source of energy to smelt the iron; however, its widespread use caused a serious depletion of England's forests. Darby's technique was gaining popularity within the industry, though problems still existed due to its use. Iron produced through this method was impure and brittle, making it unsuitable for the forge master to be able to fashion in into implements, so its use was limited to castings. Later, improvements would occur which produced high quality material and improved techniques in fashioning it.

v. Transportation

As an integral part of determining the cost and availability of manufactured products and as a means of improved communications, and as an industry unto itself, the improvement of transportation stimulated the course of the Industrial Revolution. Finished products, raw materials, food and people needed a reliable, quicker and less costly system of transportation. Canals and rivers had long been used as a means of internal transportation. The mid-1700s began the first construction of canals between industrial districts. The construction of trunk lines opened the central industrial districts in the 1770s. The major thrust of financial backing came from the merchants and industrialists, who had a great stake in their construction. The problem of moving bulk goods overland was addressed, at least for the time being, by canals. However, their days were numbered, for the coming of the railroads was imminent.

The principles of rail transport were already in use in the late 1700s. Tramways, using cast iron rails, were being employed in a number of mines in England. By 1800 more than 200 miles of tramway served coal mines. It is not surprising, then, to find a number of engineers connected with coal mines searching for a way to apply the steam engine to railways.

A number of men were involved in experimentation concerning the development of railroads in England. Between 1804 and 1820 we find a few partially successful attempts at developing a practical means of rail transport: Richard Trevithick's "New Castle", a steam locomotive that proved to be too heavy for the rails, John Blenkinsopp's locomotive, which employed a toothed, gear-like wheel, and William Hedley's "Puffing Billy", which was used for hauling coal wagons from the mines.

A pioneer in railroads that bears mentioning here is George Stephenson. Stephenson was invited by the Stockton and Darlington Railway to build the railroad between those two towns. The Stockton to Darlington line was the first public railroad to use locomotive traction and carry passengers, as well as freight. The equipment on this line proved to be too expensive to maintain. This was not the last to be heard from Stephenson.

In 1829 the Liverpool and Manchester Railway sponsored a competition to determine the best type of locomotive. This contest took place on the Rainhill level at Lancashire from October 6 to 14,

1829. Three steam locomotives participated in the Rainhill Trials; Timothy Hackworth's "Sans Pareil", John Braithwaite and John Ericsson's "Novelty" and Stephenson's "Rocket". The "Rocket" won the Rainhill Trials. It is interesting and ironic to note here that the first railroad accident death occurred at these trials.

Railroads dominated the transportation scene in England for nearly a century. Railroads proliferated in England, from 1,000 miles in 1836 to more than 7,000 miles built by 1852. Here again is another example of economic necessity producing innovation. The development of reliable, efficient rail service was crucial to the growth of specific industries and the overall economy.

vi. The Effects on Human Aspect

In the 18th century the population grew at a faster rate than ever before. There are four primary reasons which may be cited for this growth:

- i. A decline in the death rate,
- ii. An increase in the birth rate,
- iii. The virtual elimination of the dreaded plagues and
- iv. An increase in the availability of food.

The latter is probably the most significant of these reasons, for English people were consuming a much healthier diet.

One can find a myriad of reasons for the growth of the population, in addition to those above. Industry provided higher wages to individuals than was being offered in the villages. This allowed young people to marry earlier in life, and to produce children earlier. The old system of apprenticeship did not allow an apprentice to marry. City life provided young people with a greater choice of prospective partners, in contrast to the limited choices in some isolated village. Finally, industry provided people with improved clothing and housing, though it took a long time for housing conditions to improve.

With the adoption of the factory system, there is a shift in population. Settlements grew around the factories. In some cases, housing was provided to workers by their employers, thus giving the factory owners greater control over the lives of his workers. In some cases factories started in existing towns,

which was desirable because a labor pool was readily available. The prime consideration for locating a factory was the availability of power. The early form of power was derived directly from moving water. Thus, we find factories cropping up in the hills near streams and rivers. Later, when steam power was developed, factories could be located near any source of water. Other factories, such as those involved in the manufacture of iron, had considerations of a different kind involving their location. Due to the great difficulty in moving bulk materials, such as iron ore, these mills had to be located close to the mineral source. In such situations, large communities grew directly above the seams of ore in the earth.

The development of the steam engine to drive machinery freed the mill owners from being locked into a site that was close to swiftly moving water. The steam powered mill still had to be located near a source of water, though the field of choice was much wider. Also, factories could be located closer to existing population centers or seaports, fulfilling the need for labor and transportation of materials.

The towns that grew in the North were crowded, dirty and unregulated. They grew so rapidly that no one took the time to consider the consequence of such conditions. In the areas of public sanitation and public health, ignorance reigned. No one understood the effects of these unsanitary conditions upon humans. Conditions in these densely populated areas worsened to the point of the reappearance of outbreaks of disease. In the mid-1800s there were several outbreaks of typhoid and cholera. Some attention to these conditions was accorded by Parliament in the form of Public Health Acts. These acts did improve conditions, though they were largely ineffective, for they did not grant local Boards of Health the powers to compel improvements.

1. Capital

Prior to industrialization in England, land was the primary source of wealth. The landed aristocracy held enormous powers the feudal system. However, a new source of great wealth grew from the Industrial Revolution, that which was derived from the ownership of factories and machinery. Those who invested in factories and machinery cannot be identified as belonging to any single class of people (landed aristocracy, industrialists, and merchants). Their backgrounds were quite diverse, yet they had one thing in common: the daring to seize the opportunity to invest in new ventures. It was these capitalists who gave the necessary impetus to the speedy growth of the Industrial Revolution.

In the early years of this period, the most investments being made in a field closely related to one's original source of capital. Manufacturers took a substantial portion of their profits to "plough back" into their business, or they invested capital in ventures that were related to their primary business. Eventually, as opportunities to realize great profits proliferated, it was not uncommon to find these entrepreneurs investing substantially in concerns about which they knew very little.

Two kinds of capital were needed by these industrialists; long-term capital to expand present operations, and short-term capital to purchase raw materials, maintain inventories and to pay wages to their employees. The long-term capital needs were met by mortgaging factory buildings and machinery. It was the need for short-term capital which presented some problems. The need for short-term capital for raw materials and maintaining stock was accommodated by extending credit to the manufacturers by the producers or dealers. Often, a supplier of raw materials waited from 6 to 12 months for payment of his goods, after the manufacturer was paid for the finished product. The payment of wages was not an easily solved problem, one which taxed the creativity of employers. The problem was in finding a sufficient amount of small value legal tender to pay the wages. Some employers staggered the days on which they paid their employees, while others paid them in script. Some paid a portion of their work force early in the day, allowing them to shop for household needs. When the money had circulated through the shopkeepers back to the employer, another portion of the work force was paid. All of these methods proved to be unacceptable.

The root of the problem was the lack of an adequate banking system in these remote industrial centers. The Bank of England, established in the late 1690s, did not accommodate the needs of the manufacturers. It concentrated its interest on the financial affairs of state and those of the trading companies and merchants of London.

The early 1700s brought with it the first country banks. These private banks were founded by those who were involved in a variety of endeavors (goldsmith, merchant, and manufacturer). Many industrialists favored establishing their own banks as an outlet for the capital accumulated by their business and as a means for obtaining cash for wages. When the Bank of England tightened credit because of government demands, many of these banks failed. A great number of them had a large proportion of their assets tied up in long-term mortgages, thus leaving them vulnerable when demands for cash were presented by their depositors. From 1772 to 1825, a large number of these

banks failed. Their limited resources were inadequate to meet the demands of the factory economy. A banking system was eventually set up to distribute capital to areas where it was needed, drawing it from areas where there was a surplus.

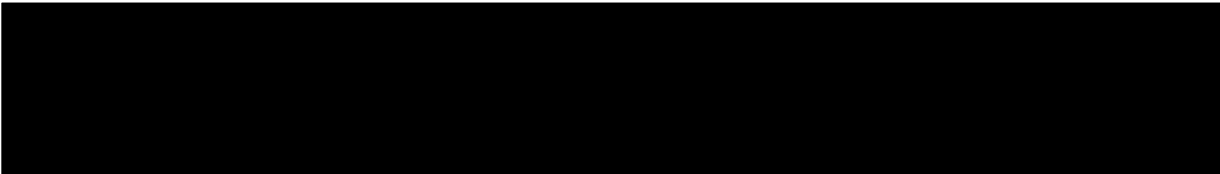
2. Impact on Labor

If the conditions in which people lived in these factory towns were considered bad, then the conditions in which they worked can be appropriately characterized as being horrendous. Inside these factories one would find poorly ventilated, noisy, dirty, damp and poorly lighted working areas. These factories were unhealthy and dangerous places in which to work. Normally, workers put in twelve to fourteen hours daily. Factory Acts that were later enacted by Parliament regulated the number of hours that men, women and children worked.

The factory system changed the manner in which work was performed. Unlike the domestic system the work was away from home, in large, impersonal settings. Workers were viewed by their employers merely as “hands”. Slowly, workers began to realize the strength they could possess if they were a unified force. It was a long, uphill battle for workers to be able to have the right to organize into officially recognized unions. Their lot was one of having no political influence in a land where the government followed a laissez-faire policy.

This hand off policy changed as the pressure from growing trade unions increased. A movement was beginning to free workers from the injustices of the factory system. Political leaders called for reform legislation which would address these injustices (see lesson plans for specific legislation).

Self-Assessment Exercises 3



1.4 Summary

The industrial revolution facilitates the introduction and adoption of various types of technologies of production and in this unit, we have explained the reasons for revolution within industrial sector of Great Britain economy in 19th century. In one way or the other this industrial revolution positively

and negatively affected every aspect of human endeavor and the impact was felt by everybody during this period.

1.5 Glossary

‘Hungry forty’/ factory system: oppress of the factory owners against the industrial workers that gave them greater control over the lives of their workers for about a period of 100 years (1750-1850)

1.6 References/Further Readings

Eric Hobsbawm, the Age of Revolution: Europe 1789–1848, Weidenfeld & Nicolson Ltd., p. 27 ISBN 0-349-10484-0.

Joseph E Inikori. Africans and the Industrial Revolution in England, Cambridge University Press. ISBN 0-521-01079-9 Read it Berg, Maxine; Hudson, Pat (1992). "Rehabilitating the Industrial Revolution". The Economic History Review. The Economic History Review, Vol. 45, No. 1. 45 (1): 24–50. JSTOR 2598327. doi:10.2307/2598327.

Rehabilitating the Industrial Revolution by Julie Lorenzen, Central Michigan University. Retrieved November 2006.

Robert Lucas, Jr. (2003). "The Industrial Revolution". Federal Reserve Bank of Minneapolis. Archived from the original on 27 November 2007. Retrieved 14 November 2007.

Lucas, Robert (2003). "The Industrial RevolutionPast and Future". Archived from the original on 27 November 2007. [Consider] annual growth rates of 2.4 percent for the first 60 years of the 20th century, of 1 percent for the entire 19th century, of one-third of 1 percent for the 18th century.

McCloskey, Deidre (2004). "Review of The Cambridge Economic History of Modern Britain (edited by Roderick Floud and Paul Johnson), Times Higher Education Supplement, 15 January 2004".

1.7 Answers to SAEs - UNIT 1

Answers to SAEs within the course content, arranged accordingly.

Answers to SAEs 1

1. The era known as the Industrial Revolution was a period in which fundamental changes occurred in agriculture, textile and metal manufacture, transportation, economic policies and the social structure in England. This period is appropriately labeled-revolution, which

thoroughly destroyed the old manner of doing things; yet the term is simultaneously inappropriate, for it connotes abrupt change.

2. The changes that occurred during this period (1760-1850), in fact, occurred gradually and lasted for over 100 years. The year 1760 is generally accepted as the level of the Industrial Revolution. In reality, this eve began more than two centuries before this date. The late 18th century and the early 19th century brought to fruition the ideas and discoveries of those who had long passed on, such as, Galileo, Bacon, Descartes and others.

Answers to SAEs 2

1. The benefits of industrial revolutions in the various areas includes:
Textiles, introduction of steam power, mining, transportation, iron making and many others.
2. The British Agricultural Revolution is considered one of the causes of the Industrial Revolution because improved agricultural productivity freed up workers to work in other sectors of the economy. Industrial technologies that affected farming included the seed drill, the Dutch plough, which contained iron parts, and the threshing machine. Jethro Tull invented an improved seed drill in 1701. It was a mechanical seeder which distributed seeds evenly across a plot of land and planted them at the correct depth. This was important because the yield of seeds harvested to seeds planted at that time was around four or five. Tull's seed drill was very expensive and not very reliable and therefore did not have much of an impact. Good quality seed drills were not produced until the mid-18th century.

Answers to SAEs 3

1. Two kinds of capital were needed by these industrialists; long-term capital to expand present operations, and short-term capital to purchase raw materials, maintain inventories and to pay wages to their employees. The long-term capital needs were met by mortgaging factory buildings and machinery. It was the need for short-term capital which presented some problems. The need for short-term capital for raw materials and maintaining stock was accommodated by extending credit to the manufacturers by the producers or dealers. Often, a supplier of raw materials waited from 6 to 12 months for payment of his goods, after the manufacturer was paid for the finished product.

2. The consequences of the revolution included positive and negative consequences as follows:
Impact on Women and Family Life, Effects on Textiles Production, The Effects on Human Aspect, Impact on Labor, and Capital.

UNIT 2: EARLY COOPERATIVE LEADERS AND FOUNDERS**UNIT STRUCTURE**

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Background Information
 - 2.3.1 Robert Owen (1771-1858)
 - 2.3.2 Dr William King (1786-1865)
 - 2.3.3 Charles Fourier (1772-1837)
 - 2.3.4 Philippe Bucher (1796-1865)
 - 2.3.5 Hermann Schulze- Delitzsch (1808-1883)
 - 2.3.6 Friedrich Wilhelm Raiffeisen
- 2.4 Summary
- 2.5 Glossary
- 2.6 References/Further Readings
- 2.7 Answers to Self-Assessment Exercise(s) within the content

Introduction

This unit is going to look into profile background of various founding fathers that devoted their life time towards the establishment; promotion and development of Cooperative ideology in different part of the world. Some of the founding that will be discussed in this unit participated actively in shaping and writing the history of cooperative movement all over the world. They include; Robert Owen; Dr William King; Charles Fourier; Philippe Bucher; Hermann Schulze- Delitzsch; and Friedrich Wilhelm Raiffeisen

2.2 Learning Outcomes

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

- Explain the activities of the founding fathers
- Discuss the person that first nurture and practice the idea of cooperation among them
- Compare the efforts of these founding fathers
- Differentiate their country of origin and the type of cooperative ideology they promote

2.3 Background Information

The effects of this revolution were certainly industrial and commercial dynamism, but it equally featured a rise in urban populations, a reduction in wages and exploitation of workers, particularly women and children. In addition, an increase in the cost of living, adulteration of foodstuffs and a rise in unemployment are other characteristics of this period. This situation led certain thinkers and philanthropists to seek a solution to the growing misery of the poor, to dream up a new system or even a new form of social organization. This way of thinking had a considerable impact in Great Britain and France but also in Germany.

2.3.1 Robert Owen (1771-1858)

In Great Britain one of the main thinkers was without any doubt the philanthropist Robert Owen (1771-1858), known by some as the father of cooperation in Great Britain. His view was simple. He thought it would be more economical to deal with the poor in groups rather than individually; hence his proposal for what he himself called villages of cooperation. He first of all conceived these villages as a solution to the problem of unemployment and misery. He wanted to help the poorest

villagers to acquire communal property and to take up work - especially farm work - which would save them from despair. But gradually his concept grew; these villages of cooperation became, in his view, the ideal type of society towards which he wanted to push humankind.

The basis for Owen's doctrine was the suppression of commercial and industrial gain in favour of a "fair price" by cutting out the middlemen between production and consumption. The source of finance for these villages of cooperation was imagined to be rich philanthropists such as Owen who would make their business available to the villages of cooperation.

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

Self-Assessment Exercises 1

- i. Robert Owen is regarded as one of the main thinkers of Great Britain without any doubt. Explain
- ii. What is the basis for Owen's doctrine?

2.3.2 Dr William King (1786-1865)

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

Dr William King gave a more practical direction to the somewhat utopian ideas of Owen. Like Owen, he had in mind a self-sufficient community in which the workers would produce according to their needs. But, contrary to Owen, he favoured the involvement of the members with the outside world, in keeping with the earlier philanthropic funding concept. His idea was to encourage the establishment of shops by and for the working classes. Collecting regular payments from the workers would guarantee the funding of these shops. Rather than getting their supplies from shops unknown to them, the workers would buy them in their own shop. Therefore, they would buy goods at the wholesale price to then sell on more cheaply than the going rate. England is the cradle of consumer coops. Owen and King defined the rules and principles of consumer cooperatives. This type of cooperative supplies goods (food, educational supplies etc.) to its members at a lower cost than if they had tried to get them individually and not collectively.

Dr William King was a very pragmatic and practical man. The truth behind his approach to Co-operative business is still enduring. The pattern of Cooperative formation as he set forth his publications through the channel of what he called, “The Co-operator is still enduring” King’s articles and activities together with those of his other colleagues were published in the Co-operative magazine they founded called “The Co-operator”.

In the magazines King’s concept of Co-operation was well explained and expanded. And the concept was based on self-help and the need to be each brother’s keeper. He prescribed the necessary and sufficient steps to proceed to form a truly and beneficial cooperatives and the steps are:

1. That the capitalist system which breeds poverty, disease and suffering should be abandoned and replaced with socialism where the workers would be in charge of production.
2. The solution to workers woes is for the workers to come together and co-operate by forming co-operative society;
3. Anybody that works for others is subject to manipulation, exploitation and cheating. The solution is for workers to work for themselves;
4. There is the need for capital formation and accumulation through regular savings, so as to establish enterprises that will free workers from the shackles of the capitalists;
5. At every point, workers should imbibe the habit of regular savings: they should see saving as a form of tithe. This means, on the receipt of any income. 10% should go to savings.

6. That the beauty of co-operation is that it can be able to achieve what no one person can accomplish by his own effort.
7. Workers' savings should not be put in the banks where they yield little interest neither should they be lent out or lying idle or in Trade unions where they might be used to buy shares from capitalists companies. Instead the savings should be put in Cooperative for productivity and to satisfy the needs of workers.
8. As a strategy of investment workers at the initial stage should not embark on gigantic projects or white elephant projects. Investment by workers should be on small businesses that they can manage with their little experience.
9. Rules to follow in running established shops by workers are:
 - i. Every workers should subscribe to the shares as well as regular savings:
 - ii. Management should ensure that purchase should be in bulk so as to enjoy discount.
 - iii. Purchase of goods by workers should be from their own shop and not from any other source;
 - iv. Sale by the co-operative shop must be in cash, credit sales should be avoided;
 - v. There should be record keeping of every transactions preferably in ledger accounts so that at periodic interval the balances in the ledger account are extracted for the purpose of preparing the final account
 - vi. Profit sharing should be postponed until enough capital has been accumulated
10. As soon as the shop is fully capitalized, the next stage is for expansion by employing an employee who is also a member. The new employee must add value to the shop by providing an item or service that is needed by other members and the general public. The new employee – member will receive wage but the profit will be ploughed back to the business to enhance the capital base. Eventually, all members would be employed creating a scenario of mutual inter-dependence.
11. Workers would eventually strive to own land so as to be able to produce their own food, build their own houses, provide their own schools, build hospitals among other critical infrastructures and facilities so that eventually the society will be a Community of, its owns without outside help from philanthropists, grants from government among others.

12. Education and training are of primary importance to workers as a way to free them from ignorance and exploitation. Men of knowledge he argued are men of business including Co-operative business.
13. As a way to be assertive and move forward, co-operative should be autonomous which should not depend on government grants. This is because there are always strings and conditions usually attached to government assistance.
14. Co-operative progress and development should be gradually evolving dynamically in response to the external environmental factors. He emphasized that mutual co-operation should not be against any religion, sex or tribe.
15. Realistic and pragmatic approach to Co-operation improves the character of men as it makes them to be fruitful, honest and just. Every man of good will should be a Co-operator.

Self-Assessment Exercises 2

- i. List the necessary and sufficient steps to proceed to form a truly and beneficial cooperatives by Dr. William King
- ii. According to Dr. William King, there are rules to follow in running established shops by workers are. What are these rules?

2.3.3 Charles Fourier (1772-1837)

In France, Charles Fourier (1772-1837) was one of the first to propose an alternative form of cooperation, i.e. a community organization he calls “phalanstery”. The idea was to fight poverty with growth of production; for example by bringing together the different members of a canton so that they could pool their resources, especially their land, and live together in the phalanstery. Charles Fourier is referring here to producer co-operatives which market directly or adapt and market the products or services of their members.

Self-Assessment Exercises 3

- i. What is the name of the alternative form of cooperation, i.e. a community organization proposed by Charles Fourier?
- ii. What was the idea behind the proposed alternative form of cooperation?

2.3.4 Philippe Bucher (1796-1865)

Philippe Bucher (1796-1865) himself defined the fundamental principles of producer cooperatives:

- i. Principle of the democratic right to vote for the representatives of the cooperative;
- ii. Principle of equal pay for equal work;
- iii. Principle of charitable reallocation of net assets, in other words in the event of dissolution the reserve funds will be distributed either to another cooperative or to a charitable cause or to the State;
- iv. Principle of the inevitable blurring of the distinction between the status of the member and that of the user: all the workers in the cooperative must become members of it. France is the cradle of worker cooperatives.

Self-Assessment Exercises 4

- i. Mention the fundamental principles of producer co-operatives by Philippe Bucher
- ii. What do you understand by the principle of charitable reallocation of net assets?

2.3.5 Hermann Schulze- Delitzsch (1808-1883)

In Germany, Hermann Schulze- Delitzsch (1808-1883) is considered to be the pioneer of (Urban) municipal cooperatives. He made himself the apostle of municipal credit cooperatives after working out that lack of capital was a major problem for people living in towns. His cooperatives were based on self-help in its purest form; that means no outside intervention at all, not even from the State. For Schulze-Delitzsch, the cooperative had a purely economic role to play in raising revenue. His other principles were self-responsibility, equal rights for each individual within the cooperative group, joint responsibility for debts by the group and finally democratic self-control.

Self-Assessment Exercises 5

- i. In Germany, Hermann Schulze-Delitzsch (1808-1883) is considered to be the pioneer of (Urban) municipal cooperatives. Why?
- ii. According to Schulze-Delitzsch, cooperatives were based on self-help in its purest form. Explain.

2.3.6 Friedrich Wilhelm Raiffeisen (1818-1888)

Friedrich Wilhelm Raiffeisen (1818-1888) for his part is regarded in Germany as the pioneer of rural cooperatives. His model for credit cooperatives differs from that of Schulze-Delitzsch in the sense that the principle of self-help was not applied in absolute terms, the building up of a capital base was in no way deemed necessary and that the reserves were distributed to another association in the event of dissolution. Raiffeisen's principles are, among others: the advancement of the members, as much religious and moral as material, a limit on the number of group members based on the size of a village and the unlimited mutual responsibility of the members.

The experiments of Schulze-Delitzsch and Friedrich Wilhelm Raiffeisen in the cooperative field have contributed greatly to the fact that Germany is thought of as the cradle of credit unions. The existence to this day cooperatives as based on their principles is proof of the success of their work. Of course several other authors were involved in forming cooperative doctrine: Charles Gide, Victor-Aimé Hubert, Proudhon, Alphonse Desjardins, etc. It is very difficult to trace the whole history of the cooperative movement in this course material. We can at best trace the great lines which have helped development of cooperative movement become what it is today, that is to say a worldwide movement.

Self-Assessment Exercises 6

- i. How does Friedrich Wilhelm Raiffeisen's model for credit cooperatives differs from that of Schulze-Delitzsch?
- ii. Why is Germany regarded as the cradle of credit unions?

2.4 Summary

This Unit has afforded us the opportunity of looking at the work and efforts of various founding fathers in relation to the promotion of Cooperative development. We also saw the areas of similarities and contrast between cooperative ideologies of these founding fathers

2.5 Glossary

“Fair Price”: the price point for a good or service that is fair to both parties involved in a transaction, which is based upon the agreed upon conditions, promised quality and timeliness of contract performance.

2.6 References/Further Readings

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

Ebunu, E. L. (2006). Introduction to C-operation. Lagos: NOUN.

Enikan et.al (2005). Principles and Economics of Co- operation. Lagos: DARTRADE Ltd. 1st Edition.

Cole, G.D.H (1944). A Century of Co-operation. London: George Allen & Urwin Ltd. for the Co-operative Union Ltd. for the Coperative Union Ltd.

2.7 Answers to SAEs - UNIT 2

Answers to SAEs within the course content, arranged accordingly.

Answers to SAEs 1

1. In Great Britain one of the main thinkers was without any doubt the philanthropist Robert Owen (1771-1858), known by some as the father of cooperation in Great Britain. His view was simple. He thought it would be more economical to deal with the poor in groups rather than individually; hence his proposal for what he himself called villages of cooperation. He first of all conceived these villages as a solution to the problem of unemployment and misery. He wanted to help the poorest villagers to acquire communal property and to take up work - especially farm work - which would save them from despair. But gradually his concept grew; these villages of cooperation became, in his view, the ideal type of society towards which he wanted to push humankind.
2. The basis for Owen's doctrine was the suppression of commercial and industrial gain in favour of a “fair price” by cutting out the middlemen between production and consumption. The source of finance for these villages of cooperation was imagined to be rich

philanthropists such as Owen who would make their business available to the villages of cooperation.

Answers to SAEs 2

1. Necessary and sufficient steps to proceed to form a truly and beneficial cooperatives by Dr. William King are:
 - That the capitalist system which breeds poverty, disease and suffering should be abandoned and replaced with socialism where the workers would be in charge of production.
 - The solution to workers woes is for the workers to come together and co-operate by forming co-operative society;
 - Anybody that works for others is subject to manipulation, exploitation and cheating. The solution is for workers to work for themselves;
 - There is the need for capital formation and accumulation through regular savings, so as to establish enterprises that will free workers from the shackles of the capitalists;
 - At every point, workers should imbibe the habit of regular savings: they should see saving as a form of tithe. This means, on the receipt of any income. 10% should go to savings.
 - That the beauty of co-operation is that it can be able to achieve what no one person can accomplish by his own effort.
 - Workers' savings should not be put in the banks where they yield little interest neither should they be lent out or lying idle or in Trade unions where they might be used to buy shares from capitalists companies. Instead the savings should be put in Cooperative for productivity and to satisfy the needs of workers.
 - As a strategy of investment workers at the initial stage should not embark on gigantic projects or white elephant projects. Investment by workers should be on small businesses that they can manage with their little experience.
 - Rules to follow in running established shops by workers
 - As soon as the shop is fully capitalized, the next stage is for expansion by employing an employee who is also a member. The new employee must add value to the shop by providing an item or service that is needed by other members and the general public. The new employee – member will receive wage but the profit will be ploughed back to the business to enhance

the capital base. Eventually, all members would be employed creating a scenario of mutual inter-dependence.

- Workers would eventually strive to own land so as to be able to produce their own food, build their own houses, provide their own schools, build hospitals among other critical infrastructures and facilities so that eventually the society will be a Community of, its owns without outside help from philanthropists, grants from government among others.
- Education and training are of primary importance to workers as a way to free them from ignorance and exploitation. Men of knowledge he argued are men of business including Co-operative business.
- As a way to be assertive and move forward, co-operative should be autonomous which should not depend on government grants. This is because there are always strings and conditions usually attached to government assistance.
- Co-operative progress and development should be gradually evolving dynamically in response to the external environmental factors. He emphasized that mutual co-operation should not be against any religion, sex or tribe.
- Realistic and pragmatic approach to Co-operation improves the character of men as it makes them to be fruitful, honest and just. Every man of good will should be a Co-operator.

2. Rules according to Dr. William King to follow in running established shops by workers are:

- Every workers should subscribe to the shares as well as regular savings:
- Management should ensure that purchase should be in bulk so as to enjoy discount.
- Purchase of goods by workers should be from their own shop and not from any other source;
- Sale by the co-operative shop must be in cash, credit sales should be avoided;
- There should be record keeping of every transactions preferably in ledger accounts so that at periodic interval the balances in the ledger account are extracted for the purpose of preparing the final account
- Profit sharing should be postponed until enough capital has been accumulated

Answers to SAEs 3

1. The name of the alternative form of cooperation, i.e. a community organization proposed by Charles Fourier was “Phalanstery”
2. The idea behind the proposed alternative form of cooperation was to fight poverty with growth of production; for example by bringing together the different members of a canton so that they could pool their resources, especially their land, and live together in the phalanstery.

Answers to SAEs 4

1. The fundamental principles of producer cooperatives by Philippe Bucher are as follows:
 - Principle of the democratic right to vote for the representatives of the cooperative;
 - Principle of equal pay for equal work;
 - Principle of charitable reallocation of net assets, in other words in the event of dissolution the reserve funds will be distributed either to another cooperative or to a charitable cause or to the State;
 - Principle of the inevitable blurring of the distinction between the status of the member and that of the user: all the workers in the cooperative must become members of it. France is the cradle of worker cooperatives.
2. The principle of charitable reallocation of net assets entails that in in the event of dissolution the reserve funds will be distributed either to another cooperative or to a charitable cause or to the State

Answers to SAEs 5

1. In Germany, Hermann Schulze-Delitzsch (1808-1883) is considered to be the pioneer of (Urban) municipal cooperatives because he made himself the apostle of municipal credit cooperatives after working out that lack of capital was a major problem for people living in towns.
2. According to Schulze-Delitzsch, cooperatives were based on self-help in its purest form. This no outside intervention at all, not even from the State. For Schulze-Delitzsch, the cooperative

had a purely economic role to play in raising revenue. His other principles were self-responsibility, equal rights for each individual within the cooperative group, joint responsibility for debts by the group and finally democratic self-control.

Answers to SAEs 6

1. Friedrich Wilhelm Raiffeisen's model for credit cooperatives differs from that of Schulze-Delitzsch in the sense that the principle of self-help was not applied in absolute terms, the building up of a capital base was in no way deemed necessary and that the reserves were distributed to another association in the event of dissolution. Raiffeisen's principles are, among others: the advancement of the members, as much religious and moral as material, a limit on the number of group members based on the size of a village and the unlimited mutual responsibility of the member.
2. Germany is regarded as the cradle of credit unions because of the experiments of Schulze-Delitzsch and Friedrich Wilhelm Raiffeisen in the cooperative field.

**UNIT 3: CONTRIBUTIONS OF FREIDRICH RAIFFEISEN AND FRANZ SCHULZE
DELITZSCH TO THE DEVELOPMENT OF COOPERATIVE MOVEMENT****UNIT STRUCTURE**

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 Main Content
 - 3.3.1 Brief Historical Background of Friedrich Wilhelm Raiffeisen and Hermann Schulze Delitzsch contributed to establish Credit Cooperative Society
 - 3.3.2 The Principles of Rural Credit Cooperative as propounded by Friedrich Wilhelm Raiffeisen
 - 3.3.3 The Principles of Urban Credit Cooperative as propounded by Hermann Schulze Delitzsch
- 3.4 Summary
- 3.5 References/Further Readings
- 3.6 Answers to Self-Assessment Exercise(s) within the content

3.1 Introduction

This unit study the efforts made by these founding fathers of both rural and urban credit type of Cooperative society (Friedrich Wilhelm Raiffeisen and Hermann Schulze Delitzsch). As it was previously discussed in unit 2, in this current unit 3 we are going discuss in detail how these two great Germans made significant contributions towards the formation of credit cooperative society in 19th century which serves as templates for modern credit cooperative society.

3.2 Learning Outcomes

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

- Give a brief history of how credit and thrift type of cooperative society was originated and the conditions for its origination
- Explain the circumstances that lead to the origination of the credit and thrift type cooperative society
- Evaluate the efforts made by Friedrich Wilhelm Raiffeisen and Hermann Schulze Delitzsch
- Explain the principles for credit co-operation by Raiffeisen and Delitzsch
- Differentiate between Raiffeisen and Delitzsch credit cooperative principles.

