

## COOPERATIVE SOCIETIES IN NIGERIA : PROSPECTS AND PROBLEMS

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### ABSTRACT

*This study examined the meaning of cooperative societies, types, formation, roles played by cooperative societies in the economic development of Nigeria, the problems faced by cooperatives and their prospects, brief history of how cooperative societies began and concluded by stating how government could be of help to the cooperative societies in Nigeria.*

**Key words:** Cooperatives, Potential Users, Organizational Skills, Steering Committee and Market Analysis.

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### INTRODUCTION:

Cooperatives represent a strong, vibrant and economic alternative. They are formed to meet people's mutual needs. They are based on the powerful idea that together, a group of people can achieve goals that none of them could achieve alone. For over 160 years, cooperatives have been an effective way for people to exert control over their economic livelihoods. They provide a unique tool for achieving one or more economic goals in an increasingly competitive global economy. As governments around the world cut services and withdraw from regulating markets, cooperatives are being considered useful mechanisms to manage risk for members in Agricultural or other similar cooperatives, help salary/wage earners save for the future through a soft –felt monthly contribution that is deducted from source, own what might be difficult for individuals to own by their efforts , strengthen the communities in which they operate through job provision and payment of local taxes. Cooperatives generally provide an economic boost to the community as well.

Incidentally, cooperatives despite its old age is not very popular in Nigeria. Only recently worker cooperatives started gaining ground among working class citizens, most of who find it difficult to save part of their salaries / wages for rainy day. Hitherto, cooperative societies were

thought to be associations meant only for farmers, small traders and other very low-income earners. This explains why quite a number of cooperative farmers are found, particularly in southern Nigeria.

The problem is that many people do not know much about cooperative, its mechanisms and roles in economic development, and how it is considered in the world as a Third Force, an alternative and countervailing power to both big business and big government.

#### PROBLEMS OF COOPERATIVE SOCIETIES:

Cooperatives the world over are in a state of flux. In almost all parts of the world, cooperatives face one or more of the following crises: crisis of ideology, crisis of capital, crisis of credibility and crisis of management (Tiamni,1997).

Cheney(1995) identified five challenges facing cooperatives. These are cultural transformation, competition and expansion, wage solidarity, centralization and reorganization, and programmes to increase productivity and participation. Groves (1985) on the other hand, posits that one of the major problems of cooperatives is how to keep balance in the two parts of cooperative business, efficiency and democracy since those who are charged with operation of a cooperative chiefly the board and manager must serve two masters: the imperatives of good business practice and the social purpose of a community of people. Hence, to maintain their special character, cooperatives must be two things in one: a business organization and social movement. This is what makes a cooperative a business enterprise with human face and so, very difficult to manage. In striving for efficiency, cooperatives often tend to imitate other business, but in pursuing a social purpose they bring out features, which make them different (Laidlaw,1974).

Educating, training and retraining of members in general and officers in particular is always a challenge to cooperatives especially in developing countries. A cooperative without a strong component of education is in danger of losing its essential character, that is, the human and personal characteristics which distinguish it as a cooperative.

Education is of paramount importance to the cooperative sector. Unless all those responsible for cooperatives (directors, officers, members, staff) are well informed and knowledgeable, cooperatives are likely, in some countries, to become much like capitalist, profit-seeking

business, or in other countries to become handmaids of the state. Education makes people easy to lead, but difficult to drive; easy to govern but impossible to enslave.

Assuming the validity of the sector concept (the “mixed economy”, as it is often called), cooperators face such questions as what type of business activity is most suitable for each of the three sectors, public, private and cooperative? Are there certain kinds of business that rightfully belong to the public sector? Are there others, which are best left to private enterprise? What kinds, ideally, are most suitable for the cooperative way of business? Are there some fields in which all three may engage and compete? Hence, one other challenge that cooperative societies face is the choice of business most suitable for the enterprise.

Another challenge facing cooperatives is adaptation. No business in a national economic system is completely independent and self-sufficient but operates in conditions of dependence and interdependence. Both capitalist business and cooperatives depend to some extent on the state and services provided by the state (highways, water supply, the postal system, etc). Similarly the state and public enterprise depend greatly on private enterprise, or on cooperatives. Sometimes private-profit business depends on cooperatives. And, of course, the reverse, cooperatives depending on private business in some way or other, is quite common.

Thus, cooperatives cannot be thought of as an exclusive economic system but rather as one section of the total economy. They constantly operate in co-existence with other forms of business and sometimes in conjunction with them. Co-operatives therefore, have to adapt themselves by struggle in one place, by agreement in another- to the elements of a complex environment, partly free and partly organized. It must now decide what place it means to claim for itself in the new economy, either organized or in process of organization.

## **PROSPECTS OF COOPERATIVE SOCIETIES**

Given the high level of poverty in Nigeria and paucity of loan able funds, the patronage of these credit associations is very high (Ewubare, Aiie and Akekere,2008).

According to the last national living standard survey report published in 2006 by the federal office of statistics(also known as Nigeria Bureau of Statistics ), the poverty profile in Nigeria is

very critical and unemployment is steadily on increase(Otto,2009). So , the prospect of any business that will service and help to alleviate the plight of the poor is good.

According to Todaro and Smith (2003), the marginal savings rate of the poor , when viewed from a holistic perspective are not small; this high volume of savings from the poor who usually constitute the target group of credit co-operatives can be encouraged and efficiently mobilized for the benefit of the individuals , the co-operative and the entire economy.

The governments in Nigeria as governments in many parts of the world are committed towards poverty emancipation and so, are likely to be less hostile but supportive of credit co-operatives. More succinctly ,stringent tax imposition and adverse operational policies inimical to the progress of co-operatives are not likely.

Besides the needs and problems of the poor including emergencies such as unanticipated deaths of those relatives , school fees, rents, among others, are not likely to cease in the near future. These needs will constantly require attention whenever and wherever they occur. Cooperatives can thrive anywhere; be it in the rural area or urban. It is not constrained by infrastructural inadequacies as power supply and many other difficulties common in the rural areas. The cooperative societies are potential source of self –employment for any individual or group of individuals with sufficient interest in such ventures. More so because the initial cost of setting up ventures are not prohibitive.

#### SUMMARY AND CONCLUSION:

A cooperative is a unique form of business used by people and business for their mutual benefit. Regardless of its purpose or membership, starting a cooperative requires considerable time, energy, commitment and technical resources. Recognition of a common need is fundamental to the formation and successful operation of a cooperative.

Potential members must devote much time and energy to developing their new business. A cooperative requires member commitment to finance and use the business and select knowledgeable directors who hire a competent manager. A strategic business plan is important to harmonize all of the elements for cooperative's success.

In order to achieve their maximum strength and effectiveness, cooperatives of various kinds must regard themselves and, as far as possible, act as a distinct sector within the national economy of any country. As business organizations, cooperatives are partly private, partly public, but essentially different from both private enterprise and public enterprise. They are a middle way, an economic sector in their own right.

A cooperative is a business enterprise in which the elements of ownership, control and use of service are united in one group of persons. The distinguishing feature of cooperative business is its dual nature as economic enterprise and social organization.

Governments are expected to provide a supportive policy, legal and institutional framework, provide support measures based on activities, provide oversight on terms equivalent to other forms of enterprise and social organization, adopt measures to improve access to finance for disadvantaged groups and topically, to promote the formalization of the informal economy. Government can contribute significantly to improving cooperative performance by facilitating access of cooperatives to support services, particularly support to cooperative human resource development.

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