3.3 Main Content

3.3.1 Brief Background of Freidrich Raiffeisen and Schulze Delitzsch Contributions

Germany is the birthplace of co-operative credit movement in the World. In the middle of the 19th century the circumstances like-famine, poverty, exploitation and indebtedness necessitated the introduction of a new idea in Germany. The poor farmers and laborers were heavily under debt and exploited by the money lenders. Mostly the trade was also in the hands of the Jews and the farmers bought their requirements as well as sold their produce through these money lenders. The result was an extreme poverty among the laborers and farmers. It is reported that almost every house and farm land was encumbered with debt. To add to this misery, famines occurred too frequently and broke the backbone of the poor. When such condition was around, two pioneers, Herr Freidrich Wilhelm. Raiffeisen and Herman Franz Schulze Delitzsch, both well-known personalities in the cooperative

field, moved by the miserable condition of farmers and laborers, started making experiments with various methods of relief.

The experiments of Schulze-Delitzsch and Friedrich Wilhelm Raiffeisen in the cooperative field have contributed greatly to the fact that Germany is thought of as the cradle of credit unions. The existence to this day of cooperatives based on their principles is proof of the success of Friedrich Wilhelm Raiffeisen and Herman Franz Schulze Delitzsch efforts.

Herman Franz Schulze Delitzsch, was a judge and the mayor of Delitzsch, efforts started after studying the conditions of famine stricken people as a chairman of the Famine Commission. With contributions from his friends he started a charitable bakery to distribute bread to the poor people. The efforts to establish urban credit cooperative, however, started with a realization by him of the superiority of self-help and mutual-help over charity. In 1849, he established his first friendly society of shoemakers with the object of making purchases of raw material in bulk and supplying it to the members. In 1850, Schulze established his first Urban credit society in his native town. Its function was to raise funds to be lent to its members. With the experience gained by his first cooperative society, Schulze formulated some principles and published them in book written in 1856.

The number of his banks grew rapidly and in 1859, he called a congress of his banks which resolved to set-up „The General Union of German Industrial Societies“. He remained its Director till death. He also secured the „First Co-operative Law“ from Prussia in 1867, which was made applicable to the whole Germany in 1889.

Friedrich Wilhelm Raiffeisen is one person to whom the rural credit cooperative movement owes the maximum. As a Mayor of Wyerbusch, he came across with the poverty-stricken peasants and greedy moneylenders. There were near famine conditions, he got some grain on loan from the government, but he met the difficulties of transport and he motivated the people to harness the grain sledges to their villages. He constituted a poor people's committee which distributed food on credit to the really deserving people. The committee also made recoveries of loans after a specific period. After his transfer to Flammersfeld commune, he organized the “Union in Aid of Impoverished Farmers” in 1849, in which the needy farmers joined as members.

At Heddesderf, Raiffeisen organized the “Heddesderf Beneficient Society”, this society joined by well to do persons and each of them deposited some money on interest. He made the beneficiaries also as members of the society and gave it a new name “Hedderdorf Credit Union”. The phrase **“each for all- all for each”** was coined. Principles of honorary service and unlimited liability were also worked out. The seed thus sown by Raiffeisen began to take root and in a short time new credit unions were formed.

In 1877, The General Union of Rural Co-operative Societies” which was known as the “Raiffeisen Union” was also set up. Raiffeisen laid the maximum stress on the moral aspects of the working of societies and the concept of self-help, mutual-help, social equality, non-profit motive and joint liability.

Friedrich Wilhelm Raiffeisen believed in the capitalization of character and wanted members to help one another and increase their borrowing power by pooling their resources in present and in future. He believed that societies were not business concerns in themselves but were meant to help the members to improve their financial condition.

On the other side, Schulze believed that co-operative institutions should be run on business lines. He believed less in sentiments and more in realities of life and made his societies viable units, able to stand with competition and difficulties.

After the national collapse and German defeat in 1945, the country was divided into the German Democratic Republic and the Federal Republic of Germany, the formal agricultural production co-operatives have been formed on the pattern of collective farms as Russia.

In the later, the co-operative movement developed in four distinct groups:

- Rural Societies - the most important group of co-operative organization is the rural multipurpose societies, organized on Raiffeisen model. These societies combine in themselves the work of providing credit, supplying agricultural requirements, marketing of crops and processing of produce.

- Urban Co-operative Societies formed in urban areas, Schulze type of cooperatives have developed with the membership composing of retailers, restaurant owners, doctors, druggists and others.
- The organization of retail shop keepers into cooperative serving as wholesalers was a feature of West Germany. Such societies had a central all their supplies through these societies.
- Other societies in the group provided credit mainly to non-farming people.
- Both Schulze-Delitzsch and Friedrich Wilhelm Raiffeisen type of societies provided all services offered by commercial banks which include
- Thrift is encouraged among members by offering various types of deposits such as long range savings, lottery savings, thrift messenger and club savings.
- Housing Cooperative Societies formed the third group in the movement. These societies constructed houses for their members with the finances collected from the members as well as from the government. A very large number of co-operative housing societies have been working in Berlin.
- Consumers' Cooperative Societies was the last group of consumers' cooperatives. These societies were also running with a very large number of shops and million members. As well as the four groups of co-operatives had their own federal organizations.

Although the cooperative movement in Germany can be divided into four major groups, there are several common features between them e.g.

- a. All cooperatives observed the same fundamental principles namely self-help, self-responsibility and self-management.
- b. All types of societies were governed by the same co-operative law.
- c. And were affiliated to the German Co-operative Bank and obtained the required finances from it.

The rural cooperative movement by Friedrich Wilhelm Raiffeisen, which started merely for the elimination of financial debility of members, covered the whole economic field in rural areas. They not only provided credit but also helped members in cutting down cost of production by providing them their farm and house-hold requirements and marketing their crops at reasonable rates. The co-

operatives also undertook joint production in order to increase the units of production in agricultural and industrial fields and thus cutting down the overheads. The societies adopted a policy of rationalization by increasing their membership and turnover. Similar types of societies amalgamated into reasonably large institutions and vertical integration of the societies into central organizations strengthened.

Self-Assessment Exercises 1

- i. What are the beliefs of Friedrich Wilhelm Raiffeisen and Herman Franz Schulze Delitzsch on how co-operative societies should be operated?
- ii. Although the cooperative movement in Germany can be divided into four major groups, there are several common features between them. What are they?

3.3.2 Raiffeisen's Principles Propounded for Rural Credit Cooperative

Friedrich Wilhelm Raiffeisen, a pioneer in rural credit cooperatives, proposed several key principles that served as the foundation for the operation and governance of these cooperative institutions. Raiffeisen's principles emphasized community involvement, self-help, and financial support for rural populations. Here are the key principles he propounded for rural credit cooperatives:

1. **Voluntary Membership:** Participation in the rural credit cooperative should be open to all residents of the community who are willing to join. Membership should be voluntary and not based on any form of discrimination.
2. **Democratic Governance:** The cooperative should be democratically managed, with members having equal voting rights regardless of their share of capital. Decision-making should be based on the principle of "one member, one vote."
3. **Limited Returns on Capital:** The financial returns on shares held by members should be limited to ensure that the cooperative primarily serves its members' needs and does not become a profit-seeking institution.
4. **Local Autonomy:** Rural credit cooperatives should have a high degree of local autonomy and should be administered by the members themselves. This autonomy allows them to tailor their services to the specific needs of their community.

5. **Self-Help and Mutual Aid:** Raiffeisen's core principle was "self-help, self-responsibility, self-administration, and self-determination." Members should work together to provide mutual support and assistance, particularly in times of financial need.
6. **Savings Mobilization:** The cooperative should encourage members to save and deposit their savings within the cooperative. These savings could then be used to provide loans and financial support to members and the local community.
7. **Local Community Focus:** The primary purpose of rural credit cooperatives is to serve the financial needs of the local community, especially rural and agrarian populations. Their focus should be on improving the economic and social conditions of the community.
8. **Financial Prudence:** The cooperative should manage its financial resources responsibly to ensure long-term sustainability. Prudent financial practices help safeguard members' investments and the cooperative's stability.
9. **Education and Training:** Members should be provided with education and training to ensure they understand the principles and operations of the cooperative. This helps foster financial literacy and responsible management.
10. **No Speculation:** Raiffeisen emphasized that rural credit cooperatives should not engage in speculative activities or financial risk-taking. Their primary goal is to provide access to credit and financial services to members at reasonable terms.
11. **Community Development:** Beyond financial services, rural credit cooperatives should actively contribute to the social and economic development of the local community. This may include initiatives related to agriculture, infrastructure, and education.

Self-Assessment Exercises 2

- i. In order to guide the activities and dealings of the rural cooperative, Raiffeisen propounded a set of principles based on his ideology. Discuss **7 of** them.
- ii. What do you understand by **financial prudence as credited to Friedrich Wilhelm Raiffeisen?**

3.3.3 Schulze Principles propounded for Urban Cooperative

- a) Members of the association which he called “banks” are to regard the banks as self-help organizations. They have to imbibe this firmly in their consciousness because as self-help organization they were not expected to receive any help whatsoever from government or any individual outside the association. They have to be self-independent.
- b) The sphere of influence of the bank should not be strait jacket. The bank had to grow in response to the demands of members as well as the external environment. This means that as much as possible, those persons and institutions that wanted to avail themselves of the services of the bank should not be denied. The bank was not a secret cult but an organization established to meet the felt need of the members in respect of finance.
- c) Savings should be vigorously encouraged. This meant that members must have the spirit of thriftiness, so as to have a pool of resources in this case financial resource which would be distributed to members on the basis of need with the co-operation and approval of other members. This produced co-operative effect.
- d) As a strategy to attract more shares from the public, maximum interest on a deposit was prescribed. This is important because in business, finance lubricates the wheel of running an enterprise. Schulze realized this keenly and was willing to implement the principle.
- e) To Schulze, this was necessary so as to encourage more deposits from the members as well as from those who shared the ideals and philosophy of the association. With this principle, in the event of loss or bankruptcy of the banks, the level of loss would be limited to the amount of capital and shares acquired. Other property of each member was safeguarded.

Self-Assessment Exercises 3

- i. Discuss Herman Franz Schulze Delitzsch Principles propounded for Urban Cooperative
- ii. The principle “Savings should be vigorously encouraged”. What does it entail?

3.4 Summary

We have discussed the works and efforts of Raiffeisen and Delitzsch by looking briefly at their backgrounds, their efforts in the formation of co-operatives and their principles of co-operation and relevance of these principles.

3.5 References/Further Readings

Omotola, E. (1986). Principle of Co-operative Enterprises. Uwani- Enugu: Chuka Printing Coy Ltd.

Cemoha, E. and Budden J. J. (2002). The Principles of Co-operation. Enugu: Computer Edge Publishers.

Cole, G.D.H. (1944). A Century of Co-operation. London: George Allen and Union Ltd for the Co-operative Union Ltd.

Memoria C.B., Saksena R.D., “Co-operation in India”, Kitab Mahal, Allahabad, 1973, P.109.

Bedi R.D., “Theory, History and Practice of Co-operation”, Loyal Book Depot, Meerut, 1971, P.78.

Memoria C.B., Saksena R.D., “Co-operation in India”, Kitab Mahal, Allahabad, 1973, P.110. 2.

Website: [http://en.wikipedia.org/wiki/william_king_\(doctor\)](http://en.wikipedia.org/wiki/william_king_(doctor))

Website: http://en.wikipedia.org/wiki/cooperative_wholesale_society

1.6 Answers to SAEs - UNIT 3

Answers to SAEs within the course content, arranged accordingly.

Answers to SAEs 1

1. Beliefs of Friedrich Wilhelm Raiffeisen and Herman Franz Schulze Delitzsch on how co-operative societies should be operated

Friedrich Wilhelm Raiffeisen believed in the capitalization of character and wanted members to help one another and increase their borrowing power by pooling their resources in present and in future. He believed that societies were not business concerns in themselves but were meant to help the members to improve their financial condition.

On the other side, **Schulze** believed that co-operative institutions should be run on business lines. He believed less in sentiments and more in realities of life and made his societies viable units, able to stand with competition and difficulties.

2. Common features between the division of co-operatives are:

- All cooperatives observed the same fundamental principles namely self-help, self-responsibility and self-management.
- All types of societies were governed by the same co-operative law.
- And were affiliated to the German Co-operative Bank and obtained the required finances from it.

Answers to SAEs 2

1. **Voluntary Membership:** Participation in the rural credit cooperative should be open to all residents of the community who are willing to join. Membership should be voluntary and not based on any form of discrimination.
2. **Democratic Governance:** The cooperative should be democratically managed, with members having equal voting rights regardless of their share of capital. Decision-making should be based on the principle of "one member, one vote."
3. **Limited Returns on Capital:** The financial returns on shares held by members should be limited to ensure that the cooperative primarily serves its members' needs and does not become a profit-seeking institution.
4. **Local Autonomy:** Rural credit cooperatives should have a high degree of local autonomy and should be administered by the members themselves. This autonomy allows them to tailor their services to the specific needs of their community.
5. **Self-Help and Mutual Aid:** Raiffeisen's core principle was "self-help, self-responsibility, self-administration, and self-determination." Members should work together to provide mutual support and assistance, particularly in times of financial need.
6. **Savings Mobilization:** The cooperative should encourage members to save and deposit their savings within the cooperative. These savings could then be used to provide loans and financial support to members and the local community.

7. **Local Community Focus:** The primary purpose of rural credit cooperatives is to serve the financial needs of the local community, especially rural and agrarian populations. Their focus should be on improving the economic and social conditions of the community.
 8. **Financial Prudence:** The cooperative should manage its financial resources responsibly to ensure long-term sustainability. Prudent financial practices help safeguard members' investments and the cooperative's stability.
 9. **Education and Training:** Members should be provided with education and training to ensure they understand the principles and operations of the cooperative. This helps foster financial literacy and responsible management.
 10. **No Speculation:** Raiffeisen emphasized that rural credit cooperatives should not engage in speculative activities or financial risk-taking. Their primary goal is to provide access to credit and financial services to members at reasonable terms.
 11. **Community Development:** Beyond financial services, rural credit cooperatives should actively contribute to the social and economic development of the local community. This may include initiatives related to agriculture, infrastructure, and education.
-
2. **Financial Prudence:** The cooperative should manage its financial resources responsibly to ensure long-term sustainability. Prudent financial practices help safeguard members' investments and the cooperative's stability.

Answers to SAEs 3

1. Herman Franz Schulze Delitzsch Principles propounded for Urban Cooperative include the following:
 - a) Members of the association which he called “banks” are to regard the banks as self-help organizations. They have to imbibe this firmly in their consciousness because as self-help organization they were not expected to receive any help whatsoever from government or any individual outside the association. They have to be self-independent.
 - b) The sphere of influence of the bank should not be strait jacket. The bank had to grow in response to the demands of members as well as the external environment. This means that as much as possible, those persons and institutions that wanted to avail themselves of the

services of the bank should not be denied. The bank was not a secret cult but an organization established to meet the felt need of the members in respect of finance.

- c) Savings should be vigorously encouraged. This meant that members must have the spirit of thriftiness, so as to have a pool of resources in this case financial resource which would be distributed to members on the basis of need with the co-operation and approval of other members. This produced co-operative effect.
 - d) As a strategy to attract more shares from the public, maximum interest on a deposit was prescribed. This is important because in business, finance lubricates the wheel of running an enterprise. Schulze realized this keenly and was willing to implement the principle.
 - e) To Schulze, this was necessary so as to encourage more deposits from the members as well as from those who shared the ideals and philosophy of the association. With this principle, in the event of loss or bankruptcy of the banks, the level of loss would be limited to the amount of capital and shares acquired. Other property of each member was safeguarded.
2. Savings should be vigorously encouraged principle entails that members must have the spirit of thriftiness, so as to have a pool of resources in this case financial resource which would be distributed to members on the basis of need with the co-operation and approval of other members. This produced co-operative effect.

UNIT 4: EARLY COOPERATIVE SCHOOLS OF THOUGHTS**UNIT STRUCTURE**

- 4.1 Introduction
- 4.2 Learning Outcomes
- 4.3 Main Content
 - 4.3.1 The Utopian School of Thoughts (Owen and Fourier)
 - 4.3.2 The Rochdale and the International Cooperative Alliance (ICA) School Thoughts (The Socio-Therapeutic Approach)
 - 4.3.3 The German Academic School Thought (Synthetic Science)
 - 4.3.4 Cooperatives as “Social Economy” School of Thoughts
- 4.4 Summary
- 4.5 References/Further Readings
- 4.6 Answers to Self-Assessment Exercise(s) within the content

4.1 Introduction

The unit will discuss various schools of thoughts on cooperative and the effects of these thoughts on the cooperative ideology of Robert Owen and other early cooperative founding fathers.

4.2 Learning Outcomes

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

- Explain what school of thoughts is all about
- Evaluate the impact of school thoughts on cooperative movement and development
- Discuss various schools of thoughts

4.3 Main Content

4.3.1 The Utopian School of Thoughts (Owen and Fourier)

The Utopian School of Thought refers to a movement in the 19th century that was characterized by the exploration of idealized and often visionary social and economic systems. Two prominent figures associated with this movement are Robert Owen and Charles Fourier. While they had their own distinct ideas and approaches, they both shared a common goal of creating better and more equitable societies.

Robert Owen:

- Robert Owen (1771-1858) was a Welsh industrialist and social reformer. He is often considered one of the earliest proponents of utopian socialism.
- Owen's most well-known experiment was the New Lanark community in Scotland, which he managed from 1800 to 1825. At New Lanark, he implemented a series of progressive social and labor reforms, including improved working conditions, education for children, and communal living.
- Owen believed that the environment in which people were raised and lived strongly influenced their character and behavior. He advocated for the creation of model communities where people would be raised in ideal conditions, free from the corrupting influences of capitalism.

- Owen's ideas laid the foundation for the cooperative movement and the labor union movement. He also championed the concept of labor value and the idea that workers should receive the full value of their labor.

Charles Fourier:

- Charles Fourier (1772-1837) was a French utopian socialist and philosopher. He is known for his concept of "phalansteries," which were self-sustaining cooperative communities designed to provide for the material and emotional needs of their inhabitants.
- Fourier believed that society could be transformed through the creation of these phalansteries, which were organized around the principles of cooperation and communal living. Each phalanstery would consist of around 1,620 individuals, and they would engage in various forms of work and leisure.
- Fourier's ideas were notable for their focus on human passions and desires. He believed that work should be organized according to people's inclinations, and that each phalanstery should offer a wide range of activities and services to meet the diverse needs of its members.
- Fourier's ideas had a lasting impact on the development of utopian and communal societies in the 19th and 20th centuries, even though his specific phalanstery model was never widely implemented.

Self-Assessment Exercises 1

- i. Mention the representatives of the Utopian School of Thoughts
- ii. What were their beliefs and contributions?

4.3.2 The Rochdale and the International Cooperative Alliance (ICA) School Thoughts (The Socio-Therapeutic Approach)

The Industrial Revolution in England took the world by storm. In the first half of the 18th century, Manchester was still a rural community albeit with a small-scale cottage industry in textiles. By the end of that century, it was a completely industrialized town with a number of large and modern textile factories and an equally typical textile proletariat left over from the early days of capitalism.

No rights for the labourers, the lack of any social welfare legislation, the omnipotence of the textile barons, a truck system whereby workers could only make purchases from stores owned by the employers, etc., these were the circumstances under which the poor had to live. And into this polarized situation marched the radical Chartists, preaching total revolution, the establishment of trade unions, enfranchisement, and the abolition of machinery that replaced manual labour. The Chartists found many a willing ear among the poor textile proletariat. Quite early in the industrialization era the factory workers and their families had started to set up their own stores, to counter the employer's tied stores and monopoly position. But these consumers' cooperatives often failed for lack of good management and foresight; goods were supplied on credit and the members had no repayment discipline, the stores were administered badly.

Some of the founders of the Rochdale cooperative were followers of Robert Owen, others leaned towards the Chartists. They put their political beliefs to one side when it came to the consumer's cooperative and worked towards communal purchasing of foodstuffs and other essentials. However, in the early days of the consumers' cooperative movement, there were principal conflicts of opinion between the adherents of production cooperatives and consumers cooperatives as the claimed leading factors of the cooperative movements, both in the U.K. and in France. At the end, the consumers' cooperative became the dominant opinion within the socio-therapeutic school.

The Rochdale School of thoughts formulated their concepts of cooperative organization into a set of principles that cooperatives clearly needed to adhere to and apply in order to be called authentic cooperatives. Later on, the International Co-operative Alliance (ICA) claimed and propagated these Rochdale principles to be the one and only "Universal Co-operative Principles". If cooperatives would not adhere to these principles and maintain them in practice, then they would be branded more or less as renegade. According to the ICA, a cooperative is "an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise". The ICA-principles strongly reflect contemporary social-democratic ideas and values, although not exclusively. Through this inflation of the Rochdale principles to universal principles, the rules of thumb of essentially a small and simple consumers' cooperative of mid-19th century industrial England have been spread worldwide.

The Churches were also confronted with the “Social Question” which accompanied the rise of wild capitalism with the Industrial Revolution. The established Churches rejected liberalism, and also the (radical) socialism of the Chartists in England and later Karl Marx. The “Social Question”, which is the harsh pauperization of the factory proletariat and the contingent sharp social and political polarization, demanded a response from the Churches. This response firstly came in the form of the so-called Christian Social philosophy. This philosophy cut across the denominational boundaries of Catholicism and Protestantism; in the view of Friedrich Wilhelm Raiffeisen, himself a protestant and fervent anti-socialist and anti-liberal, and one of the leading figures in the Christian Social Cooperative School, there was no place for sectarian dispute around the Social Question.

Basically, the Christian Social philosophy harked back to medieval Thomism philosophies, named after Church Father St. Thomas Aquinas, concerning social solidarity and harmony; an “organic” ideal with a great deal of emphasis on social interrelationships of man and society (as they formerly were supposed to exist in the guilds). Its leading economic thought was the “justum pretium”, the just price for both producers and consumers, through corporate economic relationships like the guild system. This school of thought is also known as Neo-Thomism. The Christian Social doctrine was, and still is, based on the idea that neither the state (as in state socialism) should be the central power which regulated social relationships; nor that society should be left to find its own level (as preached by liberalism); but that the community itself should seek to resolve social problems by means of understanding and consultation between socially-oriented organizations such as employers’ federations, trade unions, farmers unions, associations of consumers, etc.

The development of cooperatives was now seen as a component part of the building up of a network of social welfare organizations. The previously mentioned W.F. Raiffeisen was one of the central figures in the establishment and expansion of agricultural credit cooperatives in Germany. In the Netherlands and Belgium the movement was led by the Roman Catholic priests Van den Elsen and Mellaerts. They encouraged farmers to form farmers unions and to set up agricultural cooperatives and cooperative banks. Particularly, they considered the establishment of cooperative banks to be of utmost importance, because rich and poor -in the respective guises of savers and borrowers- could co-operate with each other within such an organization and so put social solidarity into practice. Raiffeisen considered the cooperative farmers’ loan banks a matter of practical Christianity within

the local parishes, or the weekday equal of the Sunday faith. In the course of one and a half century after the initiative of Raiffeisen, but clearly based on an economic concept, in a number of European countries the network of small local farmers loan banks developed into the Raiffeisen Banks of Germany, Austria, Rabobank in the Netherlands, etc.

Self-Assessment Exercises 2

- i. Who led the development of co-operative in Netherlands and Belgium?
- ii. What were their contributions?

4.3.3 The German Academic School Thought (Synthetic Science)

There were early economic approaches of cooperatives in Germany. The already mentioned Prussian liberal Member of Parliament Herman Schulze-Delitzsch organized and promoted cooperatives as an economic organization for small independent entrepreneurs who had to operate within the expanding large-scale industries in Germany since the Gründerzeit, the era of the German Industrial Revolution of the second half of the 19th century. He was the stimulator of the Volksbanken (Peoples Banks) and input supply cooperatives of small enterprises in that era. In the 20th century, the German economists Robert Liefmann and Hans Ohm gave clear economic analyses of cooperative organization. However, these economic approaches did not become the mainstream of cooperative science in Germany.

Contemporary with Schulze Delitzsch, there was much influence of the engaged and normative Raiffeisen-approach in Germany, especially in the rural economy; and after the Second World War, the multidisciplinary German Academic School has been most influential in German cooperative science. Most of this typically German cooperative science is the working area of the Study Group of Cooperative Institutes linked to about a dozen German, Austrian and German-speaking Swiss universities. The German Academic School largely emerged in the post-World War II era. It adopts Natural Law as the leading principle of cooperation of human beings in society and economy, and puts strong emphasis on ethical principles. The renewed recognition of Natural Law and ethics certainly was a reaction within the German academic world to the failing prewar constitutional state. With regard to cooperative organization, this intellectualistic academic movement considers

cooperatives very much a manifestation of this Law, and thus an organization with a determined ethical foundation and dimension.

Further, it is based partly also on the German Historical School within economic science, a conservative socio-economic approach that considers modernization not really a break with an old structures and traditions, but rather an evolution or innovated continuation. And so it considers cooperatives a certain resurrection of the abolished guilds and other “organic” socio-economical grouping. It is strongly based on “ideal types” for which Max Weber, the deviser of ideal types himself, warned expressively: he earmarked them as helpers for our thinking, not as images of real life. Finally, the German Academic School adopts the typical German scientific dialectical method as established by Hegel, Fichte, etc. which states that all truth can be found by matching and working out theses and anti-theses about a certain issue into a synthesis as its logical outcome. So within each issue, a typical dualism appears of two polar elements that finally have to be brought into an appropriate balance with each other.

Additionally, in considering their subjects of study, the German Academic School applies a specific method of abstraction, by means of first isolation and then magnification of the chosen subject through “Einseitige Steigerung” or “pointierende Hervorhebung” (one-sided focusing). Thereupon, the isolated subject is studied from the wide range of disciplines and sciences as mentioned through a multi-purpose approach. Concretely, the German Academic School defines cooperative organization as a dualistic form of organization: it is both an “association of individuals” and an “enterprise”. The “association” serves to focus not only the economic but also the socio-political, religious and ethical ideals of the members, and the will of the members therefore prevails over purely material issues.

At the same time, the “cooperative enterprise” needs to function in a market-oriented environment in which there is not much scope for the non-economic motives of the members of the association. And so the cooperative is both an institution ruled by a spectrum of social aspirations and human ideals, be it from humanistic, Christian, socialistic, liberal or other origin, while on the other hand it is an ordinary enterprise that has to comply with the iron laws of the market economy. In the view of this School, the last aspect makes the cooperative at least for a part independent from its members. Thus, in all its analyses the German School follows its “dualistic” approach. This specific

methodology of the German Academic School results in rather complex and verbose treatises in the legal, social, economic, sociological, historical, etc. field. However, it easily and purposely abstracts from the prevailing economic nature of cooperative organization.

The final consequence of this approach is that it does not lead to conclusions. Because each issue and subject always can be turned like a globe in order to see it from a different angle, all findings have a very relative value only as they are not confirmed, however rather enfeebled by other findings derived from other disciplines and sciences. And so, the debate about cooperative organization is very much a matter of the academic study room.

Self-Assessment Exercises 3

- i. When the German Academic School did largely emerged?
- ii. Which of the existing laws did it adopt?

4.3.4 Cooperatives as “Social Economy” School of Thoughts

Cooperatives are a fundamental component of the "Social Economy" school of thought. The Social Economy is an approach to economic and social organization that places a strong emphasis on values such as solidarity, social inclusion, and sustainability, alongside economic efficiency and profitability. Cooperatives, as a specific form of social enterprise, align closely with the principles and objectives of the Social Economy.

Here are some key aspects of how cooperatives are integrated into the Social Economy school of thought:

1. **Values and Principles:** Cooperatives are based on a set of core values and principles, including voluntary and open membership, democratic control, member economic participation, autonomy and independence, education and training, and cooperation among cooperatives. These principles align with the social and democratic values of the Social Economy.
2. **Solidarity and Social Inclusion:** Social Economy institutions, including cooperatives, aim to address social and economic inequalities and promote social inclusion. Cooperatives often focus

on meeting the needs of their members and communities, especially in sectors like agriculture, housing, and worker-owned businesses.

3. **Sustainable Development:** Cooperatives frequently incorporate sustainability into their operations and decision-making processes. They may prioritize environmental, economic, and social sustainability, which resonates with the Social Economy's focus on long-term, sustainable solutions.
4. **Economic Democracy:** The Social Economy emphasizes economic democracy, which means that economic activities should be carried out in a more participatory and equitable manner. Cooperatives provide a platform for members to have a direct say in the decisions that affect their economic well-being.
5. **Community Engagement:** Cooperatives often play a crucial role in local and regional development, helping to strengthen communities by creating employment opportunities, providing essential services, and retaining wealth within the community. This local focus aligns with the Social Economy's emphasis on community and social development.
6. **Ethical and Socially Responsible Business Practices:** Social Economy organizations, including cooperatives, typically adhere to ethical and socially responsible business practices, which can involve fair wages, responsible sourcing, and other measures that benefit both members and the wider community.
7. **Collaboration and Networking:** The Social Economy encourages cooperation and networking among different social enterprises, including cooperatives. This cooperative approach can help maximize resources and create more significant social and economic impact.

Self-Assessment Exercises 4

- Cooperatives are a fundamental component of the "Social Economy" school of thought. Explain
- Discuss 6 aspects of how cooperatives are integrated into the Social Economy school of thought:

4.4 Summary

In this unit, we have explained the stipulations of the evolutionary theory. Among others, we have seen that human societies move forward in their thinking from mythology to the scientific method. And that all societies pass through the same successive stages of evolution and inevitably reach the same end.

4.5 References/Further Readings

<https://www.google.com/search?q=Cooperatives+as+%E2%80%9CSocial+Economy%E2%80%9D+School+of+Thoughts&oq=Cooperatives+as+%E2%80%9CSocial+Economy%E2%80%9D+School+of+Thoughts&aqs=chrome..69i57j33i10i160l2.1298j0j7&sourceid=chrome&ie=UTF-8>.

[https://www.google.com/search?q=The+Utopian+School+of+Thoughts+\(Owen+and+Fourier\)&oq=The+Utopian+School+of+Thoughts+\(Owen+and+Fourier\)&aqs=chrome..69i57j33i160.2704j0j9&sourceid=chrome&ie=UTF-8](https://www.google.com/search?q=The+Utopian+School+of+Thoughts+(Owen+and+Fourier)&oq=The+Utopian+School+of+Thoughts+(Owen+and+Fourier)&aqs=chrome..69i57j33i160.2704j0j9&sourceid=chrome&ie=UTF-8)

Universiteit Maastricht (2007) Cooperatives as a Business Organization; Lessons from Cooperative Organization History. ISBN: 978-90-5681-260-7 NUR 780. Monograph on the occasion of the farewell of Prof. Dr. Wim J.J. van Diepenbeek, Professor of Cooperative Business Organization Faculty of Economics & Business Administration Universiteit Maastricht May 2007.

4.6 Answers to SAEs - UNIT 4

Answers to SAEs within the course content, arranged accordingly.

Answers to SAEs 1

1. The best-known representatives of the utopian school of thought are Robert Owen in England and Charles Fourier in France.

2. Robert Owen:

- Robert Owen (1771-1858) was a Welsh industrialist and social reformer. He is often considered one of the earliest proponents of utopian socialism.

- Owen's most well-known experiment was the New Lanark community in Scotland, which he managed from 1800 to 1825. At New Lanark, he implemented a series of progressive social and labor reforms, including improved working conditions, education for children, and communal living.
- Owen believed that the environment in which people were raised and lived strongly influenced their character and behavior. He advocated for the creation of model communities where people would be raised in ideal conditions, free from the corrupting influences of capitalism.
- Owen's ideas laid the foundation for the cooperative movement and the labor union movement. He also championed the concept of labor value and the idea that workers should receive the full value of their labor.

Charles Fourier:

- Charles Fourier (1772-1837) was a French utopian socialist and philosopher. He is known for his concept of "phalansteries," which were self-sustaining cooperative communities designed to provide for the material and emotional needs of their inhabitants.
- Fourier believed that society could be transformed through the creation of these phalansteries, which were organized around the principles of cooperation and communal living. Each phalanstery would consist of around 1,620 individuals, and they would engage in various forms of work and leisure.
- Fourier's ideas were notable for their focus on human passions and desires. He believed that work should be organized according to people's inclinations, and that each phalanstery should offer a wide range of activities and services to meet the diverse needs of its members.
- Fourier's ideas had a lasting impact on the development of utopian and communal societies in the 19th and 20th centuries, even though his specific phalanstery model was never widely implemented.

Answers to SAEs 2

1. Co-operative movement in Netherland and Belgium was led by Roman Catholic priests:
Van den Elsen and Mellaerts

2. Their contributions were:

- They encouraged farmers to form farmers unions and to set up agricultural cooperatives and cooperative banks.
- Particularly, they considered the establishment of cooperative banks to be of utmost importance, because rich and poor -in the respective guises of savers and borrowers- could co-operate with each other within such an organization and so put social solidarity into practice.

Answers to SAEs 3

1. The German Academic School largely emerged in the post-World War II era.
2. It adopted the Natural Law as the leading principle of cooperation of human beings in society and economy, and puts strong emphasis on ethical principles.

Answers to SAEs 4

1. Cooperatives are a fundamental component of the "Social Economy" school of thought. The Social Economy is an approach to economic and social organization that places a strong emphasis on values such as solidarity, social inclusion, and sustainability, alongside economic efficiency and profitability. Cooperatives, as a specific form of social enterprise, align closely with the principles and objectives of the Social Economy.

2. 6 aspects of how cooperatives are integrated into the Social Economy school of thought:

Values and Principles: Cooperatives are based on a set of core values and principles, including voluntary and open membership, democratic control, member economic participation, autonomy and independence, education and training, and cooperation among cooperatives. These principles align with the social and democratic values of the Social Economy.

Solidarity and Social Inclusion: Social Economy institutions, including cooperatives, aim to address social and economic inequalities and promote social inclusion. Cooperatives often focus on meeting the needs of their members and communities, especially in sectors like agriculture, housing, and worker-owned businesses.

Sustainable Development: Cooperatives frequently incorporate sustainability into their operations and decision-making processes. They may prioritize environmental, economic, and social sustainability, which resonates with the Social Economy's focus on long-term, sustainable solutions.

Economic Democracy: The Social Economy emphasizes economic democracy, which means that economic activities should be carried out in a more participatory and equitable manner. Cooperatives provide a platform for members to have a direct say in the decisions that affect their economic well-being.

Community Engagement: Cooperatives often play a crucial role in local and regional development, helping to strengthen communities by creating employment opportunities, providing essential services, and retaining wealth within the community. This local focus aligns with the Social Economy's emphasis on community and social development.

Ethical and Socially Responsible Business Practices: Social Economy organizations, including cooperatives, typically adhere to ethical and socially responsible business practices, which can involve fair wages, responsible sourcing, and other measures that benefit both members and the wider community.

Collaboration and Networking: The Social Economy encourages cooperation and networking among different social enterprises, including cooperatives. This cooperative approach can help maximize resources and create more significant social and economic impact.

UNIT 5: THE NATURE AND DEFINITIONS OF CO-OPERATIVES**UNIT STRUCTURE**

- 5.1 Introduction
- 5.2 Learning Outcomes
- 5.3 Main Content
 - 5.3.1 The Background Information
- 5.4 Summary
- 5.5 References/Further Readings
- 5.6 Answers to Self-Assessment Exercise(s) within the content

5.1 Introduction

This unit is majorly concerned with how concept of cooperative is been define from various perspective. You will have a proper understanding of cooperative nature by re-reading the contents of this Unit; provide answers to the tutor-marked questions as well as doing the SELF ASSESSMENT EXERCISEs. By so doing, you will naturally prepare yourself and attune to the ideas of this Unit.

5.2 Learning Outcomes

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

- Give detailed definition of cooperative
- Develop and define cooperative from your own language and perspective that will be align with ICA 1995 statement on cooperative definition
- Compare the various definitions of cooperative and identify what they have in common

5.3 Main Content

5.3.1 Background Information

The International Co-operative Alliance, a non-governmental organization which is the umbrella organization for cooperatives worldwide in its 1995 statement, defines cooperatives as an “autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise”.

Co-operative societies are institutions within whose framework co-operation or joint activities by people take place in a formalized, long-term, deliberate and, to a great extent, specific form in the social and especially economic spheres of human endeavour. The modes of practices of operation in reality may show variations regarding details, but certain general guidelines are internationally expected to be observed (Chukwu, 1990).

Berko (1987) defines co-operative society as “a voluntary and democratic association of persons with variable membership and variable capital whose members pooled themselves and their resources together on mutual and self-help basis to form a business enterprise which seeks to solve the socio-economic problems(s) of these members by directly providing goods and services to them in their capacity as either the owner/customer or owner/employee of the co-operative enterprise. In the opinion of Onyeze et al. (2014), co-operatives have joint action by the group towards attainment of the group’s goals through economic betterment of her members and mutual help.

The term "co-operative" is defined as the capacity to work effectively and respectfully with a variety of people or teams, to reach compromises, to reach a consensus during decision-making, to share responsibility for collaborative work while maintaining a strong sense of self (Nwagbara, 2018). As accredited to Babalola and Tihamiyu (2013), a co-operative society is a group of people who have voluntarily joined forces to form a democratically controlled organization in order to achieve a common goal. They make fair capital contributions and accept a fair share of the risks and rewards of the venture, in which the members actively participate.

In the opinion of Mammud (2019), a co-operative society is formed when people voluntarily associate with one another based on shared interests in order to meet their members' economic or social needs. Each member benefits from the ideas, talents, skills, and energies of the others by

combining their efforts. In the areas of production, marketing, distribution, frugality, education, etc., they are able to accomplish things that they could not do as well (or at all) alone.

Ogbeide (2015) defines co-operatives as voluntary entities that carry out activities for socio-economic benefits jointly, often in a sustainable way, on the basis of mutual aid and assistance, and registered in accordance with the required legislation. Similarly, Okem (2016) argues that co-operatives are a viable tool to bring people together and empower themselves through collective solidarity.

The purpose of a cooperative is to allow individuals to come together and pool their resources in order to reach a common goal which would be difficult for them to achieve as individuals. In other words, the purpose of a cooperative is, for example, to allow someone with only five kilos of a given product to sell, transport or transform them at the lowest cost possible and under the best of conditions. Such an option allows, simply by joining with others to form a business, to benefit from economies of scale, and so reducing costs.

A cooperative is the specific application of a very old idea: “**Cooperation**”. Cooperation can be defined as a social process by which individuals work together to realize a common objective or goal. Cooperation is present in every age of humanity, including the oldest. In most cases, cooperation occurs when an external factor threatens a certain number of individuals. So it has been with cooperatives. They were the consequence of several ills affecting workers at a time where working conditions were difficult. Cooperation among the workers seemed like the only possible means of defense against the worsening social and economic conditions of the period affecting a section of the population. Even today, some people, to say the least, carry out their jobs in difficult conditions or are not even in employment.

Cooperatives are enterprises which help their members cooperate together to solve problems they share. The members of cooperatives can be natural persons or corporate bodies. Cooperatives of corporate bodies can represent an effective form of commercial cooperation in the same way as, for example, networking, strategic partnerships and franchising. Cooperatives are an alternative to the capitalist approach of most businesses: a type of economic and social cooperation. As a result, the cooperative, which aims to apply the social well-being of the work world to a business level, is a

non-profit-making service enterprise whose objective is to free its members from any exploitation they are suffering by strengthening them in their economic role as purchasers, workers, produce sellers, borrowers, housing applicants, tenants, etc.

A cooperative can be active in almost any field where there is a group with fairly homogeneous and common needs. Thus:

- 1) Where the members are farmers, the benefits will include quality inputs at fair (equitable) prices and economies of scale in adding value to, marketing and distributing produce;
- 2) Where the members are consumers, the benefits will include the availability of goods at fair (equitable) prices;
- 3) Where the members are independent retailers, the benefits will include economies in marketing and distribution, and greater common buying power;
- 4) Where the members are workers, the benefits will include participation in the management of their enterprise and a fair (equitable) reward for their labour;
- 5) Where the members are primary producers, the benefits will include access for their produce and more control over the added value;
- 6) Where the members are savers or borrowers, the benefits will include a fair return on their savings and access to credit at a fair (equitable) interest rate.

The present economic and social situations facilitate the growing and sometimes fundamental role of cooperatives. Indeed, the continuous growth of poverty in developing countries and the shortage of social protection coupled with unemployment especially among the population in developing countries only lead to an increased need for cooperation and thus a growing role and place for cooperatives in society.

Self-Assessment Exercises 1

- i. There are certain conditions that can make cooperative to be active in almost any field where there is a group with fairly homogeneous and common needs. What are these conditions?
- ii. Define co-operative according to ICA 1995
- iii. Discourse the purpose of co-operative citing examples

5.4 Summary

This Unit has enhanced our knowledge on the concept of cooperation. We are made to know different views of cooperative and cooperative can be defined from different social, economic and cultural background.

5.5 References/Further Readings

- Babalola, Y. A. & Tihamiyu, R. (2013). Co-operatives Enterprises: A panacea to Job Creation and Economic Empowerment. *Information and management* 3(5): 60-63.
- Berko, S. Y. (1987). Reading Mimeographs on Introduction to Co-operatives (ASUTECH). Unpublished
- Chukwu, S. C. (1990). Economics of the Co-operative Business Enterprise, Marburg Consult for Self-Help. Marburg.
- European Commission, Cooperatives in Enterprise Europe (Brussels, 2001).
- Mammud, V. E., (2019). Repositioning co-operative societies in Nigerian Higher Institutions for sustainable national development. *Global Scientific Journal*, 7(5): 460-472
- Nwagbara, C. (2018). Relevance of co-operative societies to the Nigerian Economy. *International Journal of Innovative legal & political studies*, 6(2): 38-56
- Ogbeide, O. A. 2015. An assessment of Co-operative Society as a Strategy for Rural Development in Edo State of Nigeria. *The Journal of Rural and Community Development*, 10(1): 94-108
- Okem, A.E. 2016. The Implementation of Co-operative Policy: Perceptions from Co-operatives in the uMgungundlovu District Municipality. Doctor of Philosophy, University of KwaZulu-Natal.
- Onyeze, C. N., Ebue, M. I. & Ike M. U. (2014). The Problems of Financing Co-Operative Society Projects in a Competitive Economy: A Case Study of Co-operative Societies in Mbano Local Government Area of Imo State, Nigeria. *Journal of Research in Humanities and Social Science*. 2(10): 11-17.

5.6 Answers to SAEs - UNIT 5

Answers to SAEs within the course content, arranged accordingly.

Answers to SAEs 1

1. Certain conditions that can make cooperative to be active in almost any field where there is a group with fairly homogeneous and common needs are:
 - a) Where the members are farmers, the benefits will include quality inputs at fair (equitable) prices and economies of scale in adding value to, marketing and distributing produce;
 - b) Where the members are consumers, the benefits will include the availability of goods at fair (equitable) prices;
 - c) Where the members are independent retailers, the benefits will include economies in marketing and distribution, and greater common buying power;
 - d) Where the members are workers, the benefits will include participation in the management of their enterprise and a fair (equitable) reward for their labour;
 - e) Where the members are primary producers, the benefits will include access for their produce and more control over the added value;
 - f) Where the members are savers or borrowers, the benefits will include a fair return on their savings and access to credit at a fair (equitable) interest rate.
2. ICA 1995, define cooperative as an “autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.
3. The purpose of a cooperative is to allow individuals to come together and pool their resources in order to reach a common goal which would be difficult for them to achieve as individuals. In other words, the purpose of a cooperative is, for example, to allow someone with only five kilos of a given product to sell, transport or transform them at the lowest cost possible and under the best of conditions. Such an option allows, simply by joining with others to form a business, to benefit from economies of scale, and so reducing costs.

MODULE TWO: EARLY COOPERATIVE MOVEMENT PRACTICES, ROCHDALE PIONEERS AND ICA REVIEW OF THE COOPERATIVE PRINCIPLES**Unit 6: The Pre-Rochdale Co-operatives and their Failure****Unit Structure**

- 6.1 Introduction
- 6.2 Learning Outcomes
- 6.3 Main Content
 - 6.3.1 History of the Early Cooperative Movement before Rochdale Equitable Pioneers Society
 - 6.3.2 Robert Owen and the Early Co-operative movement
 - 6.3.3 The Reasons for the Failure of Early Co-operatives
- 6.4 Summary
- 6.5 References/Further Readings
- 6.6 Answers to Self-Assessment Exercise(s) within the content

6.1 Introduction

The history of the early cooperative movement began with the efforts made by Roberts Owen and other notable personality that champion the cause of cooperation among the factory workers during industrial revolution. All the cooperative societies that were formed before the success of Rochdale Equitable pioneers was recorded were categorized as Pre Rochdale Cooperatives and sometimes referred to as Owenites cooperative movement. So in this unit we shall be discussing the issues surrounding those cooperative societies that were established before the Rochdale Equitable pioneers society as well as the factors that contributed to their unsuccessful operations.

6.2 Learning Outcomes

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

- Understand the efforts made the cooperative ideas of Robert Owen in championing cooperative movement
- Explain the reasons why Owen should be called father of cooperative
- Explore the nature of cooperatives that were established before Rochdale Equitable pioneers society
- Explain the reasons why the early cooperative societies failed

6.3 Main Content

6.3.1 History of the Early Cooperative Movement before Rochdale Equitable Pioneers Society

The early cooperative movement before the establishment of the Rochdale Society of Equitable Pioneers in 1844 had a rich history, with various forms of cooperation and mutual aid emerging in different parts of the world. While the Rochdale Pioneers are often recognized as a significant milestone in the cooperative movement, they were not the first to experiment with cooperative principles. Here's an overview of some key developments in the early cooperative movement:

Mutual Aid Societies: Mutual aid societies, sometimes referred to as friendly societies or benefit societies, were among the earliest forms of cooperation. These societies emerged in Europe as early as the 17th century and played a crucial role in providing financial support and assistance to members during times of sickness, unemployment, or other hardships. They operated on the principle of pooling resources and sharing risks.

Agricultural and Craft Cooperatives: In rural areas, agricultural and craft cooperatives have a long history. Farmers, artisans, and workers in various trades formed cooperatives to jointly manage resources, share tools and equipment, and collectively market their products. These early cooperatives helped members overcome economic challenges and fostered community support.

Owenite Experiments: Robert Owen, who later became associated with the Rochdale Pioneers, had been involved in earlier cooperative experiments. In the early 19th century, he established New Harmony in Indiana, USA, as a utopian community based on cooperative and communal principles. While this experiment was short-lived, it influenced later cooperative thinking.

Equitable and Store-Based Cooperatives: Before the Rochdale Equitable Pioneers Society, there were various store-based cooperatives and cooperative retail organizations. These early cooperative stores aimed to provide affordable and quality goods to their members. For example, the Fenwick Weavers' Society in Scotland (1761) operated a store and is often cited as an early cooperative initiative.

Cooperative Societies in Other Countries: Cooperative efforts were not limited to the United Kingdom. In France, the concept of "mutualité" gained popularity, emphasizing mutual aid and solidarity. In Germany, the idea of "self-help" or "Selbsthilfe" was central to the cooperative movement.

Self-Assessment Exercises 1

- i. When was the Rochdale Society of Equitable Pioneers established?
- ii. Mention five co-operative movements that existed before the Rochdale and explain any three

6.3.2 Robert Owen and the Early Co-operative Movement

Robert Owen has been called the 'father of cooperative and English Socialism'. He was the first founder of the Co-operative movement and believed in worker control although he was a high capitalist himself. He was the product of self-help and a very practical man who concentrated on the 'means to the end'. He believed that if the working man ever was to achieve equality, then the man must change first - in attitude. Also, the working man had to know of, believe in and be equipped to fight for the cause, according to Owen. This is very much the self-help ethic. Owen became convinced that the advancement of humankind could be furthered by the improvement of every individual's personal environment. He reasoned that since character was moulded by circumstances,

then improved circumstances would lead to goodness. The environment at New Lanark, where he tried out his ideas, reflected this philosophy.

A London Co-operative Society had been started in 1824 with rooms in Burton Street, Burton Crescent, where discussions were held. Later it transferred to Chancery Lane where John Stuart Mill, Charles Austen and others had hand-to-hand fights with the “Owenites”. The Co-operative Magazine was started in January 1826 and gave accounts of the New Harmony community. It was published during the next three years as a sixpenny monthly. In 1830 it was replaced by the British Co-operator, the Co-operative Miscellany and other journals that expounded Owen's theories.

Also in 1826 the London Co-operative Society was formed, with William Lovett as storekeeper. Similar societies were formed elsewhere, and the British Association for Promoting Co-operative Knowledge was founded. All failed within three to four years because funds had no legal protection although much of this happened when Owen was in New Harmony. After 1829 Owen took over the development of Co-operatives, and pursued three lines of development:

1. Education
2. Storekeeping
3. Production - the heart of Owenism

The idea failed in the short-term, but was better organized after 1844. Many societies were started and Owen began to spread his ideas through lectures and by promoting various associations: he gave Sunday lectures at the Mechanics' Institute in Southampton Buildings until people objected. He then moved to the “Institute of the Industrious Classes” and to Burton Street. In 1832 he started the Labour Bazaar. He believed that the mal-distribution of wealth was the result of expensive and unnecessary middle-men who were barriers between producers and consumers. He advocated 'labour exchanges' and 'labour bazaars' to eliminate middle-men. Owen preached two types of co-operation:

- a) Co-operative exchange
- b) Co-operative production

Since 14 April 1832 Owen had published a penny paper called The Crisis; in June he announced the formation of an association to promote the exchange of all commodities upon the “only equitable

principle” of giving “equal values of labour”. To carry out this, an “Equitable Labour Exchange” was opened on 3 September 1832 at a building called the Bazaar, in Gray's Inn Road. It had belonged to a man called Bromley who had pressed Owen to use it for a new society. Owen had thought it suitable for his experiment, which had already been partly set going elsewhere. Any goods might be deposited in it; “labour notes”, which had been elaborately contrived to avoid forgery, were given in exchange, and the goods deposited might be bought in the same currency. The system was extremely crude and scarcely intelligible. There was, however, a rush to the exchange. A large amount of deposits was made and the example was imitated, especially in Birmingham.

Difficulties soon arose. Bromley made exorbitant claims for rent though Owen thought that he had offered his premises free of charge. It was decided to move the exchange to Blackfriars. In January 1833 Bromley forcibly entered the premises and Owen paid large sums to settle the matter. Bromley tried to appropriate the scheme himself, but soon failed. The exchange was moved to Charlotte Street, Fitzroy Square, where Owen, helped by his son Robert Dale Owen, continued to lecture for some time, and a new constitution was framed. It only survived for a short time; Owen made up a deficiency of £2,500 for which he held himself to be morally, though he was not legally, responsible.

Owen's activity continued for several years, and had a great effect in stimulating the co-operative movement in the country, though exciting comparatively little public interest. He took part in the seven co-operative congresses which met between 1830 and 1834; he also took part in the succeeding fourteen “socialist congresses” (1835-1846).

Self-Assessment Exercises 2

- i. Robert Owen has been called the 'father of cooperative and English Socialism. Discuss.
- ii. After 1829 Owen took over the development of Co-operatives, and pursued three lines of development. Mention these three lines of development

6.3.3 The Reasons for the Failure of Early Co-operatives

In spite of the vim and vigour of Robert Owen and Dr William King's pragmatic approach to co-operation, early cooperatives faced a range of challenges and obstacles, which, in some cases, led to

their failure. While cooperatives were established with the intention of promoting mutual aid, fair economic practices, and social betterment, several factors contributed to their early struggles and failures.

Here are some common reasons for the failure of early cooperatives:

- **Lack of Capital and Resources:** Many early cooperatives were formed by individuals with limited financial resources. This lack of capital made it difficult to invest in necessary infrastructure, equipment, and inventory, hindering their ability to compete with more established businesses.
- **Inadequate Business Skills:** Early cooperatives often lacked members with the necessary business and management skills. Cooperative members may have had the desire to work together, but without effective leadership and management, it was challenging to sustain the business.
- **Internal Conflicts and Management Issues:** Conflicts and disagreements among cooperative members were common. Differences in goals, work ethics, and decision-making could lead to internal strife and hinder the smooth operation of the cooperative.
- **Competition and Market Challenges:** Early cooperatives often faced stiff competition from established businesses. Their smaller size, limited resources, and sometimes suboptimal locations made it difficult to compete effectively in the marketplace.
- **Lack of Access to Credit and Capital:** Many cooperatives had difficulty obtaining loans or credit from traditional financial institutions, which could have been used to finance growth and development.
- **Unfavorable Economic Conditions:** Economic downturns, recessions, or other adverse economic conditions could negatively impact the financial stability of cooperatives, making it difficult for them to survive during difficult times.
- **External Hostility:** Some early cooperatives faced opposition and hostility from traditional businesses, trade unions, or government authorities who perceived cooperatives as a threat to established economic interests.

- **Insufficient Member Commitment:** In some cases, members of early cooperatives may not have been fully committed to the cooperative's success, leading to a lack of enthusiasm and participation.
- **Ineffective Governance and Leadership:** Poor governance, including a lack of transparency, accountability, and fair decision-making processes, could erode trust among members and hinder the cooperative's viability.
- **Inadequate Market Research:** Some cooperatives failed to conduct sufficient market research to understand consumer preferences and market demands, resulting in an inability to meet the needs of their target audience.
- **Legal and Regulatory Barriers:** Legal and regulatory challenges, such as restrictive laws or discriminatory practices against cooperatives, hindered their growth and operation in some regions.

Self-Assessment Exercises 3

- i. Discuss 10 reasons why early co-operatives failed
- ii. How did lack of capital and resources and competition and market challenges led to the failure of early co-operatives?

6.4 Summary

In this unit, we have explained various types of cooperatives that were formed before the establishment of Rochdale Equitable pioneer society and the factors that contributed to the failure of these early cooperatives. Among others, we have seen efforts made by Robert Owen and why he deserved to be called father of cooperative

6.5 References/Further Readings

Cooperative Development Foundation (2021). Common Challenges in Cooperatives. Grassroots Economic Organizing (GEO). <https://geo.coop/articles/common-challenges-cooperatives>

<https://www.google.com/search?q=History+of+the+Early+Cooperative+Movement+before+Rochdale+Equitable+Pioneers+Society&coq=History+of+the+Early+Cooperative+Movement+be>

[fore+Rochdale+Equitable+Pioneers+Society&aqs=chrome..69i57.2622j0j9&sourceid=chrome&ie=UTF-8](https://www.historyhome.co.uk/peel/economic/owencoop.htm)

Nwobi, T.U. (2008). Cooperative: An introductory analysis. Rex Charles & Patrick Limited
Anambra State ISBN: 9783824996
<http://www.historyhome.co.uk/peel/economic/owencoop.htm>

6.6 Answers to SAEs - UNIT 6

Answers to SAEs within the course content, arranged accordingly.

Answers to SAEs 1

1. The Rochdale Society of Equitable Pioneers was established in 1844
2. The first documented consumer cooperative was founded in 1769

Answers to SAEs 2

1. Robert Owen has been called the 'father of cooperative and English Socialism'. He was the first founder of the Co-operative movement and believed in worker control although he was a high capitalist himself. He was the product of self-help and a very practical man who concentrated on the 'means to the end'. He believed that if the working man ever was to achieve equality, then the man must change first - in attitude. Also, the working man had to know of, believe in and be equipped to fight for the cause, according to Owen. This is very much the self-help ethic. Owen became convinced that the advancement of humankind could be furthered by the improvement of every individual's personal environment. He reasoned that since character was moulded by circumstances, then improved circumstances would lead to goodness. The environment at New Lanark, where he tried out his ideas, reflected this philosophy.
2. After 1829 Owen took over the development of Co-operatives, and pursued three lines of development. These lines of development include:
 - Education
 - Storekeeping
 - Production - the heart of Owenism

Answers to SAEs 3**1. Reasons for the failure of early cooperatives:**

- **Lack of Capital and Resources:** Many early cooperatives were formed by individuals with limited financial resources. This lack of capital made it difficult to invest in necessary infrastructure, equipment, and inventory, hindering their ability to compete with more established businesses.
- **Inadequate Business Skills:** Early cooperatives often lacked members with the necessary business and management skills. Cooperative members may have had the desire to work together, but without effective leadership and management, it was challenging to sustain the business.
- **Internal Conflicts and Management Issues:** Conflicts and disagreements among cooperative members were common. Differences in goals, work ethics, and decision-making could lead to internal strife and hinder the smooth operation of the cooperative.
- **Competition and Market Challenges:** Early cooperatives often faced stiff competition from established businesses. Their smaller size, limited resources, and sometimes suboptimal locations made it difficult to compete effectively in the marketplace.
- **Lack of Access to Credit and Capital:** Many cooperatives had difficulty obtaining loans or credit from traditional financial institutions, which could have been used to finance growth and development.
- **Unfavorable Economic Conditions:** Economic downturns, recessions, or other adverse economic conditions could negatively impact the financial stability of cooperatives, making it difficult for them to survive during difficult times.
- **External Hostility:** Some early cooperatives faced opposition and hostility from traditional businesses, trade unions, or government authorities who perceived cooperatives as a threat to established economic interests.
- **Insufficient Member Commitment:** In some cases, members of early cooperatives may not have been fully committed to the cooperative's success, leading to a lack of enthusiasm and participation.

- **Ineffective Governance and Leadership:** Poor governance, including a lack of transparency, accountability, and fair decision-making processes, could erode trust among members and hinder the cooperative's viability.
- **Inadequate Market Research:** Some cooperatives failed to conduct sufficient market research to understand consumer preferences and market demands, resulting in an inability to meet the needs of their target audience.
- **Legal and Regulatory Barriers:** Legal and regulatory challenges, such as restrictive laws or discriminatory practices against cooperatives, hindered their growth and operation in some regions.

2. Lack of Capital and Resources: Many early cooperatives were formed by individuals with limited financial resources. This lack of capital made it difficult to invest in necessary infrastructure, equipment, and inventory, hindering their ability to compete with more established businesses.

Competition and Market Challenges: Early cooperatives often faced stiff competition from established businesses. Their smaller size, limited resources, and sometimes suboptimal locations made it difficult to compete effectively in the marketplace

UNIT 7: THE ROCHDALE PIONEERS AND THE ROCHDALE SOCIETY OF EQUITABLE PIONEERS

UNIT STRUCTURE

- 7.1 Introduction
- 7.2 Learning Outcomes
- 7.3 Main Content
 - 7.3.1 Historical Background of Rochdale Equitable Pioneers and Rochdale Society of Equitable Pioneers
 - 7.3.2 Lessons from Rochdale Society of Equitable Pioneers
- 7.4 Summary
- 7.5 References/Further Readings
- 7.6 Answers to Self-Assessment Exercise(s) within the content

7.1 Introduction

In the previous unit we discussed about the activities of early cooperatives or pre Rochdale cooperative that were established before Rochdale equitable pioneer society. In this unit we shall discuss how the first successful cooperative was established and the people that made to be successful. Rochdale Equitable pioneers refer to 28 factory workers that established the consumer type of cooperative called Rochdale Society of Equitable Pioneers in 1844. Also, we shall present the reasons that contributed to the success of the Rochdale Society of Equitable Pioneers in 1844

7.2 Learning Outcomes

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

- Discuss the reasons why we considered Rockdale society of equitable pioneers to be the first successful cooperative despite the fact that there were a lot cooperative societies that were established before the Rockdale society of equitable pioneers.
- Describe the composition of the members that formed Rockdale society of equitable pioneers and the date that first successful cooperative was recorded.
- Explain the conditions that led to the formation of Rockdale society of equitable pioneers.

7.3 Main Content

7.3.1 Historical Background of Rochdale Equitable Pioneers and Rochdale Society of Equitable Pioneers

The Rochdale Society of Equitable Pioneers, often referred to as the Rochdale Pioneers, was a pioneering cooperative venture that played a pivotal role in the development of modern cooperatives and the cooperative movement.

Here's a historical background of the Rochdale Equitable Pioneers and their significance:

Early 19th Century Conditions

- In the early 19th century, industrialization and urbanization in England led to poor working conditions, low wages, and limited access to affordable and quality goods for the working class. Many workers faced exploitation and economic hardships.

Robert Owen's Influence

- The ideas of Robert Owen, a social reformer and advocate of cooperative principles, had a profound influence on the formation of the Rochdale Pioneers. Owen had been involved in earlier cooperative experiments and believed in the potential for cooperation to address social and economic issues.

Formation of the Rochdale Pioneers

- In 1844, a group of 28 weavers and other workers in Rochdale, a town in Lancashire, England, came together to establish the Rochdale Society of Equitable Pioneers. These individuals faced challenging economic conditions and sought to create a cooperative store that would provide them with affordable and unadulterated goods.

Rochdale Principles

- The Rochdale Pioneers set out to create a sustainable and democratic cooperative model. They developed a set of guiding principles known as the Rochdale Principles. These principles included open and voluntary membership, democratic control, distribution of surplus to members, and education. These principles are still foundational to the modern cooperative movement.

Cooperative Store

- The Rochdale Pioneers opened their cooperative store on Toad Lane in Rochdale on December 21, 1844. The store was designed to provide basic goods at fair prices and was open to all who wanted to join as members.

Success and Expansion

- The cooperative store proved to be successful and rapidly gained popularity. It attracted more members and expanded its product range. The surplus generated from sales was returned to members as dividends.

Influence on the Cooperative Movement

- The Rochdale Pioneers' cooperative model, based on the Rochdale Principles, served as a practical and successful approach to addressing economic and social issues. It became a model for cooperatives worldwide and had a significant influence on the cooperative movement.

International Cooperative Alliance (ICA)

- The Rochdale Equitable Pioneers were also instrumental in the formation of the International Cooperative Alliance (ICA) in 1895, which became the global organization representing the cooperative movement.

Self-Assessment Exercises 1

- i. In brief, discuss 6 of the historical background of the Rochdale Equitable Pioneers and their significance
- ii. In what year did the Pioneers' Society establish the Rochdale Cooperative Manufacturing Society?

7.3.2 Lessons from Rochdale Society of Equitable Pioneers

The Rochdale Society of Equitable Pioneers, founded in 1844 in Rochdale, England, is often considered the birthplace of the modern cooperative movement. It was a groundbreaking initiative that introduced several important lessons and principles that continue to shape the cooperative movement to this day.

Here are some key lessons from the Rochdale Pioneers:

- **Cooperative Principles:** The Rochdale Pioneers developed a set of guiding principles that formed the foundation of their cooperative. These principles included open and voluntary membership, democratic control, member economic participation, autonomy and independence, education and training, and cooperation among cooperatives. These principles are known as the Rochdale Principles and are still widely used in the cooperative movement.
- **Equity and Ownership:** The Rochdale Pioneers emphasized the importance of member ownership and control. Each member had an equal say in the cooperative's operations, regardless of the number of shares they held. This model of one member, one vote ensures democratic decision-making and ownership that is accessible to all.
- **Fair Distribution of Surplus:** The Pioneers implemented the practice of distributing any surplus or profits generated by the cooperative among the members in proportion to their transactions

with the cooperative. This approach demonstrated a commitment to economic fairness and benefit-sharing among members.

- **Education and Training:** The Pioneers recognized the importance of educating and training their members in cooperative principles and practices. They established educational programs to ensure that members had the knowledge and skills needed to effectively participate in the cooperative's affairs.
- **Quality Products and Services:** The cooperative aimed to provide high-quality and affordable products to its members. This focus on member needs and satisfaction contributed to the success and sustainability of the cooperative.
- **Sustainable Practices:** The Rochdale Pioneers were mindful of the long-term sustainability of their cooperative. They made decisions that ensured the cooperative's autonomy and independence and sought to create an enduring institution that would benefit future generations.
- **Cooperation among Cooperatives:** The Pioneers recognized the importance of collaborating with other cooperatives and promoting the cooperative movement more broadly. This spirit of cooperation among cooperatives has become a fundamental principle of the cooperative movement worldwide.
- **Local Impact and Community Development:** The Rochdale Society of Equitable Pioneers had a significant impact on its local community by creating job opportunities and providing essential goods at fair prices. This demonstrated the potential for cooperatives to contribute to community development and economic stability.
- **Legacy and Inspiration:** The Rochdale Pioneers' success inspired the formation of numerous other cooperatives, both in the United Kingdom and around the world. Their model served as a blueprint for the cooperative movement's growth and development.

Self-Assessment Exercises 2

- i. Discuss 7 among the lessons from Rochdale Society of Equitable Pioneers
- ii. How did the Rochdale Equitable Pioneers impact local communities?

7.4 Summary

In this unit, you have learnt about the beginning of the Rochdale Equitable Pioneers established Rochdale society of equitable pioneers. We then discussed the formation of Rochdale society of Equitable Pioneers after series of meetings by the 28 factory workers who were mostly weavers. The name of the society formed was coined out of the name of a town called Rochdale near Manchester in England because the idea to established cooperative was hatched in this town of Rochdale

7.5 References/Further Readings

<https://ncbaclusa.coop/blog/what-we-can-learn-from-the-rochdale-pioneers/>

<https://www.google.com/search?q=Lessons+from+Rochdale+Society+of+Equitable+Pioneers&oq=Lessons+from+Rochdale+Society+of+Equitable+Pioneers&aqs=chrome..69i57.961j0j7&sourceid=chrome&ie=UTF-8>

7.6 Answers to SAEs - UNIT 7

Answers to SAEs within the course content, arranged accordingly

Answers to SAEs 1

1. Rochdale Equitable Pioneers was the name given to the set of 28 persons that pooled their resources together and established the first successful co-operative society in the world called Rochdale society of equitable pioneers. Earlier in our discussion we did mention the conditions under which the workers were working and hopelessness of the situation. It was under these conditions that the original 28 factory workers met on 15th August, 1844 to form the cooperative society.
2. In 1850 the Pioneers' Society established the Rochdale Cooperative Manufacturing Society.

Answers to SAEs 2

1. The following are the key lessons from the Rochdale Pioneers:

- **Cooperative Principles:** The Rochdale Pioneers developed a set of guiding principles that formed the foundation of their cooperative. These principles included open and voluntary membership, democratic control, member economic participation, autonomy and independence, education and training, and cooperation among cooperatives. These principles are known as the Rochdale Principles and are still widely used in the cooperative movement.
- **Equity and Ownership:** The Rochdale Pioneers emphasized the importance of member ownership and control. Each member had an equal say in the cooperative's operations, regardless of the number of shares they held. This model of one member, one vote ensures democratic decision-making and ownership that is accessible to all.
- **Fair Distribution of Surplus:** The Pioneers implemented the practice of distributing any surplus or profits generated by the cooperative among the members in proportion to their transactions with the cooperative. This approach demonstrated a commitment to economic fairness and benefit-sharing among members.
- **Education and Training:** The Pioneers recognized the importance of educating and training their members in cooperative principles and practices. They established educational programs to ensure that members had the knowledge and skills needed to effectively participate in the cooperative's affairs.
- **Quality Products and Services:** The cooperative aimed to provide high-quality and affordable products to its members. This focus on member needs and satisfaction contributed to the success and sustainability of the cooperative.
- **Sustainable Practices:** The Rochdale Pioneers were mindful of the long-term sustainability of their cooperative. They made decisions that ensured the cooperative's autonomy and independence and sought to create an enduring institution that would benefit future generations.
- **Cooperation among Cooperatives:** The Pioneers recognized the importance of collaborating with other cooperatives and promoting the cooperative movement more broadly. This spirit of cooperation among cooperatives has become a fundamental principle of the cooperative movement worldwide.

- **Local Impact and Community Development:** The Rochdale Society of Equitable Pioneers had a significant impact on its local community by creating job opportunities and providing essential goods at fair prices. This demonstrated the potential for cooperatives to contribute to community development and economic stability.
- **Legacy and Inspiration:** The Rochdale Pioneers' success inspired the formation of numerous other cooperatives, both in the United Kingdom and around the world. Their model served as a blueprint for the cooperative movement's growth and development.

2. The Rochdale Equitable Pioneers impacted local communities by creating job opportunities and providing essential goods at fair prices. This demonstrated the potential for cooperatives to contribute to community development and economic stability.

UNIT 8: THE BUSINESS PRACTICES OF THE ROCHDALE PIONEERS AND THE ROCHDALE PRINCIPLES

UNIT STRUCTURE

- 8.1 Introduction
- 8.2 Learning Outcomes
- 8.3 Main Content
 - 8.3.1 The Formation of Rochdale Society of Equitable Pioneers
 - 8.3.2 The Business Practices of the Rochdale Equitable Pioneers
 - 8.3.3 The Rochdale Principles.
 - 8.3.4 Reasons for the Successes of Rochdale's Equitable
- 8.4 Summary
- 8.5 References/Further Readings
- 8.6 Answers to Self-Assessment Exercise(s) within the content

8.1 Introduction

In the previous unit we discussed the cooperatives that established before the Rochdale society, in this unit, we are going to look into the Rochdale Society Equitable Pioneers with reference to their business practices and the principles that guide their activities. This is to deepen our understanding of the co-operative as well as appreciate the steps taken to ensure their success and survival.

8.2 Learning Outcomes

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

- Describe the characteristic of Rochdale Equitable Pioneers
- Explain the guiding policies that guide the business practices of Rochdale Equitable Pioneers

- Highlight the business practices of Rochdale Equitable Pioneers
- Give reasons for the success of Rochdale society of Equitable Pioneers

8.3 Main Content

8.3.1 The Formation of Rochdale Society of Equitable Pioneers

This is an inspiring story of how a group of locals realized the power they had in working together to achieve common interest. The mechanization of the industrial sector forced masses who are skilled factory workers into poverty and hardship. Also the factory workers were fed up with dishonest and corrupt shopkeepers selling poor quality products at high prices, and they decided to band together to open their own store selling food items they could not otherwise afford. With lessons from prior failed attempts at co-operation in mind, they designed the now famous Rochdale Principles, and over a period of four months they struggled to pool one pound sterling per person for a total of 28 pounds of capital. On December 21, 1844, they opened their store with a very meager selection of butter, sugar, flour, oatmeal and a few candles. Within three months, they expanded their selection to include tea and tobacco, and they were soon known for providing high quality, unadulterated goods. In 1850 the membership increased by 8 times i.e. \$28 to \$74. The membership of Rochdale store in 1888 was 1123 and its share capital was \$3.4 lakhs.

The main objectives of the Rochdale Pioneers were:

- a) To take up production and distribution of commodities required by members.
- b) To make available houses to member for improving their conditions of life.
- c) To manufacture articles in order to provide employment opportunities.
- d) To meet the clothing requirements of the members.
- e) To arrange for the education of members and so on.
- f) To establish a self-supporting home colony of united interests.

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

The Rochdale society of equitable pioneers was considered to be an important model of co-operation because of its contribution to co-operative thought in the form of principles which have practical relevance even today

Self-Assessment Exercises 1

- i. Exhaustively describe how the Rochdale Society of Equitable Pioneers came into existence.
- ii. Highlight the main objectives of the Rochdale Pioneers

8.3.2 The Business Practices of Rochdale Equitable Pioneers Society

Some members of Rochdale Equitable Pioneers were former members of Robert Owen co-operative colonies. Even though the colonies collapsed, some useful lessons on business practices were learnt. The experiences of pre Rochdale cooperative were brought to Rochdale society by the Rochdale Equitable Pioneers. The cooperative education of the Rochdale Equitable pioneers was enhanced and they became more knowledgeable and equipped with effective business practices through their attendance to lectures; congresses; reading newspapers journals and other cooperative publications organized by Owen and William King. These inculcated in them the spirit of self-help; mutual help, equity; solidarity; hard work, and discipline, which was stepping stones to greater height which eventually culminated in making the Rochdale society the first successful cooperative society known in the world. During this period they saw a co-operative organization as a form of business model that can be used to promote their well-being through collective action. They saw their initial capital which was twenty-eight pounds as small and were determined to turn it around and to make good use of it. Apart of the fund was used for fixed capital (renting a shop, buying weighing machines etc) and the other part as working capitals. No staff salary because, as we noted earlier, they were taking turns to sell in the shop in the evening; this reduced drastically the cost of operation.

The shop was formally opened for business on 21st December 1844 with voluntary and unpaid management. Each member co-operated with one another to take turns to sell in the shop in the evening. This reduced the running cost by way of salaries and wages. Some of other business practices of Rochdale equitable pioneers include the followings:

Stock of highly quality daily needs and consumable products: The Rochdalers operated consumer type of cooperative society where quality consumable items were stock so as to meet up with the demand of members on the daily needs products.

Selling products at prevailing market value: The Rochdale equitable pioneers decided to sell their products at the same price with the price obtainable in the market. They decided to adopt this practice because if they sale products below the market price people will believe that they are selling inferior or substandard products. And if they sale their products above market value, they might not get enough customers that will patronize their shop.

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

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

Opening of the shop at strategic periods: Members of the Cooperatives were also workers in factories while others had their private businesses, which they would not want to suffer. As a result, the consumer shop was opened at the initial stage when members would have returned from their work. This gave them opportunity to attract more patronage since members only have time at closing hours of work.

Book/Record keeping of business transactions: The Rocchdale equitable pioneers were able to keep the documents and records of their business transactions. This enables them to ascertain if they are making profit or loss. This is also important for the auditing of Rochdale society financial records. Auditing conducted to detect errors and correction based on accounting practices. Consequently by insisting that the accounts were periodically audited was to ensure sound business practices.

Patronage rebate: The Rochdalers always compensate members' loyalty and patronage at the end of each account year, where certain percentage of money was given to the members based on number

of times they patronized the shop or based on the amount of their purchase. This was done to encourage the members to patronize the consumer shop because the more they patronize the shop, the more the sales and turn over volume will increase which will in turn increase their profit for that year.

Self-Assessment Exercises 2

- i. Discuss the other business practices of Rochdale Equitable Pioneers
- ii. Why did the Rochdale Pioneers decide to sell products at prevailing market value?

8.3.3 The Rochdale Principles

The society adopted a set of guiding policies otherwise known as Rochdale cooperative principles and these set of principles guided all their business dealings with members and non-members.

The principles of co-operation enunciated by the Rochdale society of equitable pioneers are:

1. Open Membership
2. Democratic Control
3. Limited Interest on Share Capital
4. Distributive Justice (Patronage Dividend)
5. Cash Trading
6. Selling pure and unadulterated goods
7. Political and Religious neutrality
8. Continuous Education of Members

- **Open Membership:** Cooperatives are organizations that are open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination. Anybody who subscribed to the idea and philosophy of cooperation would be admitted without discrimination irrespective of race, colour, religious, sex or any other basis of affiliation.
- **Democratic Control:** co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the members who elected or

appointed them. In primary co-operatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner where every member have equal to participate in decision making process of the cooperative.

- **Limited Interest on Shares:** This Rochdale principle emphasized that all the profit realized from the cooperative business should not be distributed as dividends for members share capital. Instead, limited interest should be paid on share capital while the rest of profit realized should be re invested in the business while some part should be committed to members' education and statutory reserves fund.
- **Patronage Refund:** This principle encourages members to patronize the cooperative shop as refund payments were given to members based on the volume of their purchase. Rochdale equitable pioneers carefully recorded all transactions done by the members and at the end of the trading season, part of the profits made were distributed to members in proportion to the volume of business they did with the society.
- **Cash Trading at Market Price:** Sales of goods were done strictly on cash and carry basis. Credit sales were not condoned and the value of goods in the Rochdale shop was sold based on the prevailing market price.
- **Sales of Pure and Unadulterated Goods:** Unlike other competitors, the Rochdale Equitable Pioneers were selling goods not only on the prevailing market price but the goods offer for sale in their shop were of the high quality. This then built customer confidence in products of the Rochdalers which boost their sales turnover.
- **Political and Religious Neutrality:** Politics and religion were not tolerated in the business of the society. This was to achieve group cohesion, solidarity and strength without discrimination among the members of the Rochdale society.
- **Continuous Education of Members:** cooperatives provide regular education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders- about the nature and benefits of cooperation. This principle was emphasized so as to keep members abreast of developments in the environment. It was also a way of preparing the members mentally of the challenges ahead. It also imparted on members the necessary skills for the cooperative tasks.

Self-Assessment Exercises 3

- i. Discuss the Rochdale Pioneers' principles
- ii. What do you understand by continuous education of members?

8.3.4 Reasons for the Success of Rochdale Equitable Pioneers

Apart from the Rochdale cooperative principles, there were some other good reasons that facilitate the success of Rochdale Equitable Pioneers; these include:

- a) Job description, analysis, classification and specification were carefully worked out, putting each member to contribute maximally in the area of their talent.
- b) Annual elections were held, quarterly reports were made, accounts periodically audited and fines imposed on slothful members.
- c) Principles of financial management were applied. For example, no member was allowed to undertake transaction from the beginning to the end. There was a sales man who sold but did not receive payment as a cashier was put there to receive payments, issued receipts and deposited the money with the secretary in the weekly board meetings.
- d) **Sales daily needs products especially consumable items:** Because if stocks were not sold, that meant funds that were tied down as well. Increase in sales gave rise to increase turnovers; the pioneers knew all these. That was why right from inception only those items of necessity which would achieve quick turnover were purchased and put in the shop. These items were: bread, sugar, flour, butter, oatmeal, candles among others. Luxury goods and speculative purchase were put away.
- e) **Quality of Membership:** The society was blessed with members that were knowledgeable about cooperation; the members were not only dedicated but enlightened. This enabled them to value the importance of collective action.
- f) **Lessons from Past Mistakes of Pre Rochdale Cooperatives (Owenites):** Experience is said to be the best teacher. The members learnt from the bitter experiences of the past earlier cooperatives that were established before them. Such mistakes include: credit sales; absent from meetings, not keeping accurate records, sharing profits according to shareholding,

dishonesty, and not reserving profits, members' apathy among others which contributed the failure of the early cooperatives.

- g) **Passage of the Industrial and Provident Societies Act of 1852:** After eight years of the take-off of the society, the Individual and Provident Societies Act of 1852 were passed into law. The law then recognized the co-operatives as a distinct way of doing business, protecting their property, authorized dividend payment and ensuring that limited interest was paid on shares.

Self-Assessment Exercises 4

- i. Apart from the Rochdale cooperative principles, what were some other good reasons that facilitated the success of Rochdale Equitable Pioneer?
- ii. What are the lessons from past mistakes of Pre Rochdale Cooperatives (Owenites)?

8.4 Summary

Prior to this unit, we discussed reasons why the earlier co-operatives formed before Rochdale society of equitable pioneers failed, then this particular unit expand our understanding on how the first known successful cooperative society in world was established and the factors that enhanced their success.

8.5 References/Further Readings

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

Dorothy Greaves, Original Members of the Rochdale Equitable Pioneers Society Limited.
<http://www.rochdalepioneersmuseum.coop/wpcontent/uploads/2012/03/rochdalePioneersOriginalMembers.pdf>.

Rochdale Pioneers Museum, Toad Lane Brochure. The Home of Co-operation (1995).
http://www.rochdalepioneersmuseum.coop/wpcontent/uploads/2012/03/toadLaneBrochure_English.pdf.

8.6 Answers to SAEs - UNIT 8

Answers to SAEs within the course content, arranged accordingly

Answers to SAEs 1

1. This is an inspiring story of how a group of locals realized the power they had in working together to achieve common interest. The mechanization of the industrial sector forced masses who are skilled factory workers into poverty and hardship. Also the factory workers were fed up with dishonest and corrupt shopkeepers selling poor quality products at high prices, and they decided to band together to open their own store selling food items they could not otherwise afford. With lessons from prior failed attempts at co-operation in mind, they designed the now famous Rochdale Principles, and over a period of four months they struggled to pool one pound sterling per person for a total of 28 pounds of capital. On December 21, 1844, they opened their store with a very meager selection of butter, sugar, flour, oatmeal and a few candles. Within three months, they expanded their selection to include tea and tobacco, and they were soon known for providing high quality, unadulterated goods. In 1850 the membership increased by 8 times i.e. \$28 to \$74. The membership of Rochdale store in 1888 was 1123 and its share capital was \$3.4 lakhs.
2. The main objectives of the Rochdale Pioneers were:
 - a) To take up production and distribution of commodities required by members.
 - b) To make available houses to member for improving their conditions of life.
 - c) To manufacture articles in order to provide employment opportunities.
 - d) To meet the clothing requirements of the members.
 - e) To arrange for the education of members and so on.
 - f) To establish a self-supporting home colony of united interests.

Answers to SAEs 2

1. Some of other business practices of Rochdale equitable pioneers include the followings:

Stock of highly quality daily needs and consumable products: The Rochdalers operated consumer type of cooperative society where quality consumable items were stock so as to meet up with the demand of members on the daily needs products.

Selling products at prevailing market value: The Rochdale equitable pioneers decided to sell their products at the same price with the price obtainable in the market. They decided to adopt this practice because if they sale products below the market price people will believe that they are selling inferior or substandard products. And if they sale their products above market value, they might not get enough customers that will patronize their shop.

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

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

Opening of the shop at strategic periods: Members of the Cooperatives were also workers in factories while others had their private businesses, which they would not want to suffer. As a result, the consumer shop was opened at the initial stage when members would have returned from their work. This gave them opportunity to attract more patronage since members only have time at closing hours of work.

Book/Record keeping of business transactions: The Rocchdale equitable pioneers were able to keep the documents and records of their business transactions. This enables them to ascertain if they are making profit or loss. This is also important for the auditing of Rochdale society financial records. Auditing conducted to detect errors and correction based on accounting practices. Consequently by insisting that the accounts were periodically audited was to ensure sound business practices.

Patronage rebate: The Rochdalers always compensate members' loyalty and patronage at the end of each account year, where certain percentage of money was given to the members based on number of times they patronized the shop or based on the amount of their purchase. This was done to encourage the members to patronize the consumer shop because the more they patronize the shop, the more the sales and turn over volume will increase which will in turn increase their profit for that year.

2. Because if they sell products below the market price people will believe that they are selling inferior or substandard products. And if they sale their products above market value, they might not get enough customers that will patronize their shop.

Answers to SAEs 3

1. Rochdale Pioneers' Principles include the following:
 - **Open Membership:** Cooperatives are organizations that are open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination. Anybody who subscribed to the idea and philosophy of cooperation would be admitted without discrimination irrespective of race, colour, religious, sex or any other basis of affiliation.
 - **Democratic Control:** co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the members who elected or appointed them. In primary co-operatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner where every member have equal to participate in decision making process of the cooperative.
 - **Limited Interest on Shares:** This Rochdale principle emphasized that all the profit realized from the cooperative business should not be distributed as dividends for members share capital. Instead, limited interest should be paid on share capital while the rest of profit realized should be re invested in the business while some part should be committed to members' education and statutory reserves fund.

- **Patronage Refund:** This principle encourages members to patronize the cooperative shop as refund payments were given to members based on the volume of their purchase. Rochdale equitable pioneers carefully recorded all transactions done by the members and at the end of the trading season, part of the profits made were distributed to members in proportion to the volume of business they did with the society.
- **Cash Trading at Market Price:** Sales of goods were done strictly on cash and carry basis. Credit sales were not condoned and the value of goods in the Rochdale shop was sold based on the prevailing market price.
- **Sales of Pure and Unadulterated Goods:** Unlike other competitors, the Rochdale Equitable Pioneers were selling goods not only on the prevailing market price but the goods offer for sale in their shop were of the high quality. This then built customer confidence in products of the Rochdalers which boost their sales turnover.
- **Political and Religious Neutrality:** Politics and religion were not tolerated in the business of the society. This was to achieve group cohesion, solidarity and strength without discrimination among the members of the Rochdale society.
- **Continuous Education of Members:** cooperatives provide regular education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders- about the nature and benefits of cooperation. This principle was emphasized so as to keep members abreast of developments in the environment. It was also a way of preparing the members mentally of the challenges ahead. It also imparted on members the necessary skills for the cooperative tasks.

2. **Continuous Education of Members:** cooperatives provide regular education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public -particularly young people and opinion leaders- about the nature and benefits of cooperation. This principle was emphasized so as to keep members abreast of developments in the environment. It was also a way of preparing the members mentally of the challenges ahead. It also imparted on members the necessary skills for the cooperative tasks.

Answers to SAEs 4

1. Apart from the Rochdale cooperative principles, there were some other good reasons that facilitate the success of Rochdale Equitable Pioneers; these include:
 - a) Job description, analysis, classification and specification were carefully worked out, putting each member to contribute maximally in the area of their talent.
 - b) Annual elections were held, quarterly reports were made, accounts periodically audited and fines imposed on slothful members.
 - c) Principles of financial management were applied. For example, no member was allowed to undertake transaction from the beginning to the end. There was a sales man who sold but did not receive payment as a cashier was put there to receive payments, issued receipts and deposited the money with the secretary in the weekly board meetings.
 - d) **Sales daily needs products especially consumable items:** Because if stocks were not sold, that meant funds that were tied down as well. Increase in sales gave rise to increase turnovers; the pioneers knew all these. That was why right from inception only those items of necessity which would achieve quick turnover were purchased and put in the shop. These items were: bread, sugar, flour, butter, oatmeal, candles among others. Luxury goods and speculative purchase were put away.
 - e) **Quality of Membership:** The society was blessed with members that were knowledgeable about cooperation; the members were not only dedicated but enlightened. This enabled them to value the importance of collective action.
 - f) **Lessons from Past Mistakes of Pre Rochdale Cooperatives (Owenites):** Experience is said to be the best teacher. The members learnt from the bitter experiences of the past earlier cooperatives that were established before them. Such mistakes include: credit sales; absent from meetings, not keeping accurate records, sharing profits according to shareholding, dishonesty, and not reserving profits, members' apathy among others which contributed the failure of the early cooperatives.
 - g) **Passage of the Industrial and Provident Societies Act of 1852:** After eight years of the take-off of the society, the Individual and Provident Societies Act of 1852 were passed into law. The law then recognized the co-operatives as a distinct way of doing business, protecting

their property, authorized dividend payment and ensuring that limited interest was paid on shares.

2. Lessons from past mistakes of Pre Rochdale Cooperatives (Owenites): Experience is said to be the best teacher. The members learnt from the bitter experiences of the past earlier cooperatives that were established before them. Such mistakes include: credit sales; absent from meetings, not keeping accurate records, sharing profits according to shareholding, dishonesty, and not reserving profits, members' apathy among others which contributed the failure of the early cooperatives.

UNIT 9: FIRST ICA 1937 REVIEW OF THE ROCHDALE PRINCIPLES**UNIT STRUCTURE**

- 9.1 Introduction
- 9.2 Learning Outcomes
- 9.3 Main Content
 - 9.3.1 Reasons for the review of the Principles
 - 9.3.2 Setting up of a Review Committee
 - 9.3.3 Report of the Committee
 - 9.3.4 Implementation of the Report and the Effects.
 - 9.3.4.1 Implementation of the report
 - 9.3.4.2 Effect of the Implementation
- 9.4 Summary
- 9.5 References/Further Readings
- 9.6 Answers to Self-Assessment Exercise(s) within the content

9.1 Introduction

In this unit we shall be look at the various efforts made by the International Cooperative Alliance (ICA) which is the apex regulatory body of cooperative all over the world and the crucial decisions made ICA to review Rochdale cooperative principles. The reviews and modifications were necessary to provide the acid test for any organization that calls itself a cooperative society. Also to enable cooperatives operate in response to the dynamics of the socio and economic environment. That is, to make cooperatives adapt to the current trend in economic and social settings

9.2 Learning Outcomes

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

- Give reasons why the 1937 review of the co-operative principles was necessary
- Discuss the relevance of the committee set up for the review
- Discuss the committee's Report and
- Explain the implementation of the report and the effects of the implementation

9.3 Main Content

9.3.1 Reason for the 1937 Review of the Cooperative Principles

International Co-operative Alliance is an international body set up for the promotion of co-operative ideas and spreading the principles of co-operation around the world. Due to enormous changes taking place in Economic, Social and Political fronts, the International Co-operative Alliance (ICA) appointed a sub-committee in 1934 to take a fresh look at the co-operative principles. They evaluated the principles enunciated by Rochdale, its relevance and observance in the present time and finally submitted its report in 1937. Based on the sub-committee report the ICA instead of formulating principles, they simply classified the Rochdale Principles in to two-Essential and Non-Essential in 1937.

They are:

a. Essential (compulsory) Rochdale Principles

1. Open Membership
2. Democratic Control
3. Limited Interest on Share Capital Essential Principles
4. Patronage Dividend

b. Non-Essential (Recommendations) Rochdale Principles

5. Religious and Political Neutrality
6. Cash Trading
7. Promotion of Education

* Selling of pure and unadulterated products

The first four Rochdale principles were considered to be essential and compulsory principles for all forms of cooperative society worldwide, while the last three were considered to be mere recommendations that might be compulsory for any cooperative to adopt. Based on the report set up to do the review of the Rochdale principle, they recommended that the principle of selling pure and unadulterated products should be dropped because selling unadulterated products was the sole responsibility of cooperatives but concern for all business organizations competing for market share.

Self-Assessment Exercises 1

- i. Mention the essential and non-essential Rochdale Principles by the ICA in 1937
- ii. Why was the principle of selling of pure and unadulterated products dropped

9.3.2 Setting up of the Committee

In order to clarify the situation as explained in section 3.1 above, it became necessary for the ICA to explicitly define the principles of cooperation. This was important so that only genuine cooperative organizations could be members. Consequent on this, in 1930 during the ICA meeting in Vienna, a special committee was setup to review cooperative principles and to also look into the application of the prospective members. The Rochdale principles were used as the fundamental base.

Self-Assessment Exercises 2

- i. How did setting up the committee come to being?
- ii. Which of the principles were used as the fundamental base in the process?

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

The report was discussed in the congresses of 1934 and 1937. The latter congress held in Paris, France adopted the first four Rochdale principles as obligatory, universal and necessary for eligibility into membership of the ICA, this meant that any association or organization desirous of

becoming membership of the global body (ICA) must establish its genuineness by being seen as applying four principles of Rochdale Equitable Pioneers.

These four principles were:

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

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

These other principles were:

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

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

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

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

Self-Assessment Exercises 3

- i. Certain principles were held to be mere recommendations and should not constitute yardstick for the admission of prospective members to the global body. What are they?
- ii. The congress held in Paris, France in 1934 and 1937 respectively, adopted the first four Rochdale principles as obligatory, universal and necessary for eligibility into membership of the ICA. What are they?

9.3.4 Implementation of the Report and Effects**9.3.4.1 Implementation of the Report**

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

- No cooperative organization would be registered as a member of the ICA unless it throws its door open to all who wish and are able to make use of its services without discrimination based on politics, religion or race.
- The members have equal right to express themselves and elect their leaders without interference whatsoever from any quarter particularly external interference.
- The owners of the cooperative enterprises are also the end users of the co-operative services. They are the patrons. As a result dividend should be shared according to the volume and proportion of patronage of the enterprise.

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

9.3.4.2 The Effects of the Implementation

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

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

Self-Assessment Exercises 4

- i. Mention the crucial decisions that were taken on receipt of the report
- ii. Why did the ICA reject applications for membership from communists and dictatorial countries where co-operative societies were deprived of autonomy and independence?

9.4 Summary

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

9.5 References/Further Readings

Ebunu, F.I; Isaac, S.R; & Onwe, O.J (2011) Principles and Practice of Cooperative. National Open University of Nigeria. ISBN: 978-058-645-8. www.nou.edu.ng

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

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

9.6 Answers to SAEs - UNIT 9

Answers to SAEs within the course content, arranged accordingly

Answers to SAEs 1

1. Essential and Non-Essential Rochdale Principles

Essential (compulsory) Rochdale Principles

1. Open Membership
2. Democratic Control
3. Limited Interest on Share Capital Essential Principles
4. Patronage Dividend

Non-Essential (Recommendations) Rochdale Principles

5. Religious and Political Neutrality
6. Cash Trading
7. Promotion of Education
2. The principle of selling pure and unadulterated products was dropped because selling unadulterated products was the sole responsibility of cooperatives but concern for all business organizations competing for market share.

Answers to SAEs 2

1. In order to clarify the situation as explained in section 3.1 above, it became necessary for the ICA to explicitly define the principles of cooperation. This was important so that only genuine

cooperative organizations could be members. Consequent on this, in 1930 during the ICA meeting in Vienna, a special committee was setup to review cooperative principles and to also look into the application of the prospective members. The Rochdale principles were used as the fundamental base.

2. The Rochdale principles were used as the fundamental base

Answers to SAEs 3

1. The certain principles were held to be mere recommendations and should not constitute yardstick for the admission of prospective members to the global body are:

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

2.

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

Answers to SAEs 4

1. Crucial decisions that were taken include:

- No cooperative organization would be registered as a member of the ICA unless it throws its door open to all who wish and are able to make use of its services without discrimination based on politics, religion or race.
- The members have equal right to express themselves and elect their leaders without interference whatsoever from any quarter particularly external interference.

- The owners of the cooperative enterprises are also the end users of the co-operative services. They are the patrons. As a result dividend should be shared according to the volume and proportion of patronage of the enterprise.
- Remuneration that will be paid to capital should not exceed a fixed sum and a limited rate to be determined by members.

2. The ICA rejected applications for membership from communists and dictatorial countries where co-operative societies were deprived of autonomy and independence because in those countries, co-operative societies were used as tools of government or the political party were forbidden from presenting such associations for registration as members for the I.C.A

UNIT 10: THE SECOND ICA REVIEW OF THE ROCHDALE PRINCIPLES (1966)**UNIT STRUCTURE**

- 10.1 Introduction
- 10.2 Learning Outcomes
- 10.3 Main Content
 - 10.3.1 The Circumstances that Necessitated the 1966 Review Exercise
 - 10.3.2 The Outcome of the Work of the Commission
 - 10.3.3 Decisions and Comments of the I.C.A. Based on the Report of the Commission
 - 10.3.3.1 Open and Voluntary Membership
 - 10.3.3.2 Democratic Control
 - 10.3.3.3 Limited Interest on Capital
 - 10.3.3.4 Equitable Distribution of Surpluses, Savings or Economics Results
 - 10.3.3.5 Education of Members, Officers and the General Public
 - 10.3.3.6 Co-operation among Co-operatives
- 10.4 Summary
- 10.5 References/Further Readings
- 10.6 Answers to Self-Assessment Exercise(s) within the content

10.1 Introduction

Consequent on the 1937 review of the co-operative principles, many cooperative societies from different social and political background were registered and admitted as members of the International Cooperative Alliance (ICA). But that did not deter the determination of members for further clarification on who should be the genuine cooperators and members of the global body. This informed the decision to have another review of the Rochdale Principles which provided the platform for the review exercise.

10.2 Learning Outcomes

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

- Explain the circumstances that necessitated the 1966 review exercise
- Describe the setting up of the review commission and the report of the commission
- Explain the decisions of the ICA based on the 1972 reformulation

10.3 Main Content

10.3.1 The Circumstances that Necessitated the 1966 Review Exercise

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

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

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

Self-Assessment Exercises 1

- i. What were the circumstances that necessitated the 1966 review exercise?
- ii. What would be the essence of the new principles would?

10.3.2 The Outcome of the Work of the Commission

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

- Open and Voluntary membership, without discrimination of religion or politics.
- Democratic Control
- Limited Interest on Capital, if any.
- Equitable Distribution of Surpluses, Savings or Economics results
- Provision of Education of Member Officers, Employees and the Public.
- Co-operation among Co-operatives

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

The limited interest on capital was qualified with the phrase, “if any” this means that it not compulsory for cooperative to pay interest on capital even though they have no surplus. That is, cooperative should only pay interest on capital if they earn surplus.

The principles of Patronage dividend were completely rewarded. The scope of co-operative education was expanded to include Officers, Employees and the Public.

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

Self-Assessment Exercises 2

- i. What were the recommendations of the commissions to the 1996 ICA congress?
- ii. The limited interest on capital was qualified with the phrase, “if any”. Discuss

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

10.3.3.1 Open and Voluntary Membership

Membership of cooperatives should be voluntary and open. No one should be forced to be a member of any cooperative. The Rochdale Pioneers made “Religious and Political Neutrality” as a principle of cooperation. They had a good reason for doing this due to Owens’ brand of co-operation that was opposed to Christian religion. Even though Owens’ followers accepted his doctrine of love, they avoided his anti-Christian stand; neutrality was adopted.

But the ICA decided that this was wrong because there cannot be neutrality in the face of serious national issues like genocide, apartheid, corruption etc.

10.3.3.2 Democratic Control

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

10.3.3.3 Limited Interest on Capital “if Any”

This principle was retained with an amendment. The phrase, “if any” was added. This means that it is not compulsory for cooperative to pay interest on members share capital if the cooperative has no surplus. That is, members should only expect to receive interest on their capital if there is enough to distribute.

10.3.3.4 Equitable Distribution of Surpluses, Savings or Economics Benefits

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

The ICA rejected all principles that have to do with business practices. They include: patronage refund, cash trading at market price, sale of pure and unadulterated goods. They considered these practices to be optional and they apply only to consumer co-operatives. Principles as you may recall belong to higher class of ideas and are basic, universal and unchanging practices which guide decisions taken by individual cooperatives, and are not binding. The Rochdale Pioneers did not separate principles from practice.

10.3.3.5 Education of Members, Officers and the General Public

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

10.3.3.6 Cooperation among Cooperatives

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

The 1972 Reformulation principles soon after the 1966 principles were set forth, co-operatives started to complain on the brevity of the principles, giving them name tags that have no precise meaning and are liable to misinterpretation. This made the 1996 principles to be reformulated as follows: Membership of a Co-operative society shall be voluntary and available with no artificial restriction or any social, political, racial or religious discrimination, to all persons who can make use of its services and willing to accept the responsibility of membership.

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

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

The economic result arising out of the operations of society belong to the members of that society and shall be distributed in such a manner as would avoid one member gaining at the expense of others. This may be done by decisions of the members as follows:

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

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

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

The expansion of the principles is to give exact meaning to each principle, but does eliminate the need for short titles for quick citations.

Self-Assessment Exercises 3

- i. Mention the principles that have to do with business practices which ICA rejected and give reason.
- ii. What do you understand by the following?
 - a) Open and Voluntary Membership
 - b) Limited Interest on Capital “if Any”

10.4 Summary

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

10.5 References/Further Readings

- Ebunu, F.I; Isaac, S.R; & Onwe, O.J (2011) Principles and Practice of Cooperative. National Open University of Nigeria. ISBN: 978-058-645-8. www.nou.edu.ng
- Onuoha, E. and Buden, J. J. (2002). The Principles of Co-operation Enugu: Amazing Grace Printing and Publishing Co. 3rd Edition.

10.6 Answers to SAEs - UNIT 10

Answers to SAEs within the course content, arranged accordingly

Answers to SAEs 1**1. The Circumstances that Necessitated the 1966 Review Exercise**

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

2. The essence of the new principles would be such that they would meet the constant changes in the environment especially in modern industry and commerce.

Answers to SAEs 2**1. The recommendations of the commissions to the 1996 ICA congress are as follows:**

- Open and Voluntary membership, without discrimination of religion or politics.
- Democratic Control
- Limited Interest on Capital, if any.
- Equitable Distribution of Surpluses, Savings or Economics results
- Provision of Education of Member Officers, Employees and the Public.
- Co-operation among Co-operatives

2. The limited interest on capital was qualified with the phrase, “if any”: this means that it not compulsory for cooperative to pay interest on capital even though they have no surplus. That is, cooperative should only pay interest on capital if they earn surplus.

Answers to SAEs 3

1. Principles that have to do with business practices which ICA rejected include:

- Patronage refund
- Cash trading at market price
- Sale of pure and unadulterated goods

Reason: they considered these practices to be optional and they apply only to consumer co-operatives. Principles as you may recall belong to higher class of ideas and are basic, universal and unchanging practices which guide decisions taken by individual cooperatives, and are not binding. The Rochdale Pioneers did not separate principles from practice.

2. Open and Voluntary Membership

Membership of cooperatives should be voluntary and open. No one should be forced to be a member of any cooperative. The Rochdale Pioneers made “Religious and Political Neutrality” as a principle of cooperation. They had a good reason for doing this due to Owens’ brand of co-operation that was opposed to Christian religion. Even though Owens’ followers accepted his doctrine of love, they avoided his anti-Christian stand; neutrality was adopted.

Limited Interest on Capital “if Any”

This principle was retained with an amendment. The phrase, “if any” was added. This means that it is not compulsory for cooperative to pay interest on members share capital if the cooperative has no surplus. That is, members should only expect to receive interest on their capital if there is enough to distribute.

MODULE THREE: SELF-HELP ORGANIZATIONS, CLASSIFICATION OF COOPERATIVES AND OTHER BUSINESS ORGANIZATIONS**Unit 11: The Concept of Self-Help Organizations (SHOs) and Non-Governmental Organizations (NGOs)****UNIT STRUCTURE**

- 11.1 Introduction
- 11.2 Learning Outcomes
- 11.3 Main Content
 - 11.3.1 Concept of Self-Help Organizations (SHOs)
 - 11.3.2 Objectives of SHGs
 - 11.3.3 Concept of Non-Governmental Organizations (NGOs)
 - 11.3.4 Types of Non-Governmental Organization (NGOs)
- 11.4 Summary
- 11.5 References/Further Readings
- 11.6 Answers to Self-Assessment Exercise(s) within the content

11.1 Introduction

Self-help organizations are started by non-governmental organizations (NGOs) that generally have broad anti-poverty agendas. Self-help groups are seen as instruments for goals including empowering women youths and other vulnerable persons, developing leadership abilities among poor and the needy people, increasing school enrollments, and improving nutrition and the use of birth control. Financial intermediation is generally seen more as an entry point to these other goals, rather than as a primary objective.

11.2 Learning Outcomes

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

- Explain the background activities and functions of SHOs and NGOs
- Define SHOs and NGOs
- List several types of SHOs and NGOs
- Discuss the similarity between SHOs and cooperative organizations

11.3 Main Content

11.3.1 Concept of Self-Help Organizations (SHOs)

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

Self-help groups (SHGs), also known as mutual help, mutual aid, or support groups, are groups of people who provide mutual support for each other. In a self-help group, the members share a common problem, often a common interest. Their mutual goal is to help each other to solve their problems and promote their well-being.

Self-help organizations (SHOs) are groups or associations formed by individuals with common interests or needs who come together to address various personal, social, economic, or community-related challenges and issues. These organizations are typically voluntary and are driven by a shared commitment to self-help, mutual support, and collective empowerment. The concept of self-help organizations is rooted in the belief that individuals can make positive changes in their lives and communities by working together for common goals.

Some key aspects of self-help organizations:

1. **Common Goals:** SHOs are formed by individuals who share common goals, challenges, or interests. These goals can range from personal development and self-improvement to addressing specific community or social issues.
2. **Mutual Support:** Members of self-help organizations provide emotional, informational, and practical support to each other. The group dynamic often creates a sense of belonging and camaraderie that helps individuals overcome challenges more effectively.
3. **Empowerment:** SHOs aim to empower their members to take control of their lives and circumstances. They do this by providing tools, resources, and a supportive environment where individuals can build confidence and self-reliance.
4. **Skill-Building:** Many self-help organizations offer skill-building and educational opportunities to help members acquire the knowledge and capabilities necessary to address their needs or concerns. This can include workshops, training sessions, or peer-led educational activities.
5. **Independence:** Self-help organizations promote self-reliance and independence. Members are encouraged to take initiative and be active participants in their own growth and development.
6. **Diverse Areas of Focus:** Self-help organizations can cover a wide range of topics and issues, including health and wellness, addiction recovery, mental health support, parenting, entrepreneurship, job-seeking, housing, and community development.
7. **Grassroots and Bottom-Up Approach:** SHOs often start at the grassroots level, initiated by individuals who recognize a specific need or problem in their community or within a particular demographic. They are typically organized from the bottom-up, with members actively involved in shaping the organization's goals and activities.

8. **Nonprofit or Voluntary:** Self-help organizations are generally organized as nonprofit entities or voluntary associations. They may rely on volunteer leadership, and funding can come from member contributions, donations, grants, or other sources.
9. **Local and Global Impact:** While many self-help organizations are community-focused, some have a broader impact and reach, addressing issues on a national or global scale. For example, international support groups and networks may be formed to address shared concerns.
10. **Advocacy and Awareness:** Some self-help organizations engage in advocacy efforts to raise awareness about the issues they address, influence public policy, and promote positive change on a larger scale.

SHGs function on the basis of co-operative principles and provide a forum for members to extend social, economic and technical support to each other. It is considered as a means of empowerment. SHGs organize needy people who do not have access to financial system in the organized sector.

In a group like SHG, they are ensured through collective action of the members and mobilize the members to form groups for mutual benefits. SHGs play a crucial role in improving the savings and credit and also in reducing poverty and social inequalities among its members

Self-Assessment Exercises 1

- i. Exhaustively discuss the concept of self-help organizations
- ii. Discuss 7 aspects of SHOs?

11.3.2 Objectives of SHGs

- a. To inculcate the savings and banking habits among members.
- b. To secure members from financial, technical and moral strengths.
- c. To enable availing of loan for productive purposes.
- d. To gain economic prosperity through loan/credit.
- e. To gain from collective wisdom in organizing and managing their own finance and distributing the benefits among themselves.
- f. To sensitize members of target area for the need of SHG and its relevance in their empowerment

- g. To create group feeling among members
- h. To enhance the confidence and capabilities of members
- i. To develop collective decision making among members
- j. To encourage habit of saving among members and facilitate the accumulation of their own capital resource base.
- k. To motivate members taking up social responsibilities particularly related to their development.
- l. It acts as the forum for members to provide space and support to each other.

SHGs are considered as one of the most significant tools to adopt participatory approach for the economic empowerment of people that are financially, socially and economically excluded, SHG is a group of people that meets regularly to discuss issues of interest to them and to look at solutions of commonly experienced problems. The group may or may not be promoted by Government or non-Government institutions.

Self-Assessment Exercises 2

- i. Highlight the objectives of SHGs
- ii. What are the characteristics of SHGs?

11.3.3 Concept of Non-Governmental Organizations (NGOs)

Non-governmental organizations commonly referred to as NGOs, are nonprofit organizations independent of governments and international governmental organizations (though often funded by governments) that try to improve the lives of other people through humanitarian, educational, healthcare, public policy, social, human rights, environmental, and other activism and services. They are thus a subgroup of all organizations founded by citizens, which include clubs and other associations that provide services, benefits, and premises only to members. Sometimes the term is used as a synonym of "civil society organization" to refer to any association founded by citizens, but this is not how the term is normally used in the media or everyday language, as recorded by major dictionaries. The explanation of the term by NGO.org (the non-governmental organizations associated with the United Nations) is ambivalent. It first says an NGO is any non-profit, voluntary

citizens' group which is organized on a local, national or international level, but then goes on to restrict the meaning in the sense used by most English speakers and the media: Task-oriented and driven by people with a common interest, NGOs perform a variety of service and humanitarian functions, bring citizen concerns to Governments, advocate and monitor policies and encourage political participation through provision of information.

NGO, voluntary group of individuals or organizations, usually not affiliated with any government that is formed to provide services or to advocate a public policy. Although some NGOs are for-profit corporations, the vast majority are nonprofit organizations. Some NGOs, particularly those based in authoritarian countries, may be created or controlled by governments. By most definitions, political parties and criminal or violent guerrilla organizations are not considered NGOs. The issues addressed by NGOs run the gamut of human concerns (e.g., human rights, environmental protection, disaster relief, and development assistance), and the scope of their activities may be local, national, or international. Some NGOs fulfill quasi-governmental functions for ethnic groups that lack a state of their own. NGOs may be financed by private donations, international organizations, governments, or a combination of these.

The term 'NGO' is not always used consistently. In some countries the term NGO is applied to an organization that in another country would be called an NPO (nonprofit organization), and vice versa. Political parties and trade unions are considered NGOs only in some countries. There are many different classifications of NGO in use. The most common focus is on "orientation" and "level of operation". An NGO's orientation refers to the type of activities it takes on. These activities might include human rights, environmental, improving health, or development work. An NGO's level of operation indicates the scale at which an organization works, such as local, regional, national, or international.

One characteristic these diverse organizations share is that their non-profit status means they are not hindered by short-term financial objectives. Accordingly, they are able to devote themselves to issues which occur across longer time horizons, such as climate change, malaria prevention, or a global ban on landmines. Public surveys reveal that NGOs often enjoy a high degree of public trust, which can make them a useful but not always sufficient proxy for the concerns of society and stakeholders.

Self-Assessment Exercises 3

- i. Discuss the concept of NGOs
- ii. What are the characteristics of NGOs?

11.3.4 Types of Non-Governmental Organization (NGOs)

NGO types can be classified in to two types which are:

- a. Orientation of NGOs
- b. Level of NGOs operation.

A. By Orientation of NGOs

- **Charitable Orientation:** often involves a top-down paternalistic effort with little participation by the "beneficiaries". It includes NGOs with activities directed toward meeting the needs of the poor people.
- **Service Orientation:** includes NGOs with activities such as the provision of health, family planning or education services in which the programme is designed by the NGO and people are expected to participate in its implementation and in receiving the service.
- **Participatory Orientation:** is characterized by self-help projects where local people are involved particularly in the implementation of a project by contributing cash, tools, land, materials, labour etc. In the classical community development project, participation begins with the need definition and continues into the planning and implementation stages.
- **Empowering orientation:** aims to help poor people develop a clearer understanding of the social, political and economic factors affecting their lives, and to strengthen their awareness of their own potential power to control their lives. There is maximum involvement of the beneficiaries with NGOs acting as facilitators.

B. By level of NGOs Operation

- **Community-Based Organizations (CBOs)** arise out of people's own initiatives. They can be responsible for raising the consciousness of the urban poor, helping them to understand their rights in accessing needed services, and providing such services.

- **City-Wide Organizations:** include organizations such as chambers of commerce and industry, coalitions of business, ethnic or educational groups, and associations of community organizations.
- **State NGOs:** include state-level organizations, associations and groups. Some state NGOs also work under the guidance of National and International NGOs.
- **National NGOs:** include national organizations such as the YMCAs/YWCAs, professional associations and similar groups. Some have state and city branches and assist local NGOs.
- **International NGOs:** range from secular agencies such as Red Cross; Ducere Foundation and Save the Children organizations, SOS Children's Villages, OXFAM, CARE, Ford Foundation, and Rockefeller Foundation to religiously motivated groups. They can be responsible for funding local NGOs, institutions and projects and implementing projects.

Self-Assessment Exercises 4

- | |
|---|
| <ul style="list-style-type: none">i. Discuss NGOs by their orientationii. Discuss NGOs by their level of operation |
|---|

11.4 Summary

From the discussion on SHOs and NGOs it was seen that the primary aim and objective of these organizations were to provide sense of economic inclusion; social and financial inclusion to the people who were excluded from the mainstream economy. These organization also have the capacity to eradicate or alleviate poverty among the populace which is equally major concern of the cooperative society.

11.5 References/Further Readings

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

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

Concept of SHOs and NGOs. https://en.wikipedia.org/wiki/Non-governmental_organization June 2017.

<https://chat.openai.com/c/dca9d95c-5db0-4649-8218-1357e1ba5081>

11.6 Answers to SAEs - UNIT 11

Answers to SAEs within the course content, arranged accordingly

Answers to SAEs 1

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

Self-help groups (SHGs), also known as mutual help, mutual aid, or support groups, are groups of people who provide mutual support for each other. In a self-help group, the members share a common problem, often a common interest. Their mutual goal is to help each other to solve their problems and promote their well-being.

2. Aspects of SHO

- **Common Goals:** SHOs are formed by individuals who share common goals, challenges, or interests. These goals can range from personal development and self-improvement to addressing specific community or social issues.
- **Mutual Support:** Members of self-help organizations provide emotional, informational, and practical support to each other. The group dynamic often creates a sense of belonging and camaraderie that helps individuals overcome challenges more effectively.
- **Empowerment:** SHOs aim to empower their members to take control of their lives and circumstances. They do this by providing tools, resources, and a supportive environment where individuals can build confidence and self-reliance.

- **Skill-Building:** Many self-help organizations offer skill-building and educational opportunities to help members acquire the knowledge and capabilities necessary to address their needs or concerns. This can include workshops, training sessions, or peer-led educational activities.
- **Independence:** Self-help organizations promote self-reliance and independence. Members are encouraged to take initiative and be active participants in their own growth and development.
- **Diverse Areas of Focus:** Self-help organizations can cover a wide range of topics and issues, including health and wellness, addiction recovery, mental health support, parenting, entrepreneurship, job-seeking, housing, and community development.
- **Grassroots and Bottom-Up Approach:** SHOs often start at the grassroots level, initiated by individuals who recognize a specific need or problem in their community or within a particular demographic. They are typically organized from the bottom-up, with members actively involved in shaping the organization's goals and activities.
- **Nonprofit or Voluntary:** Self-help organizations are generally organized as nonprofit entities or voluntary associations. They may rely on volunteer leadership, and funding can come from member contributions, donations, grants, or other sources.
- **Local and Global Impact:** While many self-help organizations are community-focused, some have a broader impact and reach, addressing issues on a national or global scale. For example, international support groups and networks may be formed to address shared concerns.
- **Advocacy and Awareness:** Some self-help organizations engage in advocacy efforts to raise awareness about the issues they address, influence public policy, and promote positive change on a larger scale.

Answers to SAEs 2

1. Objective of SHGs are:
 - a. To inculcate the savings and banking habits among members.
 - b. To secure members from financial, technical and moral strengths.
 - c. To enable availing of loan for productive purposes.
 - d. To gain economic prosperity through loan/credit.

- e. To gain from collective wisdom in organizing and managing their own finance and distributing the benefits among themselves.
- f. To sensitize members of target area for the need of SHG and its relevance in their empowerment
- g. To create group feeling among members
- h. To enhance the confidence and capabilities of members
- i. To develop collective decision making among members
- j. To encourage habit of saving among members and facilitate the accumulation of their own capital resource base.
- k. To motivate members taking up social responsibilities particularly related to their development.
- l. It acts as the forum for members to provide space and support to each other.

2. Characteristics of SHGs

SHGs are considered as one of the most significant tools to adopt participatory approach for the economic empowerment of people that are financially, socially and economically excluded, SHG is a group of people that meets regularly to discuss issues of interest to them and to look at solutions of commonly experienced problems. The group may or may not be promoted by Government or non-Government institutions.

Answers to SAEs 3

1. Non-governmental organizations commonly referred to as NGOs, are nonprofit organizations independent of governments and international governmental organizations (though often funded by governments) that try to improve the lives of other people through humanitarian, educational, healthcare, public policy, social, human rights, environmental, and other activism and services. They are thus a subgroup of all organizations founded by citizens, which include clubs and other associations that provide services, benefits, and premises only to members. Sometimes the term is used as a synonym of "civil society organization" to refer to any association founded by citizens, but this is not how the term is normally used in the media or everyday language, as recorded by major dictionaries. The explanation of the term by NGO.org (the non-governmental organizations

associated with the United Nations) is ambivalent. It first says an NGO is any non-profit, voluntary citizens' group which is organized on a local, national or international level, but then goes on to restrict the meaning in the sense used by most English speakers and the media: Task-oriented and driven by people with a common interest, NGOs perform a variety of service and humanitarian functions, bring citizen concerns to Governments, advocate and monitor policies and encourage political participation through provision of information.

2. One characteristic these diverse organizations share is that their non-profit status means they are not hindered by short-term financial objectives. Accordingly, they are able to devote themselves to issues which occur across longer time horizons, such as climate change, malaria prevention, or a global ban on landmines. Public surveys reveal that NGOs often enjoy a high degree of public trust, which can make them a useful but not always sufficient proxy for the concerns of society and stakeholders.

Answers to SAEs 4

1. NGOs by Orientation

- **Charitable Orientation:** often involves a top-down paternalistic effort with little participation by the "beneficiaries". It includes NGOs with activities directed toward meeting the needs of the poor people.
- **Service Orientation:** includes NGOs with activities such as the provision of health, family planning or education services in which the programme is designed by the NGO and people are expected to participate in its implementation and in receiving the service.
- **Participatory Orientation:** is characterized by self-help projects where local people are involved particularly in the implementation of a project by contributing cash, tools, land, materials, labour etc. In the classical community development project, participation begins with the need definition and continues into the planning and implementation stages.
- **Empowering orientation:** aims to help poor people develop a clearer understanding of the social, political and economic factors affecting their lives, and to strengthen their awareness of their own potential power to control their lives. There is maximum involvement of the beneficiaries with NGOs acting as facilitators.

2. NGOs by Level of Operation

- **Community-Based Organizations (CBOs)** arise out of people's own initiatives. They can be responsible for raising the consciousness of the urban poor, helping them to understand their rights in accessing needed services, and providing such services.
- **City-Wide Organizations:** include organizations such as chambers of commerce and industry, coalitions of business, ethnic or educational groups, and associations of community organizations.
- **State NGOs:** include state-level organizations, associations and groups. Some state NGOs also work under the guidance of National and International NGOs.
- **National NGOs:** include national organizations such as the YMCAs/YWCAs, professional associations and similar groups. Some have state and city branches and assist local NGOs.
- **International NGOs:** range from secular agencies such as Red Cross; Ducere Foundation and Save the Children organizations, SOS Children's Villages, OXFAM, CARE, Ford Foundation, and Rockefeller Foundation to religiously motivated groups. They can be responsible for funding local NGOs, institutions and projects and implementing projects.

UNIT 12: THE PROBLEMS OF RURAL DEVELOPMENT IN NIGERIA**UNIT STRUCTURE**

- 12.1 Introduction
- 12.2 Learning Outcomes
- 12.3 Main Content
 - 12.3.1 Historical Background of Nigerian Cooperatives
 - 12.3.2 Origins of the Modern Cooperative
 - 12.3.3 Distinctions between indigenous and modern cooperatives
- 12.4 Summary
- 21.5 References/Further Readings
- 12.6 Answers to Self-Assessment Exercise(s) within the content

12.1 Introduction

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

12.2 Learning Outcomes

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

- Discuss the history of the modern and indigenous cooperatives
- Describe the development of cooperatives in Nigeria

12.3 Main Content

12.3.1 Historical Background of Indigenous Cooperatives in Nigerian

Cooperatives had existed in various forms in all parts of the world since man started to live in groups. Man had learnt to cooperate with others with whom he lived to carry difficult physical or financial burdens together to reduce the weight on individuals. Evidences of such forms of cooperation existed in ancient Rome, China and Greece during the early times, the Middle ages, the Christian era, the Islamic era, and in recent history. In Nigeria, indigenous forms of cooperation have existed and survived to the present day under different names. In Yoruba land, some forms of indigenous cooperation is called "Owe" and 'aaro' which are cooperative forms used to share physical work burdens among the members. Other forms are called "ajo" or "esusu"" or Adashi in which members cooperate to solve financial problems together. But these forms of mutual assistance are not cooperatives in the strict sense of the word. Since they are based on reciprocity (you help me today and I help you tomorrow), they may be called "mutuals".

Prior to the advent of colonialism and the modern Nigerian society, there were some indigenous practices which were part of our cultural heritage. These practices were some of the binding and uniting forces that ensured communalism that hitherto African societies were known for. One of these indigenous practices was the Osusu cooperative societies. The Osusu cooperative societies like

other cultural heritage were based on trust and value systems of the people. The cooperative societies of the pre-colonial era were largely organized in informal nature without any form of documentation and written laws and regulations, but they however thrived because of the mutual trust between the members of various cooperative societies then. Prominent among the early indigenous groups were the Ibadan Agricultural Society (1904), the Agege Planters' Union (founded in 1907) and the Egba Farmer's Association (1910). These organizations were founded, in the major cocoa growing areas of Nigeria, wholly independent of government support or initiative.

Self-Assessment Exercises 1

- i. Discuss the historical background of indigenous co-operatives in Nigeria
- ii. What was the indigenous co-operative practice that was invoke before the advent of colonialism and the modern Nigerian society?

12.3.2 Origins of the Modern Cooperative in Nigeria

The period 1935 marked a major era in the development of the modern cooperative in Nigeria. In that year, the cooperative ordinance was enacted and the movement became formalized and consolidated. The Nigeria Cooperative Ordinance of 1935, and the Regulation which followed in 1936, have formed the basis for Co-operative development of modern cooperatives in Nigeria until the present time.

The ordinance created a specialized branch of the secretariat knowledgeable on co-operative matters. The branch is headed by the Registrar of cooperative Societies who is conferred with considerable executive power over societies. The Registrar of Cooperative Societies could register, audit, inspect, hold inquiries on, and settle disputes among Cooperatives. He could also liquidate unsuccessful registered cooperatives. In addition, the ordinance gave the co-operative societies that achieved registration under the ordinance a legal entity, thus safe guarding their own interest and those of the public business transactions in which the societies were involved.

Major Haig, the first Registrar of Co-operative Societies for Nigeria, established the Co-operative office at Moor Plantation, Ibadan, with a 139 small number of Nigerian Staff and he took over from the Department of Agriculture the Supervision of the Societies.

The first task of the new Registrar was to re-organize the cocoa farmers' societies and the Ibadan Union. Besides, the two major objectives originally aimed at were the improvement in the quality of cocoa and market reform. Other objectives, included: the establishment of a sound credit system, the encouragement of savings deposit by members and the fostering of Cooperative spirit in the societies.

The second task of the Registrar was to bring the societies under the protection of the law. Thus, in August 1937, the Gbedun Co-operative Cocoa Sales Society became the first primary society to be registered, while the Ibadan Co-operative Cocoa Marketing Union became the secondary society to be registered in February, 1937. By 1943, the First Co-operative Training Institute in the Western part of the country, the Federal Co-operative College, was established in Ibadan.

Self-Assessment Exercises 2

- i. Discuss the origin of modern co-operative in Nigeria
- ii. Discuss the tasks of the first registrar of co-operative societies for Nigeria

12.3.3 Distinctions between Indigenous and Modern Cooperatives

The major distinctions between indigenous and modern cooperative are:

- a) The indigenous cooperatives are those forms traditional cooperation that existed before the enactment of cooperative ordinance in 1935 while modern cooperative are those forms of modern cooperatives that were established during and after the enactment of 1935 cooperative ordinance.
- b) The member's compositions of indigenous cooperative don't know how to read and write and are mostly illiterate. While the members of modern cooperative knows how to read and write to an extent as such they are mostly literate.
- c) Indigenous cooperatives are informal type of organization as they were not dully registered. On the other hand, modern cooperatives are formal institutions since they are dully registered with appropriate authority.
- d) Indigenous forms of cooperation were self-help and mutual benefits associations that were socially oriented. On the other hand modern cooperative are business oriented and

economically viable as they are involved in various businesses activities that cut across different sectors of the economy.

- e) Indigenous cooperative were fragile and involved in temporary activities, also, they are not permanent institutions for the regular production of goods and services. While the modern cooperatives are business model that are established based on sound principles and are usually involve in permanent business activities for the production and distribution of high quality goods and services at affordable and moderate prices to its members and non-members.
- f) Indigenous cooperatives were established and operate without any written Bye-laws and constitutions that guide their activities. Contrarily, modern cooperatives activities and dealings are been guided with their laid down constitutions and byelaws which is one of the conditions for their registration as a modern cooperatives.
- g) Indigenous cooperatives were not knowledgeable to prepare and maintain accounting or financial records and keeping of other sensitive books and documents. While preparation and keeping of accounting records; financial records and other sensitive records are intrinsic and constitutional responsibilities of modern cooperatives.
- h) The Indigenous cooperatives are mostly formed among the rural dwellers in the rural areas while the modern cooperative are highly concentrated in the urban centers.

Self-Assessment Exercises 3

- i. Explain the major distinctions between indigenous and modern cooperative
- ii. Why the indigenous forms of cooperation were regarded as self-help and mutual benefits associations?

12.4 Summary

In this unit have been able to trace the origin of indigenous cooperatives and when the first formal cooperative started in Nigeria, it development over the years, to the formation of the modern day Cooperatives. This unit also provided us with the opportunity to understand the difference between the indigenous and modern day cooperatives.

12.5 References/Further Readings

- Otunaiya, A.O; Jokthan, G; Awolumate, S. & Mundi, N.E (2016) Cooperative Practices. Published by National Open University of Nigeria. ISBN: 9780580541. Retrieved from www.nou.edu.ng
- Cox, T. (1993). Cooperative Development in Societ and Post-Soviet Society. Book of Cooperative Enterprise 1993. London: The Plunkett Foundation.
- CICOPA (2012). International Coalition of Production and Artisan Cooperatives. Regional Organization for Europe. Report.
- Epetimehin, F. (2006). Understanding the Dynamics of Cooperatives. ICRETI Publishing House, Ibadan, Nigeria.
- MacPherson, I. (1999). Hands Around the Globe A History of the International Credit Union Movement and the Role and Development of the World Council of Credit Unions, Inc. Victoria, B.C., Canada: Hosdal and Schubart Publishers, Ltd.
- ICA (2002). International Cooperative Alliance. Europe Bulletin, Special Issue Oct & Issue No. 15, Dec. Geneva, Switzerland.
- Oludimu O.L, J.O.Y Aihonsu and B.O Oladipupo (2001) Cooperative Administration and management. Published by Centre for Sandwish Programmes, Olabisi Onabanjo University, Ogun State.
- AFRREV IJAH, Vol.3 (1) January, 2014 Copyright © IAARR 2014: www.afrrvjo.net/ijah 3 Indexed African Researches Review online: www.arronet.info

12.6 Answers to SAEs - UNIT 12

Answers to SAEs within the course content, arranged accordingly

Answers to SAEs 1

1. Cooperatives had existed in various forms in all parts of the world since man started to live in groups. Man had learnt to cooperate with others with whom he lived to carry difficult physical or financial burdens together to reduce the weight on individuals. Evidences of such forms of cooperation existed in ancient Rome, China and Greece during the early times, the Middle ages, the Christian era, the Islamic era, and in recent history. In Nigeria, indigenous forms of cooperation have existed and survived to the present day under different names. In Yoruba land, some forms of

indigenous cooperation is called "Owe" and 'aaro' which are cooperative forms used to share physical work burdens among the members. Other forms are called "ajo" or "esusu" or Adashi in which members cooperate to solve financial problems together. But these forms of mutual assistance are not cooperatives in the strict sense of the word. Since they are based on reciprocity (you help me today and I help you tomorrow), they may be called "mutuals".

2. The indigenous co-operative practice that was invoke before the advent of colonialism and the modern Nigerian society was “osusu”

Answers to SAEs 2

1. The period 1935 marked a major era in the development of the modern cooperative in Nigeria. In that year, the cooperative ordinance was enacted and the movement became formalized and consolidated. The Nigeria Cooperative Ordinance of 1935, and the Regulation which followed in 1936, have formed the basis for Co-operative development of modern cooperatives in Nigeria until the present time.

The ordinance created a specialized branch of the secretariat knowledgeable on co-operative matters. The branch is headed by the Registrar of cooperative Societies who is conferred with considerable executive power over societies. The Registrar of Cooperative Societies could register, audit, inspect, hold inquiries on, and settle disputes among Cooperatives. He could also liquidate unsuccessful registered cooperatives. In addition, the ordinance gave the co-operative societies that achieved registration under the ordinance a legal entity, thus safe guarding their own interest and those of the public business transactions in which the societies were involved.

2. The first task of the new Registrar was to re-organize the cocoa farmers' societies and the Ibadan Union. Besides, the two major objectives originally aimed at were the improvement in the quality of cocoa and market reform. Other objectives, included: the establishment of a sound credit system, the encouragement of savings deposit by members and the fostering of Cooperative spirit in the societies.

The second task of the Registrar was to bring the societies under the protection of the law. Thus, in August 1937, the Gbedun Co-operative Cocoa Sales Society became the first primary society to be

registered, while the Ibadan Co-operative Cocoa Marketing Union became the secondary society to be registered in February, 1937. By 1943, the First Co-operative Training Institute in the Western part of the country, the Federal Co-operative College, was established in Ibadan.

Answers to SAEs 3

1. The major distinctions between indigenous and modern cooperative are:
 - a) The indigenous cooperatives are those forms of traditional cooperation that existed before the enactment of cooperative ordinance in 1935 while modern cooperative are those forms of modern cooperatives that were established during and after the enactment of 1935 cooperative ordinance.
 - b) The member's compositions of indigenous cooperative don't know how to read and write and are mostly illiterate. While the members of modern cooperative knows how to read and write to an extent as such they are mostly literate.
 - c) Indigenous cooperatives are informal type of organization as they were not dully registered. On the other hand, modern cooperatives are formal institutions since they are dully registered with appropriate authority.
 - d) Indigenous forms of cooperation were self-help and mutual benefits associations that were socially oriented. On the other hand modern cooperative are business oriented and economically viable as they are involves in various businesses activities that cut across different sectors of the economy.
 - e) Indigenous cooperative were fragile and involved in temporary activities, also, they are not permanent institutions for the regular production of goods and services. While the modern cooperatives are business model that are established based on sound principles and are usually involve in permanent business activities for the production and distribution of high quality goods and services at affordable and moderate prices to its members and non-members.
 - f) Indigenous cooperatives were established and operated without any written Bye-laws and constitutions that guide their activities. Contrarily, modern cooperatives activities and dealings are been guided with their laid down constitutions and byelaws which is one of the conditions for their registration as a modern cooperatives.

- g) Indigenous cooperatives were not knowledgeable to prepare and maintain accounting or financial records and keeping of other sensitive books and documents. While preparation and keeping of accounting records; financial records and other sensitive records are intrinsic and constitutional responsibilities of modern cooperatives.
 - h) The Indigenous cooperatives are mostly formed among the rural dwellers in the rural areas while the modern cooperative are highly concentrated in the urban centers.
2. The indigenous forms of cooperation were regarded as self-help and mutual benefits associations because they were socially oriented.

UNIT 13: DISTINGUISHING COOPERATIVE BUSINESS MODEL FROM OTHER BUSINESS ORGANIZATIONS**UNIT STRUCTURE**

- 13.1 Introduction
- 13.2 Learning Outcomes
- 13.3 Main Content
 - 13.3.1 Cooperatives Business Structure
 - 13.3.2 The Place of Cooperatives in Developing Business Skill and Activities
 - 13.3.3 Distinctions between Cooperative Business Model and other Business Organizations
 - 13.3.4 Advantages of Cooperative Business Model
 - 13.3.5 Disadvantages of Cooperative Business Model
- 13.4 Summary
- 13.5 References/Further Readings
- 13.6 Answers to Self-Assessment Exercise(s) within the content

13.1 Introduction

Business organizations are usually established with the main purpose of maximizing profits through effective and efficient management of resources. In this case cooperative societies are considered to be business organization with primary objective of promoting their members well-being through collective owned enterprises. In this unit, we are going to examine cooperative societies as a form of business organization and compared it with other forms of businesses. Cooperatives as a form of business organization are distinct from the more common investment driving profit-making business organizations. While both are organized as corporations; the investors pursue profit maximization objectives, whereas cooperatives strive to maximize the benefits they generate for their members.

13.2 Learning Outcomes

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

- State the main objectives of cooperative societies
- Differentiate various business structures in cooperatives
- Distinguish cooperative business model from other types of business organizations
- Mention ways cooperatives help in developing business skill of members

13.3 Main Content

13.3.1 Cooperatives Business Structure

Cooperatives can use several other types of structural arrangements, apart from operating directly as a society, to take advantage of economic opportunities.

Four of such business structures are:

- i. A subsidiary: This is a corporation organized, owned, and controlled either directly or through trustees by a parent cooperative. To legally isolate the parent cooperative from the subsidiary, there needs to be clear separation of management and profits between the two organizations. The purpose of the subsidiary is to assume certain duties and functions of the parent cooperative.

ii. A joint venture: This is an association of two or more participants, persons, partnerships, corporations, or cooperatives that carry on a specific economic operation, enterprise, or venture. The identities of these participants, however, remain separate from their ownership or participation in the venture. Use of joint ventures among cooperatives involves a partnership arrangement between two or more cooperatives. This type of activity has become common place among both local and state cooperatives. More recently, cooperatives have become involved in joint ventures with investor-owned firms.

iii. A holding company is a corporate entity with controlling ownership in one or more operating companies. This degree of ownership can vary widely, as long as the holding company can exercise control through the operating company's board of directors. Normally, the holding company generates no revenues from operations. Income is limited to returns from investments in the operating companies.

iv. An information sharing organization comprises two or more cooperatives that market and price independently, but exchange production and market information. Improved information allows participating cooperatives to improve their marketing and pricing efforts.

Self-Assessment Exercises 1

- i. Discuss the four co-operative business structures
- ii. What is a holding company?

13.3.2 The Place of Cooperatives in Developing Business Skill and Activities

Cooperative society as a business organization is capable of providing resources beyond the capability of individual members. Hence, cooperatives provide innovative and creative ideas to their members in areas mostly related to functional management skills which appear to be crucial to business success. According to Aihonsu (2013), the management skills of an entrepreneur are said to indicate the extent to which he can understand, appreciate and perform important tasks in an enterprise. The cooperatives are in position to assist the entrepreneurs to acquire these. These skills include:

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

Self-Assessment Exercises 2

- i. What efforts do cooperatives make in developing business skill and activities?
- ii. The cooperatives are in position to assist entrepreneurs to acquire certain skills. Discuss these skills

13.3.3 Distinctions between Cooperative Business Model and other Business Organizations

Cooperative is a business model owned and controlled by its members and there are numerous types of business organizations in Nigeria. Some of these business organizations include sole proprietorship; partnership; limited liability companies; joint stock ventures corporations etc. But cooperative business model is quite different from these aforementioned business organizations in the sense that members are the owners and at the same time users of the cooperative business and for the benefits of members.

Cooperative business model can be distinguished from other business organizations based on the following factors or criteria:

i. Ownership: In cooperative business model, the owners have double identity, that is, the members of the cooperative society are the owners of their business and they are equally the users of the cooperative business. But in other business organization the owners have separate identity with customers and clients stand as the users who patronize of the business.

ii. Financing: In cooperative society members collectively pool their financial resources to mobilize fund to finance the cooperative business through their share capital, contributions; savings etc and these are done collectively. Some business organizations like partnership; joint venture; joint stock have similar means of financing their business with that of cooperative society, but these business organization have restrictions on the amount to be contributed by each members or partners while in cooperative society there is no restriction on the amount of members share capital.

iii. Objective of the business: the primary aim and objective of establishing any business organizations is to maximize profits. This is not the case in the cooperative business model as their primary objective is to promote the well-being of its members. Though they maximize profit but not at the detriment of members welfare.

iv. Extent of Owner's Liability: In cooperative society the extent of cooperative liability is usually limited to member's equity contributions. This is similar to that of limited liability Company except for sole proprietorship and partnership where the extent of enterprise is usually unlimited.

v. Who Shares the Profit and Loss: In cooperative business members collectively pool their resources together to invest in an enterprise as such all the gains and loss that will be accrued from the business will be shared in proportion to each members contributions. This is equally applicable to liability limited companies; partnership where members will receive dividends in proportion to

the number of shares that they are holding in such company. Meanwhile in sole proprietorship the owner of the business bear all the profits and loss from his or her business.

vi. Income tax/Taxation: Cooperative business enterprises are not liable to pay income tax, while other business organizations are taxable.

vii. Management style: In principle and practice, cooperative business enterprise applies democratic management style in managing the affairs of its organization. In cooperative, every member has equal right to participates in management of the cooperative enterprise through the election of management committee members that will represent the interest of the members. In other business organization management style adopted by these organizations encourages management of the enterprise to be in the hands of few shareholders or individuals.

viii. Training and Education: One of the core principles of cooperative organization is to invest some of its annual surplus (profits) on the training and education of its members and staff. Contrarily, other business organizations rarely invest on the training and education of their members and staff. But they occasionally train and educate if such training is absolutely necessary to the success and viability of their organization.

ix. Decision making process: In cooperative organization, decision making process is by simple majority on the basis of one man one vote. That is, when it comes to voting on a particular issue in cooperative, each member is entitle to one vote irrespective of the amount the member has contributed or invested in the cooperative business. In other business, decision is been taking on the basis of the amount of shares the partners or members are holding in the organization. That is any member that has lager share will have higher stake in the decision making process.

Self-Assessment Exercises 3

- i. Discuss 7 criteria that can be used to differentiate between cooperative business model and other business organizations
- ii. How are co-operative societies financed?

Cooperative society as an entity has its own advantages. However, there are few disadvantages associated with Cooperative society. In this sub-unit, we shall consider the advantages of Cooperatives as compared to other businesses. The advantages are as follows:

1. Easy to form: The formation of a cooperative society is very simple when compared with the formation of any other form of business organizations. Any ten adults can join together and form a cooperative society. The procedure involved in the registration of a cooperative society is very simple and easy. No legal formalities are required for the formation of cooperative society. This is not so with other forms of business organization. The procedures are cumbersome and required a lot of formalities and approvals from the Government.

2. No obstruction for membership: Unless and otherwise specifically debarred, the membership of cooperative society is open to everybody. Nobody is obstructed to join on the basis of religion, caste, creed, sex and colour etc. A person can become a member of a society at any time he likes and can leave the society when he does not like to continue as member. Whereas, the number partners in other business organizations is characterized by restricted entry and exit.

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

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

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

6. Stability and Continuity: A cooperative society cannot be dissolved by the death, insolvency, lunacy, permanent incapability of the members. Therefore, it is stable and may continue to exist for a longer period. New members may join and old members may quit the society but society continues to function unless otherwise all members unanimously decided to close the same. In other forms of business organizations, the death, insolvency, lunacy, permanent incapability of the owners often

result into total collapse of the business. In other words, other business organizations have shorter life span and high level of instability.

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

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

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

13.3.4.2 Disadvantages of Cooperative Business Model

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

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

2. Inefficient Management: A cooperative society is managed by the members only. They may not possess adequate managerial and special skills required for proper management. Thus, may result in inefficiency of management which in turn may affect the success of the societies.

3. Lack of Secrecy: The cooperative society does not maintain any secrecy in business because the affairs of the society is openly discussed in the meetings. But secrecy is very important for the success of a business organization. This paved the way for competitors to compete in better manner.

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

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

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

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

Self-Assessment Exercises 4

- i. Discuss 7 advantages and disadvantages of the co-operative business model
- ii. What do you understand by stability and continuity of co-operative?

13.4 Summary

We have discussed the main criteria for comparing cooperative business model with other business organization and it was seen that cooperative business model venture into business with primary objective of promoting socioeconomic well-being of their members while other business organizations venture into business with primary objective maximizing profits.

13.5 References/Further Readings

- Otunaiya, A.O; Jokthan, G; Awolumate, S. & Mundi, N.E (2016) Cooperative Practices. Published by National Open University of Nigeria. ISBN: 9780580541. Retrieved from www.nou.edu.ng
- Adelaja, M. A. (1996): Co-operative Management and Supervision. In Oludimu, O. L. and S. F. Adedoyin (eds.) Running A More Successful Co-operative. Triumph Books Publishers. Ijebu- Ode, pp. 10 25.
- Oludimu O.L, J.O.Y Aihonsu and B.O Oladipupo (2001) “Cooperative Administration and management”. Published by Centre for Sandwich Programmes, Olabisi Onabanjo University, Ogun State.
- Whyte, W.F. and K.K. Whyte (1991). Making Mondragón: The Growth and Dynamics of the Worker Cooperative Complex, Second Edition Revised. ILR Press and Imprint of Cornell University Press. Ithaca, NY

13.6 Answers to SAEs - UNIT 13

Answers to SAEs within the course content, arranged accordingly

Answers to SAEs 1

1. Four co-operative business structures are:

i. A subsidiary: This is a corporation organized, owned, and controlled either directly or through trustees by a parent cooperative. To legally isolate the parent cooperative from the subsidiary, there needs to be clear separation of management and profits between the two organizations. The purpose of the subsidiary is to assume certain duties and functions of the parent cooperative.

ii. A joint venture: This is an association of two or more participants, persons, partnerships, corporations, or cooperatives that carry on a specific economic operation, enterprise, or venture. The identities of these participants, however, remain separate from their ownership or participation in the venture. Use of joint ventures among cooperatives involves a partnership arrangement between two or more cooperatives. This type of activity has become common place among both local and state cooperatives. More recently, cooperatives have become involved in joint ventures with investor-owned firms.

iii. A holding company is a corporate entity with controlling ownership in one or more operating companies. This degree of ownership can vary widely, as long as the holding company can exercise control through the operating company's board of directors. Normally, the holding company generates no revenues from operations. Income is limited to returns from investments in the operating companies.

iv. An information sharing organization comprises two or more cooperatives that market and price independently, but exchange production and market information. Improved information allows participating cooperatives to improve their marketing and pricing efforts.

2. A holding company is a corporate entity with controlling ownership in one or more operating companies. This degree of ownership can vary widely, as long as the holding company can exercise control through the operating company's board of directors. Normally, the holding company

generates no revenues from operations. Income is limited to returns from investments in the operating companies.

Answers to SAEs 2

1. Cooperative society as a business organization is capable of providing resources beyond the capability of individual members. Hence, cooperatives provide innovative and creative ideas to their members in areas mostly related to functional management skills which appear to be crucial to business success. According to Aihonsu (2013), the management skills of an entrepreneur are said to indicate the extent to which he can understand, appreciate and perform important tasks in an enterprise.

2. The cooperatives are in position to assist entrepreneurs to acquire certain skills. These skills include:

(a) General Management Function: - possessing general management skills and making use of diverse information/communication technology and expertise.

(b) Production/Operational Function: - Acquiring raw materials and other production factors at relatively lower prices falling from bulk purchases. Entrepreneur's awareness and knowledge of competitors is needed to outplay others in the business.

(c) Financial Function: - Provision of finance or funds for the operations through appropriate loans and advances.

(d) Purchasing Function: - Via cooperative bulk purchases and services of cooperative shops, as well as various essential commodities purchases arrangements.

(e) Human Resource/Personnel relations function: - This involves training and retraining of members through various training seminars and workshops from time to time.

(f) Marketing Functions: - assisting member entrepreneurs to identify markets for their produce and encouraging cooperative marketing which will go a long way to take advantage of the controlling the price in the market. Assistance can be obtained also in other marketing functions viz: processing, packaging, sorting and branding etc. inclusive of these is also developing efficient customer service and entrepreneur's market orientation.

(g) Administrative Functions: - assistance can be obtained in the area of training the managers of business organizations with respect to knowledge acquisition in administrative functions. This also includes inculcating efficient book-keeping culture into them.

(h) External relations functions: - This entails learning about public relations by the staff as well as provision of quality products and services to the outside world.

Answers to SAEs 3

1. Cooperative is a business model owned and controlled by its members and there are numerous types of business organizations in Nigeria. Some of these business organizations include sole proprietorship; partnership; limited liability companies; joint stock ventures corporations etc. But cooperative business model is quite different from these aforementioned business organizations in the sense that members are the owners and at the same time users of the cooperative business and for the benefits of members.

2. Cooperative business model can be distinguished from other business organizations based on the following factors or criteria:

i. Ownership: In cooperative business model, the owners have double identity, that is, the members of the cooperative society are the owners of their business and they are equally the users of the cooperative business. But in other business organization the owners have separate identity with customers and clients stand as the users who patronize of the business.

ii. Financing: In cooperative society members collectively pool their financial resources to mobilize fund to finance the cooperative business through their share capital, contributions; savings etc and these are done collectively. Some business organizations like partnership; joint venture; joint stock have similar means of financing their business with that of cooperative society, but these business organization have restrictions on the amount to be contributed by each members or partners while in cooperative society there is no restriction on the amount of members share capital.

iii. Objective of the business: the primary aim and objective of establishing any business organizations is to maximize profits. This is not the case in the cooperative business model as their primary objective is to promote the well-being of its members. Though they maximize profit but not at the detriment of members welfare.

iv. Extent of Owner's Liability: In cooperative society the extent of cooperative liability is usually limited to member's equity contributions. This is similar to that of limited liability Company except for sole proprietorship and partnership where the extent of enterprise is usually unlimited.

v. Who Shares the Profit and Loss: In cooperative business members collectively pool their resources together to invest in an enterprise as such all the gains and loss that will be accrued from the business will be shared in proportion to each members contributions. This is equally applicable to liability limited companies; partnership where members will receive dividends in proportion to the number of shares that they are holding in such company. Meanwhile in sole proprietorship the owner of the business bear all the profits and loss from his or her business.

vi. Income tax/Taxation: Cooperative business enterprises are not liable to pay income tax, while other business organizations are taxable.

vii. Management style: In principle and practice, cooperative business enterprise applies democratic management style in managing the affairs of its organization. In cooperative, every member has equal right to participates in management of the cooperative enterprise through the election of management committee members that will represent the interest of the members. In other business organization management style adopted by these organizations encourages management of the enterprise to be in the hands of few shareholders or individuals.

viii. Training and Education: One of the core principles of cooperative organization is to invest some of its annual surplus (profits) on the training and education of its members and staff. Contrarily, other business organizations rarely invest on the training and education of their members and staff. But they occasionally train and educate if such training is absolutely necessary to the success and viability of their organization.

ix. Decision making process: In cooperative organization, decision making process is by simple majority on the basis of one man one vote. That is, when it comes to voting on a particular issue in cooperative, each member is entitle to one vote irrespective of the amount the member has contributed or invested in the cooperative business. In other business, decision is been taking on the basis of the amount of shares the partners or members are holding in the organization. That is any member that has lager share will have higher stake in the decision making process.

In cooperative society members collectively pool their financial resources to mobilize fund to finance the cooperative business through their share capital, contributions; savings etc and these are done collectively.

Answers to SAEs 4**1. Advantages and disadvantages of Cooperative Business Model**

The advantages are as follows:

1. Easy to form: The formation of a cooperative society is very simple when compared with the formation of any other form of business organizations. Any ten adults can join together and form a cooperative society. The procedure involved in the registration of a cooperative society is very simple and easy. No legal formalities are required for the formation of cooperative society. This is not so with other forms of business organization. The procedures are cumbersome and required a lot of formalities and approvals from the Government.

2. No obstruction for membership: Unless and otherwise specifically debarred, the membership of cooperative society is open to everybody. Nobody is obstructed to join on the basis of religion, caste, creed, sex and colour etc. A person can become a member of a society at any time he likes and can leave the society when he does not like to continue as member. Whereas, the number of partners in other business organizations is characterized by restricted entry and exit.

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

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

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

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

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

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

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

Disadvantages are as follows:

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

2. Inefficient Management: A cooperative society is managed by the members only. They may not possess adequate managerial and special skills required for proper management. Thus, may result in inefficiency of management which in turn may affect the success of the societies.

3. Lack of Secrecy: The cooperative society does not maintain any secrecy in business because the affairs of the society is openly discussed in the meetings. But secrecy is very important for the success of a business organization. This paved the way for competitors to compete in better manner.

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

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

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

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

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

UNIT 14: CLASSIFICATION OF COOPERATIVES**UNIT STRUCTURE**

- 14.1 Introduction
- 14.2 Learning Outcomes
- 14.3 Main Content
 - 14.3.1 Classification of Cooperatives
- 14.4 Summary
- 14.5 References/Further Readings
- 14.6 Answers to Self-Assessment Exercise(s) within the content

14.1 Introduction

When considering the classification of cooperative societies in Nigeria, it may interest you to know that cooperative societies exist in all human endeavour and in all sectors of the economy. Then since there are numerous cooperative societies, their classification became absolutely necessary for easy identification and to properly understand the different roles they play within the economy.

14.2 Learning Outcomes

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

- Identify different classes of cooperative societies
- Explain the criteria for cooperative classification

14.3 Main Content**14.3.1 Classification of Cooperatives**

When considering the classification of cooperative societies in Nigeria, we shall consider different classes of cooperative society. There are many ways you can classify cooperatives. The best way to categorize is by basing it on one major criterion at a time.

In the opinion of Rafiu and Kamila (2019), all types of cooperative societies work on the same principle, they differ with regard to the nature of activities they perform. Followings are different types of co-operative societies.

1. **Consumers' Co-operative Society:** These societies are formed to protect the interest of general consumers by making consumer goods available at a reasonable price. They buy goods directly from the producers or manufacturers and thereby eliminate the middlemen in the process of distribution.
2. **Producers' Co-operative Society:** These societies are formed to protect the interest of small producers by making available items of their need for production like raw materials, tools and equipment, machinery among others.
3. **Marketing Co-operative Society:** These societies are formed by small producers and manufacturers who find it difficult to sell their products individually. The society collects the products from the individual members and takes the responsibility of selling those products in the market.
4. **Credit Co-operative Society:** These societies are formed to provide financial support to the members. The society accepts deposits from members and grants them loans at reasonable rates of interest in times of need.
5. **Farming Co-operative Society:** These societies are formed by small farmers to work jointly and thereby enjoy the benefits of large-scale farming.
6. **Housing Co-operative Society:** These societies are formed to provide residential houses to members. They purchase land, develop it and construct houses or flats and allot the same to members. Some societies also provide loans at low rate of interest to members to construct their own houses.

Chukwu (1990) posited the following as criteria for classifying co-operatives:

1. Based on functions performed for the member in relation to the totality of the member's economic and social interests.

The basic question here is: Is the co-operative the type-which performs all business (and possibly Social) functions for the member or the type which performs only some function(s), leaving the performance of the other functions to the member's private since enterprise? Two basic types/classes emerge, namely:

a. Productive Co-operatives: These exist in two forms:

- (i) The ordinary productive co-operative, in which all the business functions of the member's private enterprise are taken over by the co-operative business enterprise and, thus, the members' business enterprises cease to exist as such i.e. they are absorbed by the co-operative business enterprise or "are only recognizable as relics" while the member himself becomes an employee of the common co-operative business enterprise for example the Israeli Moshav.
- (ii) The full productive co-operative, in which in addition to the above process, the private household of the member also ceases to exist as such i.e. it is absorbed into a common co-operative/communal household; all business as well as all household (social) functions of the member are taken over by the co-operative and fifty members also work in the co-operative for example the Israeli Kibbutz.

The dual/double identity of the member in the co-operative is still maintained in these in the form of owner and at the same time employee.

b. Auxiliary (service) co-operatives:

These do not perform all functions for the member; they take over only some function(s). These can be that of for instance supply (of goods, loans and credit, housing facilities among others), marketing of the produce or investment on the best possible terms of the surplus funds (savings) members. The private business enterprise of the member, which continues to thus carries out all the other business functions.

2. Based on the legal status of the co-operative

The basic question here is: the legal status of the co-operatives to be classified? They can be:

- a. Registered co-operative, which implies that they have been formally registered with appropriate legal authorities (for example in many developing areas - the office Registrar of Co-operative Societies and in many developed countries, specific registries). As a result, they have acquired their own independent legal existence (personality); they can sue and be sued.

These registered co-operatives can be further classified according to the type of liability "borne by the members for the debts of the co-operative following registration, thus being registered co-operatives with:

- i. Liability limited by shares, in which case the joint liability of the member in the event of liquidation is (in most cases) limited to the value of the shares by the member irrespective of any other still outstanding debts of the co-operative thereafter.
 - ii. Liability limited by guarantee, in which case the joint liability of the member is limited not simply to the value of the shares held by the member, but value of a specified and mutually agreed multiple, (for instance 5 times) of the share held. The member thus agrees to lose not only the value of the shares held, but also guarantees further payments to the tune of additional five times the value of shares held by him as a maximum, irrespective of any other debts of the co-operative still outstanding.
 - iii. Unlimited liability, in which case the liability of the member (jointly and severally) is not limited beforehand to any specific amount and, furthermore, member can be individually held liable for all the outstanding debts of this co-operative. This can mean loss of all the assets of the individual member both inside and outside the co-operative. Although the extent of this liability can be said to be "limited" to the total size of this outstanding debt of the co-operative, in the sense referred to here, whereas the limit of material/monetary value of the liability is known beforehand in the first cases, this is not so in this last case; the value can only be known in the process of liquidation and thus, till then, must be regarded as open ended-unlimited.
- b. Unregistered co-operatives: These are the other co-operatives which, unlike the registered ones, have not been formally registered with the appropriate legal bodies of the given

country. They would as a consequence not acquire an independent legal existence or identity cannot legally sue and be sued, and the members have only one form of liability opinion to them: the unlimited liability as explained above.

It is to be noted that the non-registration of a co-operative may not automatically mean **at** it does not qualify to be called a co-operative. It may have all the normal attributes and be functioning perfectly as a co-operative but not be registered because of to meet one or the other formal or legal technicality or, for some reason, is under another law other than the co-operative Jaw. In contrast, a registered co-operative may in feet bear the name co-operative only because it has met all the legal ties and technicalities but in reality is not functioning as a co-operative. The definition of a co-operative based on registration can thus be very deceptive in some countries (for example Nigeria) the inclusion of the word "co-operative" in the name of any organization or institution is legally reserved for, the registered coves only.

3. Based on the geographical area of operation:

The basic question here is: In what geographical area is the co-operative operating? A co-operative which operates in an urban area is thus classified as:

- a. An urban co-operative while that which operates in a rural area is consequently Classified as
- b. A rural co-operative.

Note: The rural co-operative can be, but is not necessarily always an agricultural or a farmers' co-operative.

4. Based on the organizational level of operation of the co-operative; framework of the co-operative movement in the given area.

The basic question here is: Looking at the overall structural organization of the co-operative movement in the given area, at what organizational level in the "hierarchy" is live functioning?

The usual set-up is that in which at the lowest level are to be found:

- a. The primary co-operatives, which are usually the smallest individual units in the set-up. They usually cover a more limited area of operation than the other co-operatives; have in most

cases individual persons as members; have all the other organizationally higher placed working in their interest and thus, at least in the final analysis, bear liability for all the higher placed co-operatives in the set-up. Because of their usually very limited area of co-operation (in most cases, beyond one village/town, in line with Raiffeisen's ideas) they are also often simply referred to as 'local co-operatives'.

This level is usually followed by another, that of:

- b. The secondary co-operatives, implying co-operatives being of the second layer. They are usually formed by a number of primary (local) co-operatives and are "co-operatives of co-operatives". Their individual area of operation consequently covers the total area of the given constituent primary co-operatives i.e. many and villages. They are, therefore, otherwise often also referred to as "regional operatives". Their region of operation can, but must not necessarily be identified with the political/administrative region, province or state within for example, a federally structure country.

This class of secondary co-operatives is usually followed by another class:

- c. **The** tertiary co-operatives, implying co-operatives being of the third level. These **are** a class of co-operatives which in each individual case are usually, but necessarily always, formed only by the secondary co-operatives. In some (for example in Nigeria), primary co-operatives as well as their secondaries are members of the tertiary co-operative directly. The area of operation of the tertiary co-operative will cover the areas of operation of its constituent members (secondaries). This may be identical with the geographical area of the country, in which case, they are also referred to as national co-operatives. This however, not necessarily always the case. In the Nigerian example once more, the tertiaries are only identical with the functionally specialized co-operatives whose area of operation in each individual case is identical with the area of one state in the politically federally structured thirty-six states. In such a case, the tertiary operative is a regional and not a national co-operative.

Note: (a) Sometimes, classification within a country continues into fourth, fifth more levels. In each of those cases, however, each of the co-operatives is always an operative of co-operatives, (b) in classifying co-operatives, some commonly used can be confusing because the meanings attached to them vary from place to place. These include the classifications/terms "union", "federation", "apex."

A union can refer to any coming together of primary or secondary co-operatives form another common body. In that sense, it can be identical with a "federation", which is also a result of joint action by a number of independent primaries and/or secondaries and/or tertiaries. A union can also be synonymous with a primary co-operative as is the case of the 'credit union' as found in the USA and in many other countries. An "apex" co-operative is sometimes also synonymous with a functionally 'specialized national co-operative or the general overall body above all other national ° and lesser co-operative bodies within the given country.

In a politically federated country, functionally specialized regional/state "apexes" as well as a general regional/state apex above all other regional among others. bodies in the given Mate may also exist. Furthermore, sectorally/functionally specialized international bodies for example African Confederation of Co-operative Savings and Credit Associations (ACOSCA), Nairobi; World Council of Credit Unions (WOCCU), Wisconsin, and non-specialized/general international co-operative bodies for instance the International Cooperative Alliance (ICA), Geneva, are often also referred to as "apexes." It is, therefore, not to be assumed that an apex is in all contexts one and the same thing as a national, international or supra-national classification. In using the terms/classifications union, federation, apex, it is always necessary not to overlook the specific context of such usage.

5. The sector of the national economy in which the co-operatives are engaged.

The basic question here is: In what sector of the national economy is the co-operative engaged? Accordingly, all co-operatives engaged in the agricultural sector are classified as (a) agricultural co-operatives; those engaged in the industrial (mostly small-scale industrial sub-sector) are classified as: (b) industrial/small-scale industrial co-operatives. Those engaged in the trading sector are referred to as: (c) (trading) wholesale/retail co-operatives as the case may be and those engaged in the service sector are referred to as (d) service co-operatives for example banking, insurance, transport, health, electricity among others.

6. The economic status of the members being served by the co-operatives.

Unlike in the other classifications, here, the main question does not refer to the co-operative as such but to the members, namely: What is the economic status of the members?

If they are producers of goods and/or services, then their co-operative is classified as:

- (a) Producers' co-operative and broken down into: (i) farmers' or (ii) traders' or (iii) craftsmen's co-operatives. In other words, there are different types of prod operatives; that of farmers is only one type among them.

If the members are consumers of household items (especially food provisions) which they seek to obtain from their co-operative, then their co-operative is classified as:

- (b) Consumers' co-operative.

As compared to these, where the members are workers who want to obtain the best remuneration for their labour input through their co-operative, such a society is classified as:

- (c) Workers' productive co-operative or labour contracting co-operative.

7. The number of fields of operation in which the co-operatives are engaged.

A co-operative which has only one field of activity (one purpose for example marketing) is classified as: (a) a single purpose co-operative as compared to one which has more than one field of activity (two or more purposes for example credit to, and marketing for members) and is classified as: (b) a multi-purpose co-operative.

8. The size of member numerical strength of members.

In this regard, they are classified into (a) small (b) medium and (c) large co-operatives as the case may be. In so doing it is always necessary to consider the membership of a co-operative against the background of its own co-operative environment in the given country or region. This is necessary based on this criterion a co-operative which is regarded as large in a country which is less co-operatively active (for instance most developing countries) may be regarded as very small when compared to those m other more co-operatively active countries for instance many industrialized countries.

9. The relationship between the management and the members of co-operative with regard to business decision-making powers (autonomy)

In this classification, the basic question is: What extents of business decision-making powers do members enjoy vis-a-vis the management of the co-operative within the co-operative complex? One extreme is represented by the case in which virtually all decisions are made by the members (general meeting) while the management only executes. This is classified as:

(a) Traditional co-operative. "Traditional" in this context is meant only in the sense of the historical, original co-operative models (Rochdale Pioneers, Raiffeisen, Schulze-Delitzsch among others). It is not to be confused with the "indigenous" self-help associations as still found in the ex-colonies and as often referred to by people in those areas as being "traditional" to them. In this class of co-operative (i.e. 9a) business decision-making powers are weighted almost exclusively in favour of the members vis-a-vis the management. A market relationship exists between the co-operative and outside suppliers, but not between it and the members' individual private economies.

(b) Market (or market linkage) co-operatives, in which members indicate broad guidelines of the business, especially their needs, but decisions as to for instance. How, when and extent of activities are left to the management. The co-operative enterprise has no exclusive close ties with the individual member economy but is in competition with suppliers for the patronage of the member and therefore, has a relationship with the member economies hardly different from those of ordinary market ties. In comparison to the traditional co-operative, the management in the market co-operative enjoys a much higher level of autonomy. Not every member will agree with the decisions taken and, therefore, a market relationship will exist not only between the co-operative and its outside suppliers, but also between it and its members (thus giving rise to the designation: "market co-operative"). In other words, whereas the traditional co-operative faces a one-sided market relationship (or market situation), the market co-operative faces a two-sided one.

In comparison to the traditional and the market co-operatives, in the third classification, is:

(c) Integrated co-operative, members have handed, over virtually all business decision-making powers in the co-operative complex to the management of the co-operative. The members simply execute such decisions in their private individual business enterprises. In comparison to

the market co-operative, this is a case in which all the deviant interests/actions/attitudes leading to the market situation between the co-operative and the member have been "re-integrated" and the market relationship between them is consequently removed. Like in the traditional co-operative, only a one-sided market situation remains but, following the re-integration, the weight of the decision-making powers has, (in complete contrast to the traditional co-operative and much more than in the market co-operative) virtually completely shifted in favour of the management vis-a-vis the members. The member economies, though independent legal units, are bound to the co-operative enterprise in such a way that the co-operative management makes decisions not only for the co-operative establishment itself, but also as regards operations of the private enterprise of the individual co-operative member, all in favour of the interests of the member.

Although the co-operatives in this classification (9) can individually evolve over time from the traditional to the market co-operative and finally to the integrated co-operative, it need not always run that way. In a developing country, for example, a conscious decision can be made, right from the start, to establish an integrated co-operative without going through the other two stages.

Self-Assessment Exercises 1

- i. List and discuss 5 types of co-operatives according to Rafiu and Kamila (2019)
- ii. Productive co-operatives exist in two ways. Mention and discuss them

14.4 Summary

In this unit, we have discussed generally the criteria for the classification of cooperatives. We also discussed the various components of cooperatives classification and identified the key elements in the classifications. Methods of classifying Cooperatives were also discussed in order to be able to categorize Cooperatives. Also, classes of Cooperative Societies were studied and this enhance easy identification of cooperative and their various roles they play within the economy.

14.5 References/Further Readings

Chukwu, S. C. (1990). Economics of the Co-operative Business Enterprise, Marburg Consult for Self-Help. Marburg.

Rafiu, A. O. & Kamila, O. A. (2019). Examination of the Roles of Cooperative Society on the Promotion of Small Scale Enterprises in Osun State, Nigeria. *International Journal of Research and Innovation in Social Science (IJRISS)*, 3(7): 364-369.

14.6 Answers to SAEs - UNIT 14

Answers to SAEs within the course content, arranged accordingly

Answers to SAEs 1

1. The followings are different types of cooperatives in the opinion of Rafiu and Kamila (2019):

- **Consumers' Co-operative Society:** These societies are formed to protect the interest of general consumers by making consumer goods available at a reasonable price. They buy goods directly from the producers or manufacturers and thereby eliminate the middlemen in the process of distribution. **Producers' Co-operative Society:** These societies are formed to protect the interest of small producers by making available items of their need for production like raw materials, tools and equipment, machinery among others.
- **Marketing Co-operative Society:** These societies are formed by small producers and manufacturers who find it difficult to sell their products individually. The society collects the products from the individual members and takes the responsibility of selling those products in the market.
- **Credit Co-operative Society:** These societies are formed to provide financial support to the members. The society accepts deposits from members and grants them loans at reasonable rates of interest in times of need.
- **Farming Co-operative Society:** These societies are formed by small farmers to work jointly and thereby enjoy the benefits of large-scale farming.
- **Housing Co-operative Society:** These societies are formed to provide residential houses to members. They purchase land, develop it and construct houses or flats and allot the same to

members. Some societies also provide loans at low rate of interest to members to construct their own houses.

2. Productive Co-operatives: These exist in two forms:

- The ordinary productive co-operative, in which all the business functions of the member's private enterprise are taken over by the co-operative business enterprise and, thus, the members' business enterprises cease to exist as such i.e. they are absorbed by the co-operative business enterprise or "are only recognizable as relics" while the member himself becomes an employee of the common co-operative business enterprise for example the Israeli Moshav.
- The full productive co-operative, in which in addition to the above process, the private household of the member also ceases to exist as such i.e. it is absorbed into a common co-operative/communal household; all business as well as all household (social) functions of the member are taken over by the co-operative and fifty members also work in the co-operative for example the Israeli Kibbutz.

MODULE FOUR: COOPERATIVES FINANCE AND SOCIO-ECONOMIC DEVELOPMENT**Unit 15: The Financing of Co-Operative Society****Unit Structure**

- 15.1 Introduction
- 15.2 Learning Outcomes
- 15.3 Main Content
 - 15.3.1 Sources of Capital in Cooperative Societies
 - 15.3.2 Directly from members themselves
 - 15.3.3 Retained Surpluses Generated by the Cooperative Business
 - 15.3.3.1 Outside Sources
 - 15.3.3.2 Methods of Matching Patronage and Equity Obligations
 - 15.3.3.3 Revolving Fund Plan
 - 15.3.3.4 Special Plans
 - 15.3.3.5 Base Capital Plan
- 15.4 Summary
- 15.5 References/Further Readings
- 15.6 Answers to Self-Assessment Exercise(s) within the content

15.1 Introduction

In this unit you would learn how cooperative societies source for fund to finance their investment as well as how cooperative resources is been manage. The purpose of cooperative financing is to explore and appreciate various financial activities of cooperatives that differentiate them from other business organizations.

15.2 Learning Outcomes

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

- List and explain the various sources of fund available to cooperative societies
- Describe the methods of matching patronage and equity obligations in Cooperatives

15.3 Main Content

15.3.1 Sources of Capital in Cooperative Societies

You have learnt from the previous sessions that cooperatives, like other business organizations, require capital to function. The greater the amount of fund available to the cooperative, the greater cooperative ability to procure other resources/materials for the achievement of cooperative goals; diversification and expansion of cooperative business; invest in staff training and education; as well as other improvements to the running of the business.

Capital for the operation and improvement of the cooperative business can be sourced from three main sources:

- (a) Equity capital or owned fund sourced directly from cooperative members
- (b) Internal capital generated from the retained surpluses accrued from the cooperative business
- (c) Debt capital sourced from external sources or outside cooperative society.

Self-Assessment Exercises 1

- i. Why is fund very necessary for the performance and sustenance of cooperatives?
- ii. Mention the three main sources cooperative can source their funds from

15.3.2 Equity Capital or Owned Fund Sourced Directly from Members themselves

This source of fund is direct contributions of money by the members where the fund contributed is usually allocated to each member of a cooperative society. It includes the following:

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

(ii) Share Capital: Member share capital represents individual member commitment to the cooperative form of business. It also identifies the individual member's financial stake. It is withdrawn only when the member leaves the cooperative. The society offers shares for sale like in a company and a share normally has a value e.g. a share may be N1, 000.00 each. As agreed in the General Meeting, a minimum shareholding is normally fixed for each member of the society to buy. Owojuyigbe (2007) noted that there is also maximum shares capital holding. The purchase of shares by a member makes the member an owner of the business and it is when each member has paid for the minimum shareholding that he/she becomes a full member of the society and can enjoy all rights/privileges of a member. The bye laws regulate the minimum and maximum share capital holding. This ensures a good capital base for the society. The share capital can be paid once or in installment to make it easy for the members. However, members can exercise their full rights only when they have paid the minimum share capital. It should be noted that share capital is refundable to a member on withdrawal from the society. The limitations are that the share capital will be reduced by members' withdrawal. Also, part of share capital is withdrawn able if the share capital is more than the minimum.

(iii) Members' Savings Deposit: Individual member deposits with the cooperative which may be used for cooperative business. Every member is expected to save into the society in respect to the financial capability of such member. The savings must be regular, preferably on monthly or weekly basis. The General Meeting decides what the minimum savings should be and no limit is usually placed on the maximum. Two types of savings are available to Cooperatives. One is the regular

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

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

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

Self-Assessment Exercises 2

- i. What is equity capital or owned fund sourced directly from members themselves?
- ii. Discuss the examples of equity capital or owned fund sourced directly from members themselves

15.3.3 Internal Capital Generated From the Retained Surpluses Accrued From Cooperative Business

This is fund created through the retention of cooperative business surpluses that are not directly sourced from the members and where the fund sourced cannot be allocated or traced to any members of cooperative society. This is a long term source of funds; some cooperatives' rules allow these funds to be distributed only when a cooperative is liquidated.

Some the examples of such sources are:

(i) Trade Surplus: Cooperative can source their fund from the profit or surplus they realized from their business which involves buying and selling of goods and services where part of the surplus or profit realized will be plough back into the cooperative business.

(ii) Credit Supply or Deferred Payment: This is another source of finance to cooperative societies. The society can make use of the earnings from the sales of goods and services supply to the cooperative society on credit.

(iii) Reserves: Reserves come into being only when a Cooperative society makes a surplus. The bye-law mandates a Cooperative society to put a part of the surplus in the society as reserve. The society can have reserve only if the members of the society have done good job. It can be regarded as the Society's hard-earned money which can be ploughed back into the business. It should be clear that reserve is at the expense of member's patronage refund.

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

15.3.3.1 Debt Capital Sourced From External Sources or Outside Cooperative Society

In addition to institutional capital, cooperatives often make use of external sources of funds to run their operations or to finance investments. These sources may include loan from financial institutions, grants; financial aids from government or international organizations and agencies etc. External funding sources may be provided in different ways include:

(i) Loans: A cooperative society may get loan from the union it is affiliated to, or from financial institutions like Banks or from the Government in cash or kind. Loan from government may be interest free or with low interest. At times, Government sureties' societies, to be able to take loans from financial institutions. The limitations to the loans taken by Cooperatives Societies are that the Societies at times lack collateral security, loans are at times delayed by bureaucracy and loans from financial institutions are usually with high interest rate. Also, when cooperatives take loans from the Federal or State Government, it is misinterpreted to be their share of the national cake and they would not be willing to repay the loan.

(ii) Donations: This is usually received through appeals at the commencement of the society's operations where the members of the Society go down on their knees to beg the government or

members of the public to donate to the establishment of the society or for a development project. This was common in the past especially in the 1940's and 1950's but not nowadays because members of societies now realize that they are not beggars. This apart, they now understand that cooperative societies are business ventures to be financed and run by them.

(iii) Grants: Grant is a gift to the Cooperative society. Grant is usually given by the Government in the past. But nowadays, the Government rarely gives grants to Cooperative Societies. When it was being given, it was usually regarded as a share of national cake by beneficiaries and would not be used profitably. However, Cooperatives are advised to shun grant from Government because it is usually accompanied with control from the government and the control makes the members lose their initiatives.

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

15.3.3.2 Methods of Matching Patronage and Equity Obligations

Capitalization is the amount and source of money needed to fund and operate the cooperative. The committee of a newly set up cooperative or existing one recommends a plan of capitalization including: Determine whether the capital structure is to be stock or non-stock, estimate the amount of member investment (risk capital) and estimate the amount and source of borrowed money needed (debt capital). Three methods of matching patronage and equity obligations have achieved general acceptance: revolving fund plans, special plans, and base capital plans. Although the systems are often viewed as unrelated, they may, in fact, operate together.

15.3.3.3 Revolving Fund Plan

Revolving fund financing refers to systems in which patrons make annual capital contributions; typically through retained patronage refunds or per-unit retains allocations. The cooperative, in turn, redeems earlier capital contributions on a regular basis. Redemption is usually on a first-in, first-out basis. The cooperative determines what its total capital requirements are and the excess is redeemed each year, the earliest or "oldest" equity being revolved out first. A revolving fund plan is frequently described as "systematic" if older equities are retired on a regular basis, usually a given number of

years after they were issued. In a systematic plan, member investment is related to recent and current use. Newer members usually add equity to their account during their early years in the cooperative. The accounts of established members are adjusted each year to better reflect current patronage. They make new investments based on current year's patronage and have their earliest year's equity redeemed. The accounts of former members are commonly paid off during the life of the revolving cycle, usually beginning the year after they cease patronizing the cooperative. Redemption is normally dependent on a board of directors' determination that funds for revolvment are available. This insures that there is room for flexibility if the situation warrants it. For instance, if there is a shortfall in new equity or a need to increase the cooperative's total equity, equity requirements can be met by lengthening the revolving cycle (the cooperative keeps equity for a longer period of time). This tactic should be used sparingly, as it deviates from the objective of having current users finance the cooperative. Also, it can create member relations problems if the members have the expectation that their oldest equities will be redeemed on a fixed schedule, sometimes without regard for the cooperative's financial condition.

15.3.3.4 Special Plans

A special plan is one in which a specific event or condition, such as a member's death, triggers equity redemption. The most common events covered are death, retirement or reaching a specified age. Once the condition is verified, the member's equity may be returned at once or over a prescribed number of years. Special plans are often popular with members, who see redemption of their equity investments supplementing retirement income or their estates. But special plans can complicate financial planning for the cooperative. One problem is forecasting how much equity will be redeemed in a given year. Another difficulty is dealing fairly with members who are partnerships or corporations and whose business activity or life may continue well beyond that of individual partners or shareholders. One approach is for the association to redeem that portion of the member firm's equity equal to the ownership interest in the firm of the person meeting the special redemption condition. Then the firm would be expected to make up the difference just as if it had been underinvested by the amount of the redemption. Special plans are sometimes combined with revolving fund or base capital plans.

15.3.3.5 Base Capital Plan

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

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

Self-Assessment Exercises 3

- i. Briefly discuss the following:
 - Revolving fund
 - A special plan
 - A base capital plan
- ii. Discuss the external sources of funds available to co-operative societies

15.4 Summary

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

15.5 References/Further Readings

Otunaiya, A.O; Jokthan, G; Awolumate, S. & Mundi, N.E (2016) Cooperative Practices. Published by National Open University of Nigeria. ISBN: 9780580541. Retrieved from www.nou.edu.ng

Donald A. F. (2007). Introduction to Cooperatives. Cooperative Information Report 55. Retrieved from <http://www.rurdev.usda.gov/rbs/pub.htm> International Cooperative Alliance. (1996). Statement of Cooperative Identity. Madrid: ICA.

Owojuyigbe S. (2007). Cooperative Administration and Fieldwork in Nigeria. Samlolly Publishers, Ibadan, Nigeria.Pp 35-37.

The Global News Hub for Cooperatives (2011). Cooperative News.

15.6 Answers to SAEs - UNIT 15

Answers to SAEs within the course content, arranged accordingly

Answers to SAEs 1

1. Fund are very necessary for the performance and sustenance of cooperatives because the greater the amount of fund available to the cooperative, the greater cooperative ability to procure other resources/materials for the achievement of cooperative goals; diversification and expansion of cooperative business; invest in staff training and education; as well as other improvements to the running of the business.

2. The three main sources cooperative can source their funds from are as follows:

- (a) Equity capital or owned fund sourced directly from cooperative members
- (b) Internal capital generated from the retained surpluses accrued from the cooperative business
- (c) Debt capital sourced from external sources or outside cooperative society.

Answers to SAEs 2

1. Equity capital or owned fund sourced directly from members themselves is direct contributions of money by the members where the fund contributed is usually allocated to each member of a cooperative society.

2. Examples of equity capital or owned fund sourced directly from members themselves are:

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

(ii) Share Capital: Member share capital represents individual member commitment to the cooperative form of business. It also identifies the individual member's financial stake. It is withdrawn only when the member leaves the cooperative. The society offers shares for sale like in a company and a share normally has a value e.g. a share may be N1, 000.00 each. As agreed in the General Meeting, a minimum shareholding is normally fixed for each member of the society to buy. Owojuyigbe (2007) noted that there is also maximum shares capital holding. The purchase of shares by a member makes the member an owner of the business and it is when each member has paid for the minimum shareholding that he/she becomes a full member of the society and can enjoy all rights/privileges of a member. The bye laws regulate the minimum and maximum share capital holding. This ensures a good capital base for the society. The share capital can be paid once or in installment to make it easy for the members. However, members can exercise their full rights only when they have paid the minimum share capital. It should be noted that share capital is refundable to a member on withdrawal from the society. The limitations are that the share capital will be reduced

by members' withdrawal. Also, part of share capital is withdrawn able if the share capital is more than the minimum.

(iii) Members' Savings Deposit: Individual member deposits with the cooperative which may be used for cooperative business. Every member is expected to save into the society in respect to the financial capability of such member. The savings must be regular, preferably on monthly or weekly basis. The General Meeting decides what the minimum savings should be and no limit is usually placed on the maximum. Two types of savings are available to Cooperatives. One is the regular savings which is dependable regular source of income for the society. This is the one each member must pay regularly to the society and it makes each member to be thrifty. The second one is the special savings. This is compulsory for all members, but any member that has a financial obligation before him/her especially payment of school fees, funeral ceremonies, or future use of money, may engage in this type of savings. It is usually done on agreed duration at the expiration of which the money will be withdrawn by the member.

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

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

Answers to SAEs 3

1. Revolving fund financing refers to systems in which patrons make annual capital contributions; typically through retained patronage refunds or per-unit retains allocations. The cooperative, in turn, redeems earlier capital contributions on a regular basis,

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

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

2. External sources of funds available to co-operative societies are:

(i) Loans: A cooperative society may get loan from the union it is affiliated to, or from financial institutions like Banks or from the Government in cash or kind. Loan from government may be interest free or with low interest. At times, Government sureties' societies, to be able to take loans from financial institutions. The limitations to the loans taken by Cooperatives Societies are that the Societies at times lack collateral security, loans are at times delayed by bureaucracy and loans from financial institutions are usually with high interest rate. Also, when cooperatives take loans from the Federal or State Government, it misinterpreted to be their share of the national cake and they would not be willing to repay the loan.

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

(iii) Grants: Grant is a gift to the Cooperative society. Grant is usually given by the Government in the past. But nowadays, the Government rarely gives grants to Cooperative Societies. When it was being given, it was usually regarded as a share of national cake by beneficiaries and would not be used profitably. However, Cooperatives are advised to shun grant from Government because it is usually accompanied with control from the government and the control makes the members lose their initiatives.

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

UNIT 16: MANAGEMENT OF COOPERATIVE SOCIETY**UNIT STRUCTURE**

- 16.1 Introduction
- 16.2 Learning Outcomes
- 16.3 Main Content
 - 16.3.1 Planning function
 - 16.3.2 Organizing function
 - 16.3.3 Directing function
 - 16.3.4 Controlling function
- 16.4 Summary
- 16.5 References/Further Readings
- 16.6 Answers to Self-Assessment Exercise(s) within the content

16.1 Introduction

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

16.2 Learning Outcomes

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

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

16.3 Main Content

How successfully a cooperative society achieves its objectives, and satisfies social responsibilities depend to a large extent on its management committee. There are four main management functions namely: planning, organizing, leading and control. You might have been taught the management function in some courses in the past but in this unit, we shall consider the four main management functions and examine how it applies in cooperatives.

16.3.1 Planning Function

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

(a) Importance of Planning in Cooperatives

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

(b) Planning by Terms

Very often, planning is classified in terms of i. short-range and ii. Long-range.

(c) Six Steps in the Planning Process

- a) Stating Organizational objectives
- b) Identification of Opportunities
- c) Formulation of Specific Targets

- d) Selection of Course of Action
- e) Implementation
- f) Feedback

(c) Characteristics of a Good Plan

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

1. Are realistic and capable of implementation,
2. Have clearly defined objectives in terms of scope,
3. Have accuracy, clarity and definitiveness.
4. Must be comprehensive.
5. Are flexible but stable.
6. Have economic effectiveness

Self-Assessment Exercises 1

- i. How is planning important to co-operatives?
- ii. Succinctly highlight the steps in planning and the characteristics of a good plan

16.3.2 Organizing Function

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

Self-Assessment Exercises 2

- i. Explain organizing function as it applies to co-operatives
- ii. Whose function it is to determine the best structure that will optimize the utilization of resources?

16.3.3 Directing Function

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

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

Self-Assessment Exercises 3

- i. Discuss directing function as it relates to co-operatives
- ii. In order to marry cooperators' goals with organizational goals for harmonious coexistence, what is expected of the manger to do?

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

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

(a) Characteristics of Good Control

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

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

(b) Types of Control

The most common ways of control are highlighted below:

(i) Budgets: A budget is a planning and a control tool. The functions of a budget are:

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

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

- Monthly and annual balance sheets and operating statements;
- Functional or enterprise accounts pertaining to departments or specific line of business;
- Special accounts such as patronage records, accounts receivable, member equity, and patron financing.

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

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

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

Self-Assessment Exercises 4

- i. Define controlling
- ii. Mention controlling types and explain them
- iii. Mention but do not explain, the characteristics of a good control

16.4 Summary

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

16.5 References/Further Readings

- Otunaiya, A.O; Jokthan, G; Awolumate, S. & Mundi, N.E (2016) Cooperative Practices. Published by National Open University of Nigeria. ISBN: 9780580541. Retrieved from www.nou.edu.ng
- Aihonsu J.O.Y (1995). Rural Financial Institutions in Oludimu O.L (ed) Management of Rural Resources Triumph Books Publishers, Ijebu-Ode. Pp 38-57
- Aihonsu J.O.Y and A.O Otunaiya (2006). Utilization of Management Functions in Modern Cooperatives, publication of Olabisi Onabanjo University Consultancy services, Ago-Iwoye. Pp 3-43
- Epetimehin F (2006). Understanding the Dynamics of Cooperatives. ICRETI Publishing House, Ibadan, Nigeria. Smith, Adam (1904). An Inquiry into the Nature and Causes of the Wealth of Nations, London: Methuen & Co., Ltd. (5th Edition).

16.6 Answers to SAEs - UNIT 16

Answers to SAEs within the course content, arranged accordingly

Answers to SAEs 1

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

2. Steps in planning and characteristics of a good plan

Steps

- a) Stating Organizational objectives
- b) Identification of Opportunities
- c) Formulation of Specific Targets
- d) Selection of Course of Action
- e) Implementation
- f) Feedback

Characteristics

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

1. Are realistic and capable of implementation,
2. Have clearly defined objectives in terms of scope,
3. Have accuracy, clarity and definitiveness.
4. Must be comprehensive.
5. Are flexible but stable.
6. Have economic effectiveness

Answers to SAEs 2

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

Answers to SAEs 3

1. Cooperative leaders are responsible for directing. The management committee members are to instill confidence in member cooperators, promote open communication and respect for one another, and encourage high-level productivity. The extent to which all these are achieved depends on his ability to direct effectively
2. In order to marry cooperators' goals with organizational goals for harmonious coexistence, the manager is expected to communicate with the cooperators in order to encourage goal congruency.

Answers to SAEs 4

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

2. Types of Control

The most common ways of control are highlighted below:

- (i) Budgets:** A budget is a planning and a control tool. The functions of a budget are:

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

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

- Monthly and annual balance sheets and operating statements;
- Functional or enterprise accounts pertaining to departments or specific line of business;
- Special accounts such as patronage records, accounts receivable, member equity, and patron financing.

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

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

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

3. Characteristics of Good Control

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

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

UNIT 17: COOPERATIVE SOCIETIES AND SOCIO-ECONOMIC DEVELOPMENT**UNIT STRUCTURE**

- 17.1 Introduction
- 17.2 Learning Outcomes
- 17.3 Main Content
 - 17.3.1 Agricultural Cooperative Societies
 - 17.3.2 Produce and marketing Cooperative Societies
 - 17.3.3 Consumer Cooperative Societies
 - 17.3.4 Thrift and credit Cooperative Societies
 - 17.3.5 Industrial Development Cooperative Societies
 - 17.3.6 Multipurpose Cooperative Societies
 - 17.3.7 Marketing Cooperative Societies
 - 17.3.8 Cooperative Investment and Credit Societies
 - 17.3.9 Building and Housing Cooperative societies
 - 17.3.10 Artisan/Salary Earners Cooperative Societies
- 17.4 Summary
- 17.5 References/Further Readings
- 17.6 Answers to Self-Assessment Exercise(s) within the content

17.1 Introduction

Cooperative is associations of people that are collectively pool their resources together in order to achieve a common goal through joint enterprises. There are various types of Cooperative societies which exist in various economic sectors and human endeavor. The formation or joining of any kind of Cooperative society therefore, primarily depends on the motive to promote and develop the socioeconomic wellbeing of its members through cooperative social and economic activities. Therefore, in this unit we are going to discuss how various types of cooperative societies develop the socioeconomic well-being of its members.

17.2 Learning Outcomes

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

- Explain the types of Cooperative Societies
- Identify the common interest of people involved in various Cooperatives types and how these various cooperative societies develop the socioeconomic well-being of its members through cooperative social and economic activities

17.3 Main Content

In Nigeria there are basic types of co-operative societies; you may probably be familiar with some of them. These cooperative societies cut across every sector of the economy which can be found in service; agricultural production; and non-agricultural production sectors. They include: Agricultural Cooperative Societies; Produce and marketing Cooperative Societies; Consumer Cooperative Societies; Thrift and credit Cooperative Societies; Insurance Cooperative Societies; Multipurpose Cooperative Societies; Marketing Cooperative Societies; Cooperative Investment and Credit Societies; Building and Housing Cooperative societies; Artisan/Salary Earners Cooperative Societies . You can think of any Cooperative society, it would have had its foundation in at least one of these basic types.

Let us discuss these cooperatives one after the other and how they develop their members' socioeconomic well-being the cooperative social and economic activities.

17.3.1 Agricultural Cooperative Societies and Socio-economic Development

Agricultural Cooperative societies are farmers Cooperatives formed basically to promote agricultural production among members. This type of Cooperative is particularly important in the era of dwindling farm resources, especially labour. Members pool resources to allow for easy procurement of farm inputs and improved technology for production of food crops on individuals' farms. In some instances, members could jointly own large farms on which they joint work on specific days. They can also collectively bargain for farm inputs like fertilizer, seeds, machinery etc. There could also be arrangements whereby members' farm products are marketed collectively as a way of achieving economies of scale for members produce.

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

- a) **Machinery Pool:** A family farm may be too small to justify the purchase of expensive farm machinery, which may be only used irregularly, say only during harvest; instead local farmers may get together to form a machinery pool that purchases the necessary equipment for all the members to use.
- b) **Manufacturing/marketing cooperative:** A farm does not always have the means of transportation necessary for delivering its produce to the market, or else the small volume of its production may put it in an unfavourable negotiating position with respect to intermediaries and wholesalers; a cooperative will act as an integrator, collecting the output from members, sometimes undertaking manufacturing, and delivering it in large aggregated quantities downstream through the marketing channels.
- c) **Credit Union:** Farmers, especially in developing countries, can be charged relatively high interest rates by commercial banks, or even not available for farmers to access. When providing loans, these banks are often mindful of high transaction costs on small loans, or may be refused credit altogether due to lack of collateral - something very acute in developing countries. To provide a source of credit, farmers can group together funds that can be loaned out to members. Alternatively, the credit union can raise loans at better rates from commercial banks due to the cooperative having a larger associative size than an individual farmer. Often members of a credit union will provide mutual or peer-pressure guarantees for

repayment of loans. In some instances, manufacturing/marketing cooperatives may have credit unions as part of their broader business. Such an approach allows farmers to have a more direct access to critical farm inputs, such as seeds and implements.

The loans for these inputs are repaid when the farmer sends produce to the manufacturing/marketing cooperative. In Nigeria, as you have learnt in the earlier unit, the early forms of agricultural co-operatives were in form of work groups known as "Aaro" and "Owe" in Yorubaland, "Mgba-Olu" among the Igbos, and "Gayya" in Hausaland. All these are efforts to pool human resources to do some tasks that could not have been possibly or easily done by an individual farmer. The first attempt to modernize cooperation among Nigerian farmers came in form of the formation of farmers union in Agege called Agege Planters Union (A.P.U) among cocoa farmers in 1907. The farmers arrived at this union through their resolution to pool their resources together to save their economic life. Prominent among the objectives of the union were, to educate members on measures to improve cocoa quality, labour supply, provide credit facilities to members, construct and/or improve roads for easy transportation of produce to buying centers, and to arrange for the direct sale of products abroad. The activities of the union later spread to Abeokuta among Egba farmers union and to Ibadan Agricultural society. The societies have achieved tremendous success which led to the large and increasing number of agricultural co-operatives in existence in Nigeria today. This is supported by the fact that over 60% of the Nigerian population is still involved in agriculture which makes the economy largely agrarian.

Self-Assessment Exercises 1

- i. What do you understand by agricultural Cooperative societies?
- ii. In agriculture, there are broadly three types of cooperatives. Discuss them.

17.3.2 Produce and Marketing Cooperative Societies and Socio-economic Development

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

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

Self-Assessment Exercises 2

- i. What were the first type of cooperative in Nigeria?
- ii. What were the roles they played, citing examples?

17.3.3 Consumer Cooperative Societies and Socio-economic Development

Consumer cooperatives assist their members to procure goods and services at reasonable prices. They are often engaged in bulk purchase of consumer items which are re-sold to their members at prices usually lower than those prevailing in the open market. The large quantity purchases make for relatively lower unit prices. Also as groups, they have access to direct purchase from producing companies and distributors. Items involved usually include industrial commodities such as sugar, soaps, milk, tyres and tubes as well as food items like vegetable oils, rice, beans, palm-oil, etc. which in recent times have been branded scarce 'essential' commodities. The consumer co-operative are becoming increasingly important due to increasing scarcity of these essential commodities. Due to the prevailing high prices and scarcity of commodities generally, almost every type of cooperative now engage in similar activities of the consumer co-operatives. For instance, it is common these days to find agricultural production cooperatives pooling resources to purchase farm inputs such as cutlasses, fertilizers, seeds and agro-chemicals in large quantities for re-sale to members at relatively lower prices than it exist in the open market. Similarly, some thrift and credit cooperative societies now procure exercise books in large quantities from producers for re-sale to their members at relatively cheaper prices. They are able to do this because profit making at the expense of members is not the primary objective of the cooperative.

Self-Assessment Exercises 3

- i. In what capacities do consumer cooperatives assist their members?
- ii. Why are consumer co-operatives becoming increasingly important

17.3.4 Cooperative Thrift and Credit Societies and Socio-economic Development

Thrift and Credit Co-operatives are the most prominent or common cooperative society type. They mobilize savings among members and assist them to provide credit for the development of individuals' businesses. In Nigeria, traditional ones include "Esusu" or "Ajo" among the Yorubas, "Isusu" among the Ibos and "Adasi" among the Hausa in Nigeria. In modern form, the Thrift and Credit cooperatives in their various shades and colours are able to attract large number of participants. They raise the capital needed through members share capital, savings, interest on loans and penalties paid by offending members. The societies could also seek and obtain loanable funds from some financial institutions like the Cooperative Bank for on-lending to members at a minimal fees. Such funds assist beneficiaries to invest in profit yielding ventures which guarantee prompt repayment of the loans as well as improving the welfare of members.

Self-Assessment Exercises 4

- i. Why are thrift and credit co-operatives popular in Nigeria?
- ii. What are the traditional names of thrift and credit co-operatives popular in Nigeria among the three dominant ethnic groups?

17.3.5 Industrial Development Co-operatives and Socio-economic Development

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

Self-Assessment Exercises 5

- i. What do you understand by cooperative industrial societies?
- ii. What special assistance do they render to their members?

17.3.6 Multipurpose Cooperative Societies and Socio-economic Development

Cooperative multipurpose societies cut across several aspects of business activities such as production, consumer, marketing, credit, thrift, investment, etc. The operations of this type of cooperative are both multi-objective and multi-dimensional. The membership is, therefore, heterogeneous in nature consisting of individuals with different interests such as thrift credit, industrial development, agricultural investment, transportation business, etc. Because of the diversity in the composition of this type of cooperatives the membership is often larger than other specific cooperatives. They are both rural and urban based.

Self-Assessment Exercises 6

- i. What do you understand by multipurpose cooperative societies and socio-economic development?
- ii. What is the nature of multipurpose cooperative societies and socio-economic

17.3.7 Marketing Cooperative Societies and Socio-economic Development

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

Self-Assessment Exercises 7

- i. What is the function of marketing cooperative society?
- ii. What is the function of a marketing cooperative society to their members?

17.3.8 Cooperative Investment and Credit Cooperative Societies and Socio-economic Development

This type of Society is mainly for businessmen/women. The members will save into the society for some time and the bulk of the money will then be invested into a type of business the member's desire. The type of business the members can invest in include building houses for rental purposes or for members, buying land and reselling when the value appreciates, engaging in transport business, buying goods for resale to members and the general public, etc. Apart from these types of business mentioned which the members can invest in, they may also give Credit to individual members which he or she may further invest in his/her business.

Self-Assessment Exercises 8

- i. Describe cooperative investment and credit cooperative societies
- ii. What type of investment can the members invest in?

17.3.9 Building and Housing Cooperative societies and Socio-economic Development

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

Self-Assessment Exercises 9

- i. What do you understand by building and housing cooperative societies?
- ii. What is the process of investing in building or housing cooperative?

17.3.10 Artisan/Salary Earner Cooperative Societies and Socio-economic Development

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

Self-Assessment Exercises 10

- i. Who are artisans?
- ii. Mention examples of artisans?

17.4 Summary

In this unit you learned that Cooperative Societies, cutting across various sectors of the economy and they rendered various economic and social activities that are capable of developing cooperative members socioeconomic well-being.

17.5 References/Further Readings

- Otunaiya, A.O; Jokthan, G; Awolumate, S. & Mundi, N.E (2016) Cooperative Practices. Published by National Open University of Nigeria. ISBN: 9780580541. Retrieved from www.nou.edu.ng
- Epetimehin, F. (2006). Understanding the Dynamics of Cooperatives. ICRETI Publishing House, Ibadan, Nigeria.
- Honigsberg, P.J., Kamoroff, B., and Beatty, J. (1991). We Own It: Starting and Managing Cooperatives and Employee Owned Ventures. Bell Springs Publishers, Willits, CA
- Korten, D.C. (1995). When Corporations Rule the World. San Francisco: Berrett-Koehler.
- MacPherson, I. (1999). Hands Around the Globe—A History of the International Credit Union Movement and the Role and Development of the World Council of Credit Unions, Inc. Victoria, B.C., Canada: Hosdal and Schubart Publishers, Ltd.

Omojuyigbe S. (2007). Cooperative Administration and Fieldwork in Nigeria. Samlolly Publishers, Ibadan.

Williams R.C (2007). The Cooperative Movement, Globalization from Below. Ashgate Publishing Limited, England.geria

17.6 Answers to SAEs - UNIT 17

Answers to SAEs within the course content, arranged accordingly

Answers to SAEs 1

1. Agricultural Cooperative societies are farmers Cooperatives formed basically to promote agricultural production among members. This type of Cooperative is particularly important in the era of dwindling farm resources, especially labour. Members pool resources to allow for easy procurement of farm inputs and improved technology for production of food crops on individuals' farms.

2. Three types of cooperatives in agriculture are:

- a) **Machinery Pool:** A family farm may be too small to justify the purchase of expensive farm machinery, which may be only used irregularly, say only during harvest; instead local farmers may get together to form a machinery pool that purchases the necessary equipment for all the members to use.
- b) **Manufacturing/marketing cooperative:** A farm does not always have the means of transportation necessary for delivering its produce to the market, or else the small volume of its production may put it in an unfavourable negotiating position with respect to intermediaries and wholesalers; a cooperative will act as an integrator, collecting the output from members, sometimes undertaking manufacturing, and delivering it in large aggregated quantities downstream through the marketing channels.
- c) **Credit Union:** Farmers, especially in developing countries, can be charged relatively high interest rates by commercial banks, or even not available for farmers to access. When providing loans, these banks are often mindful of high transaction costs on small loans, or may be refused credit altogether due to lack of collateral - something very acute in developing countries. To provide a source of credit, farmers can group together funds that can be loaned

out to members. Alternatively, the credit union can raise loans at better rates from commercial banks due to the cooperative having a larger associative size than an individual farmer. Often members of a credit union will provide mutual or peer-pressure guarantees for repayment of loans. In some instances, manufacturing/marketing cooperatives may have credit unions as part of their broader business. Such an approach allows farmers to have a more direct access to critical farm inputs, such as seeds and implements.

Answers to SAEs 2

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

Answers to SAEs 3

1. Consumer cooperatives assist their members to procure goods and services at reasonable prices. They are often engaged in bulk purchase of consumer items which are re-sold to their members at prices usually lower than those prevailing in the open market. The large quantity purchases make for relatively lower unit prices. Also as groups, they have access to direct purchase from producing companies and distributors. Items involved usually include industrial commodities such as sugar, soaps, milk, tyres and tubes as well as food items like vegetable oils, rice, beans, palm-oil, etc. which in recent times have been branded scarce 'essential' commodities.
2. The consumer co-operative are becoming increasingly important due to increasing scarcity of these essential commodities. Due to the prevailing high prices and scarcity of commodities generally, almost every type of cooperative now engage in similar activities of the consumer co-operatives. For instance, it is common these days to find agricultural production cooperatives pooling resources to purchase farm inputs such as cutlasses, fertilizers, seeds and agro-chemicals in large quantities for re-sale to members at relatively lower prices than it exist in the open market. Similarly, some thrift and credit cooperative societies now procure exercise books in large quantities

from producers for re-sale to their members at relatively cheaper prices. They are able to do this because profit making at the expense of members is not the primary objective of the cooperative.

Answers to SAEs 4

1. Thrift and Credit Co-operatives are the most prominent or common cooperative society type. They mobilize savings among members and assist them to provide credit for the development of individuals' businesses.

2. In Nigeria, traditional ones include "Esusu" or "Ajo" among the Yorubas, "Isusu" among the Ibos and "Adasi" among the Hausa in Nigeria.

Answers to SAEs 5

1. Cooperative industrial societies are cooperatives in non-agricultural ventures. Prominent trades in which this type of cooperatives exist include tailoring, black-smithing, plumbing, radio/TV repairer etc.

2. They assist members to develop their ventures/trades by different means like finance schemes, technical advice, and such other services that help members to expand their trades.

Answers to SAEs 6

1. Cooperative multipurpose societies cut across several aspects of business activities such as production, consumer, marketing, credit, thrift, investment, etc. The operations of this type of cooperative are both multi-objective and multi-dimensional.

2. The membership is, therefore, heterogeneous in nature consisting of individuals with different interests such as thrift credit, industrial development, agricultural investment, transportation business, etc. Because of the diversity in the composition of this type of cooperatives the membership is often larger than other specific cooperatives. They are both rural and urban based

Answers to SAEs 7

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

Answers to SAEs 8

1. Cooperative investment and credit cooperative societies are mainly for businessmen/women. The members will save into the society for some time and the bulk of the money will then be invested into a type of business the member's desire.
2. The type of business the members can invest in include building houses for rental purposes or for members, buying land and reselling when the value appreciates, engaging in transport business, buying goods for resale to members and the general public, etc. Apart from these types of business mentioned which the members can invest in, they may also give Credit to individual members which he or she may further invest in his/her business.

Answers to SAEs 9

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

Answers to SAEs 10

1. Artisans are people who are specialists in one type of work or the other. In view of this, we have people of different types of profession forming the type of society relevant to their profession.
2. Examples of artisans are Bricklayers Cooperative Society, carpenters Cooperative Society, Civil Servants Cooperative Societies, etc.

MODULE FIVE: HISTORY AND CHALLENGES OF COOPERATIVE MOVEMENT IN NIGERIA**Unit 18: The Early History of Cooperation in Nigeria And Survey of the Future of The Cooperative Movement In Nigeria****UNIT STRUCTURE**

- 18.1 Introduction
- 18.2 Learning Outcomes
- 18.3 Main Content
 - 18.3.1 History of Cooperation in Nigeria
 - 18.3.2 Pre- Cooperatives Movement in Nigeria
 - 18.3.3 Early Cooperatives Movement in Nigeria
 - 18.3.4 Present and Future Cooperative Movement in Nigeria
- 18.4 Summary
- 18.5 References/Further Readings
- 18.6 Answers to Self-Assessment Exercise(s) within the content

18.1 Introduction

The need to cooperate, in the etymological sense of the word “to work together”, is almost as old as humanity itself. For without it, any form of civilization, however primitive would be impossible. Our forefathers learnt early to combine their strength and skills in order to do things, that none of them could do alone; hunting large animals, defending themselves against their foes and engaging in one form of mutual co-operative or the other, either for social, economic or community projects. Yoruba's of Nigeria are known to have traditional forms of cooperatives, like ajo, aaro, esusu and owe, which are still widely practiced. Gayya and adashe among the Hausas and isisie - ego, utu ummuna and oha in Igbo speaking areas of Nigeria are also traditional associations with co-operative underpinning. So, in this unit we shall discuss how cooperative movement began in Nigeria and develop to what it is today

18.2 Learning Outcomes

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

- Understand how our forefathers collectively work together to achieve their common goals.
- Discuss the role played by the colonial masters in establishing cooperative societies in Nigeria.

18.3 Main Content

18.3.1 History of Cooperation in Nigeria

The early cooperative movement in Nigeria is traced to the work of C.F. Strickland, a co-operative expert commissioned from India by the colonial government in the early thirties, to conduct a study on the possibility of introducing co-operatives into Nigeria. His report culminated in the promulgation of the Co-operative Societies Ordinance of 1935, which was modeled on the Indian Co-operative Societies Act of 1904 as amended in 1912. Following the sub-division of the country into semi-autonomous regions and later fragmented into states, each region or state adapted the co-operate laws and regulations to suit its peculiar environment, which upon close scrutiny, were duplications of the ordinance of 1935.

Although Co-operative societies and related issues had always been constitutionally under the concurrent legislative list, the states in reviewing their laws had made no attempt at tinkering with it, presumably for fear of the unpalatable consequence of inconsistency with a federal legislation on the same matter. An opportunity to tinker with the legislation came with the inauguration of a 12 member panel in 1977, headed by Mr. J. T. Caxton - Idowu, an experienced co-operative officer and the first Registrar of Co-operative of Lagos State, with a mandate to review all existing laws, principles, bye laws and regulations on co-operatives in the country and make recommendations to the Federal Government. The recommendations of the panel which was submitted in 1978, formed the fons et origo of the Nigerian Co-operative Societies Decree N. 90 of 1993, which is re-enacted as the Nigerian Co-operative Societies Act No.88 of 2004.

Self-Assessment Exercises 1

- i. Discuss the history of cooperation in Nigeria
- ii. When was the Nigerian Co-operative Societies Decree N. 90 of 1993 re-enacted?

18.3.2 Pre- Cooperatives Movement in Nigeria

Traditional African associations existed and were found in many spheres of human endeavours before the arrival of modern forms of co-operative societies. These could be found in agricultural production and in finance, especially for credit mobilization. In agricultural production, traditional group farming among the Yorubas is called Aaro. The memberships of this group are peers, age groups, or friends, formed on ad-hoc basis, usually during peak periods of activities like weeding, cultivation and harvesting. Their modus operandi involves the group going to work on each member's farm in turn, until everybody has been served. Another form of group farming is called owe, in which a group of able bodied men in the village team up to assist the elderly, the chiefs or the needy on their farms in turns. A traditional form of credit cooperative is the esu or esusu in Yoruba or adashe in Hausa. Here a group of people come together to contribute equal amount of money at regular intervals usually weekly, fortnightly, monthly or even on every market day . Each member of the group takes the group contribution in turn until; it has gone round everybody, when they recommence contribution. This association enjoys the patronage of market women, petty

traders, tradesmen and salary earners. The esusu association should not be confused with the popular ajo where a professional collector, the Alajo goes round to collect people's contributions, usually on daily basis, which are later returned to them, while the collector is paid a commission for his service. The main difference between Esusu and Ajo is that, the latter is not an association as such, the people who contribute to the Alajo need not know one another and in fact cannot, because of the large size of patronage and added to this, is the fact that, the contributions are not fixed but depend on the ability of each client.

Self-Assessment Exercises 2

- i. Discuss the pre- cooperatives movement in Nigeria
- ii. What is the main difference between Esusu and Ajo?

18.3.3 Early Cooperatives Movement in Nigeria

The cooperative societies of the pre-colonial era were largely organized in informal nature without any form of documentation and written laws and regulations, but they however thrived because of the mutual trust between the members of various cooperative societies then. Prominent among the early indigenous groups were the Ibadan Agricultural Society (1904), the Agege Planters' Union (founded in 1907) and the Egba Farmer's Association (1910). These organizations were founded, in the major cocoa growing areas of Nigeria, wholly independent of government support or initiative.

The period 1935 marked a major era in the development of the modern cooperative in Nigeria. In that year, the cooperative ordinance was enacted and the movement became formalized and consolidated. The Nigeria Cooperative Ordinance of 1935, and the Regulation which followed in 1936, have formed the basis for Co-operative development of modern cooperatives in Nigeria until the present time.

The ordinance created a specialized branch of the secretariat knowledgeable on co-operative matters. The branch is headed by the Registrar of cooperative Societies who is conferred with considerable executive power over societies. The Registrar of Cooperative Societies could register, audit, inspect, hold inquiries on, and settle disputes among Cooperatives. He could also liquidate unsuccessful

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

Major Haig, the first Registrar of Co-operative Societies for Nigeria, established the Co-operative office at Moor Plantation, Ibadan, with a 139 small number of Nigerian Staff and he took over from the Department of Agriculture the Supervision of the Societies.

The first task of the new Registrar was to re-organize the cocoa farmers' societies and the Ibadan Union. Besides, the two major objectives originally aimed at were the improvement in the quality of cocoa and market reform. Other objectives, included: the establishment of a sound credit system, the encouragement of savings deposit by members and the fostering of Cooperative spirit in the societies.

The second task of the Registrar was to bring the societies under the protection of the law. Thus, in August 1937, the Gbedun Co-operative Cocoa Sales Society became the first primary society to be registered, while the Ibadan Co-operative Cocoa Marketing Union became the secondary society to be registered in February, 1937. By 1943, the First Co-operative Training Institute in the Western part of the country, the Federal Co-operative College, was established in Ibadan.

Self-Assessment Exercises 3

- i. Discuss early cooperatives movement in Nigeria
- ii. What were the tasks of the first registrar of cooperatives in Nigeria?

18.3.4 Present and Future Cooperative Movement in Nigeria

The gradual denudation of the Nigerian traditional communal welfare system by colonialist and neo-colonialist to a society, where people tend to think of everything as business and essential services as being fragmented among investors, management and customers, that is, those who own, those who control and those who use, with each of the three elements looking after its own interests, are the very antithesis of co-operatives, for they are enterprises in which owners, those who control and those who use, are all the same people. It is essentially an integrated system. It is a business enterprise

in which membership and participation in profit (surplus) is linked to the provision of labour or produce, or the use of facilities, rather than the contribution of capital. It may still be necessary to raise capital for the establishment and operation of such an enterprise, whether in the form of contribution from members and supporters or loans from ordinary commercial sources on a fixed interest basis. But this does not affect the formal basis of the association in which capital as such plays little part.

Participation in a co-operative, as in a simple partnership, is essentially personal. Any surplus resulting from a trading co-operative, after the usual provision for reinvestment, is shared among the members on some equitable basis. In a consumer or service co-operative, dividend payments are based on the use made by each of the members of the facilities provided. In a producer co-operative, they will be assessed on the basis of the amount of labour contributed. Thus, in a typical retail co-operative, members will receive a dividend on the total amount of their purchases. Similarly, in an agricultural marketing co-operative, members will receive individual payment at the market rate for their produce and a dividend based on the proportion of the total value of goods processed or sold which they have supplied. And in an agricultural service co-operative, members will pay at an agreed rate for materials or services and receive a dividend out of profits in proportion to the amount they have spent. The net result is not in any sense a rejection of the basic economic principle of evaluating and paying for goods and labour at a rate which is determined primarily by market forces. But the suppliers of capital are denied of share in profit over and above an agreed rate of interest on their contribution or loan. Any profit or surplus value created in the enterprise is divided exclusively among the members. In this wise, the rights of capital as such, are subordinated to those of production or consumption. The co-operative approach basically tries to bring about some sort of equilibrium between producers and consumers in a market where the producers have long held sway. The producers on the one hand are builders, developers, landlords, mortgage lenders, planners, professionals and suppliers. Consumers on the other hand, are home buyers, tenants, mortgagors, borrowers, purchasers and users of the end product, whose bargaining strength had generally been feeble. For they have not written many of the rules and conditions. A cooperative puts them in a position to do so, where they can at least bargain from the strength of a group.

Self-Assessment Exercises 4

- i. Discuss the present and future cooperative movement in Nigeria
- ii. In a consumer or service co-operative, dividend payments are based on what?

18.4 Summary

During the course of this unit, we have learnt about the early history of cooperative, the role play by Government of colonial master in Cooperative formation and management.

18.5 References/Further Readings

Otunaiya, A.O; Jokthan, G; Awolumate, S. & Mundi, N.E (2016) Cooperative Practices. Published by National Open University of Nigeria. ISBN: 9780580541. Retrieved from www.nou.edu.ng

Yebisi, E.T (2014) The Nigerian Co-Operative Societies Act, 2004: A Bridge still far. Asian Journal of Humanities and Social Sciences (AJHSS) Volume 2—Issue 2, May, 2014 ISSN: 2320-9720 www.ajhss.org

18.6 Answers to SAEs - UNIT 18

Answers to SAEs within the course content, arranged accordingly

Answers to SAEs 1

1. The early cooperative movement in Nigeria is traced to the work of C.F. Strickland, a co-operative expert commissioned from India by the colonial government in the early thirties, to conduct a study on the possibility of introducing co-operatives into Nigeria. His report culminated in the promulgation of the Co-operative Societies Ordinance of 1935, which was modeled on the Indian Co-operative Societies Act of 1904 as amended in 1912. Following the sub-division of the country into semi-autonomous regions and later fragmented into states, each region or state adapted the co-operate laws and regulations to suit its peculiar environment, which upon close scrutiny, were duplications of the ordinance of 1935.

2. The Nigerian Co-operative Societies Decree N. 90 of 1993, was re-enacted as the Nigerian Co-operative Societies Act No.88 of 2004 in 2004.

Answers to SAEs 2

1. Traditional African associations existed and were found in many spheres of human endeavours before the arrival of modern forms of co-operative societies. These could be found in agricultural production and in finance, especially for credit mobilization. In agricultural production, traditional

group farming among the Yorubas is called Aaro. The memberships of this group are peers, age groups, or friends, formed on ad-hoc basis, usually during peak periods of activities like weeding, cultivation and harvesting. Their modus operandi involves the group going to work on each member's farm in turn, until everybody has been served. Another form of group farming is called owe, in which a group of able bodied men in the village team up to assist the elderly, the chiefs or the needy on their farms in turns.

2. The main difference between Esusu and Ajo is that, the latter is not an association as such, the people who contribute to the Alajo need not know one another and in fact cannot, because of the large size of patronage and added to this, is the fact that, the contributions are not fixed but depend on the ability of each client.

Answers to SAEs 3

1. The cooperative societies of the pre-colonial era were largely organized in informal nature without any form of documentation and written laws and regulations, but they however thrived because of the mutual trust between the members of various cooperative societies then. Prominent among the early indigenous groups were the Ibadan Agricultural Society (1904), the Agege Planters' Union (founded in 1907) and the Egba Farmer's Association (1910). These organizations were founded, in the major cocoa growing areas of Nigeria, wholly independent of government support or initiative.

The period 1935 marked a major era in the development of the modern cooperative in Nigeria. In that year, the cooperative ordinance was enacted and the movement became formalized and consolidated. The Nigeria Cooperative Ordinance of 1935, and the Regulation which followed in 1936, have formed the basis for Co-operative development of modern cooperatives in Nigeria until the present time.

2. The first task of the new Registrar was to re-organize the cocoa farmers' societies and the Ibadan Union. Besides, the two major objectives originally aimed at were the improvement in the quality of cocoa and market reform. Other objectives, included: the establishment of a sound credit system, the encouragement of savings deposit by members and the fostering of Cooperative spirit in the societies.

The second task of the Registrar was to bring the societies under the protection of the law. Thus, in August 1937, the Gbedun Co-operative Cocoa Sales Society became the first primary society to be registered, while the Ibadan Co-operative Cocoa Marketing Union became the secondary society to be registered in February, 1937. By 1943, the First Co-operative Training Institute in the Western part of the country, the Federal Co-operative College, was established in Ibadan

Answers to SAEs 4

1. The gradual denudation of the Nigerian traditional communal welfare system by colonialist and neo-colonialist to a society, where people tend to think of everything as business and essential services as being fragmented among investors, management and customers, that is, those who own, those who control and those who use, with each of the three elements looking after its own interests, are the very antithesis of co-operatives, for they are enterprises in which owners, those who control and those who use, are all the same people. It is essentially an integrated system. It is a business enterprise in which membership and participation in profit (surplus) is linked to the provision of labour or produce, or the use of facilities, rather than the contribution of capital. It may still be necessary to raise capital for the establishment and operation of such an enterprise, whether in the form of contribution from members and supporters or loans from ordinary commercial sources on a fixed interest basis. But this does not affect the formal basis of the association in which capital as such plays little part.
2. In a consumer or service co-operative, dividend payments are based on the use made by each of the members of the facilities provided.

UNIT 19: AN OVERVIEW OF THE PROBLEM OF COOPERATIVE SOCIETIES IN NIGERIA

UNIT STRUCTURE

19.1 Introduction

19.2 Learning Outcomes

19.3 Main Content

19.3.1 Why Cooperatives Fail in Nigeria

19.4 Summary

19.5 References/Further Readings

19.6 Answers to Self-Assessment Exercise(s) within the content

19.1 Introduction

Cooperative movement is said to be a group action which evolve from the common felt needs of the people. This implies that for every cooperative society has members who have at least one common interest. You have seen from the previous units that Cooperatives is a unique business enterprise where it success or failure depend on certain factors. For instance, despite the scarcity of financial resources available to many cooperative societies, a large proportions of these societies are able to management their little resources to maximize their members welfare. In this unit few shall be discussing about the challenges that hinders the success of cooperative societies in Nigeria.

19.2 Learning Outcomes

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

- State the general problems that limit the capacity of every cooperative society in Nigeria.

19.3 Main Content

19.3.1 The Real Reasons Why Cooperatives Fail in Nigeria

Cooperative societies in Nigeria suffer from certain limitations and drawbacks which negatively affects their performance. The following are the factors which contribute to the failure of Cooperative Societies in Nigeria:

1. **Limited Resources:** Cooperative societies' financial strength depends mostly on the capital (equity) contributed by its members and loan raising capacity from the external sources. Often time membership contribution is limited hence, they are unable to raise large amount of financial resources to compete favourably within the competitive environment they operate.
2. **Inefficient Management:** A cooperative society business is democratically managed by its members only. Most at times the management committee members may not possess adequate and sound managerial skills required for effective and efficient management of cooperative resources for better performance. This may result to inefficiency which in turn may affect the success of the societies.
3. **Lack of Secrecy:** The cooperative society does not maintain any secrecy in business because the affairs of the society are openly discussed in the meetings. But secrecy is very important for the success of a business organization. This paved the way for competitors to compete in better manner.
4. **Excessive Government Interference:** Government put their nominee in the Board of management of cooperative society. They influence the decision of the Board which may or may not be favourable for the interest of the society. Excessive state regulation, interference with the flexibility of its operation affects adversely the efficiency of the management of the society. Also, the cooperative societies in Nigeria depend so much on the financial assistance from the government which makes the cooperative society to be losing their principle of autonomy and independence.
5. **Lack and Poor Participation among the Members:** The members may not feel enthusiastic because the law governing the cooperatives put some restriction on the rate of return. Absence of relationship between work and reward discourage the members to put their maximum effort in the society. Also, poor attendance to the cooperative meetings affect the decision making process of the cooperative society, as few members who are present at the meeting will take decision on behalf of other members that are absent.

6. **Conflict of Interest among the Members:** The cooperative society is made up of persons from different social, economic and cultural background with diverse interest, many a times these members interest strongly differ from each other on many important issues. This becomes detrimental to the interest of the society. Conflict and disputes might occur from the different opinions and interest of the members which may paralyses and hinder the effectiveness of the cooperative performance.
7. **Poor Selection of Directors:** Nigeria cooperative societies have turned the appointment and election of management committee's members into full blown political affairs where members aspiring to be elected lobby other members for their vote. Also these aspirants campaign against each other and at the end of the whole process the wrong candidate who does not possess required skills emerged. Especially those who fail to support their cooperative;
8. **Lack of Cooperative Education:** This begins by failing to teach cooperative ideals to members unfamiliar with how cooperatives function, neglecting general educational programs, failing to develop member loyalty or countering the development of factions within the association
9. **Corruption among the Cooperative Officials:** Another problem faced by cooperative societies in Nigeria is the corrupt attitude and practices of the cooperative officials. Most of the cooperative official sees the position they hold in the cooperative society as an opportunity or platform to enrich their pocket through fraudulent practices and project price inflation.

Self-Assessment Exercises 1

- i. List and explain the major problems confronting cooperative societies in Nigeria
- ii. Highlight the possible solutions to these identified problems facing cooperative in Nigeria

19.4 Summary

In this unit we have discussed identified the problems that hinder the performance of cooperative societies in Nigeria. As it was discussed in this unit majority of these problem identified with the

cooperative in Nigeria are manageable and control. If these problems are probably manage the cooperative will effectively perform and promote their members socioeconomic well-being.

19.5 References/Further Readings

Otunaiya, A.O; Jokthan, G; Awolumate, S. & Mundi, N.E (2016) Cooperative Practices. Published by National Open University of Nigeria. ISBN: 9780580541. Retrieved from www.nou.edu.ng

19.6 Answers to SAEs - UNIT 19

Answers to SAEs within the course content, arranged accordingly

Answers to SAEs 1

The Real Reasons Why Cooperatives Fail in Nigeria

Cooperative societies in Nigeria suffer from certain limitations and drawbacks which negatively affects their performance. The following are the factors which contribute to the failure of Cooperative Societies in Nigeria:

- 1. Limited Resources:** Cooperative societies' financial strength depends mostly on the capital (equity) contributed by its members and loan raising capacity from the external sources. Often time membership contribution is limited hence, they are unable to raise large amount of financial resources to compete favourably within the competitive environment they operate.
- 2. Inefficient Management:** A cooperative society business is democratically managed by its members only. Most at times the management committee members may not possess adequate and sound managerial skills required for effective and efficient management of cooperative resources for better performance. This may result to inefficiency which in turn may affect the success of the societies.
- 3. Lack of Secrecy:** The cooperative society does not maintain any secrecy in business because the affairs of the society are openly discussed in the meetings. But secrecy is very important for the success of a business organization. This paved the way for competitors to compete in better manner.

4. **Excessive Government Interference:** Government put their nominee in the Board of management of cooperative society. They influence the decision of the Board which may or may not be favourable for the interest of the society. Excessive state regulation, interference with the flexibility of its operation affects adversely the efficiency of the management of the society. Also, the cooperative societies in Nigeria depend so much on the financial assistance from the government which makes the cooperative society to be losing their principle of autonomy and independence.
5. **Lack and Poor Participation among the Members:** The members may not feel enthusiastic because the law governing the cooperatives put some restriction on the rate of return. Absence of relationship between work and reward discourage the members to put their maximum effort in the society. Also, poor attendance to the cooperative meetings affect the decision making process of the cooperative society, as few members who are present at the meeting will take decision on behalf of other members that are absent.
6. **Conflict of Interest among the Members:** The cooperative society is made up of persons from different social, economic and cultural background with diverse interest, many a times these members interest strongly differ from each other on many important issues. This becomes detrimental to the interest of the society. Conflict and disputes might occur from the different opinions and interest of the members which may paralyses and hinder the effectiveness of the cooperative performance.
7. **Poor Selection of Directors:** Nigeria cooperative societies have turned the appointment and election of management committee's members into full blown political affairs where members aspiring to be elected lobby other members for their vote. Also these aspirants campaign against each other and at the end of the whole process the wrong candidate who does not possess required skills emerged. Especially those who fail to support their cooperative;
8. **Lack of Cooperative Education:** This begins by failing to teach cooperative ideals to members unfamiliar with how cooperatives function, neglecting general educational programs, failing to develop member loyalty or countering the development of factions within the association
9. **Corruption among the Cooperative Officials:** Another problem faced by cooperative societies in Nigeria is the corrupt attitude and practices of the cooperative officials. Most of

the cooperative official sees the position they hold in the cooperative society as an opportunity or platform to enrich their pocket through fraudulent practices and project price inflation.

Addressing the problems facing cooperative societies in Nigeria requires a combination of strategies and changes in governance, management, and operations. Here are some possible solutions to the identified issues:

Limited Resources:

- Promote member education on the importance of higher contributions and the benefits of increased financial resources.
- Explore diversified income streams, such as offering a wider range of products or services.
- Seek external financing options like grants, loans, or partnerships with financial institutions.

Inefficient Management:

- Provide management training and capacity-building programs for management committee members.
- Consider hiring professional managers with the necessary skills and experience.
- Encourage members to elect individuals with relevant expertise to the management committee.

Lack of Secrecy:

- Implement a balance between transparency and confidentiality by discussing sensitive matters in a more private setting.
- Create clear guidelines on what can and cannot be shared openly to protect sensitive business information.

Excessive Government Interference:

- Advocate for more cooperative-friendly regulations and reduced government interference.
- Explore alternative sources of funding to reduce dependence on government financial assistance.
- Engage in dialogue with government authorities to highlight the importance of cooperative autonomy.

Lack and Poor Participation among Members:

- Revise and update the cooperative bylaws to ensure a fair and attractive rate of return for members.
- Establish incentive programs to motivate active participation and reward members for their efforts.
- Improve communication and outreach to ensure members are aware of meetings and events.

Conflict of Interest among Members:

- Develop clear conflict resolution mechanisms and procedures.
- Promote open dialogue and negotiation to resolve disputes among members.
- Create platforms for members to express their concerns and opinions constructively.

Poor Selection of Directors:

- Review the election process to ensure it is based on merit and not political affiliations.
- Establish clear criteria and qualifications for candidates running for management committee positions.
- Encourage members to vote based on skills, experience, and commitment to the cooperative.

Lack of Cooperative Education:

- Implement comprehensive cooperative education programs for members, focusing on the principles and benefits of cooperatives.
- Promote general educational programs to enhance the knowledge and skills of members.
- Foster a sense of belonging and loyalty among members through educational and awareness campaigns.

Corruption among Cooperative Officials:

- Strengthen internal controls and oversight mechanisms to detect and prevent corrupt practices.
- Encourage transparency and accountability within the cooperative through regular financial audits.
- Promote a culture of ethics and integrity among cooperative officials and members.