



Relevance of Cooperative Societies to the Nigerian Economy – A Legal Approach

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ABSTRACT

This Paper discusses the importance of Cooperative Societies to the Nigerian Economy, and it was necessary to start talking about it from the Historical Perspective, when Cooperative Societies started in Europe, especially in Britain and France in the nineteenth century. In Nigeria, the records have it that Cooperative Societies started locally with the concepts of *Esusu*, *Isusu*, *Osusu*, *Adashi*, *Dashi*, etc, much earlier than the nineteenth century. Today, Cooperatives have developed strongly and indeed come to stay as alternative to Banking, a way in which people of common interest come together to chart ways of helping themselves, without having to pay much to obtain benefits from the Cooperative Societies. It has inculcated financial discipline among many people in the Society who ordinarily had poor savings culture. People who are members of Cooperative Societies now resort less to banks for loans, and this is a good development in any Economy. The total number of Loan applications in Nigerian Banks today by private individuals and corporate entities is scary, and could have been much more if there were no Cooperative Societies or Cooperative Concept known to citizens. What makes Commercial Banks collapse and fall out of business is largely as a result of corruption, when loans are given out contrary to Central Bank of Nigeria's Policies on Lending. Inadequate collaterals are sometimes collected in place of very huge sums of money, most of which Debtors default in paying back. There is no doubt that the Nigerian Economy would have been far worse off today if there were no Cooperative Societies. The Cooperative Societies are a welcome development, and the Government should continue to support their existence by giving loans to the Cooperatives, once they make any Formal Request with adequate collateral(s). This Paper in addition, discusses the various types of Cooperatives existing in most World Economies, Conditions for Registration of Cooperative Societies in Nigeria, Sources of Funds for Cooperative Societies, Problems that hinder their smooth operation, etc. In conclusion, suggestions were made on how Cooperative Societies in Nigeria can move forward.

Keywords: *Cooperative Societies, Rochdale Pioneers, Rochdale Principles, Members, Nigerian Cooperative Societies Act, Credit, Thrift, E.F Strickland, Loans*

INTRODUCTION

A Cooperative can be defined as an autonomous and voluntary Association of people that come together to pool their resources for business, economic, social and cultural welfare improvement¹. A Cooperative Society is a Voluntary Association of Individuals united by a common bond, who have come together to pursue their economic goals for their own benefits².

According to *J.O Bitonio*, a Cooperative Society is an autonomous and duly registered Association of persons with a common bond of interest, who have voluntarily joined themselves together to achieve their social, economic and cultural needs and aspirations by making equitable contributions to the capital

¹ History of Cooperative Society in Nigeria, <http://www.peakng.com>, April 26th 2018.

² Section 57, Nigerian Cooperative Societies Act, LFN 2004.

required, patronizing their products and services, and accepting a fair share of the risks and benefits of the Undertaking in accordance with universally accepted cooperative principles³.

HISTORY OF THE COOPERATIVE MOVEMENT⁴

The Cooperative Movement which began with the application of Cooperative Principles to Business Organization started in Europe in the nineteenth century, largely in Britain and France⁵. The Industrial Revolution and the increasing mechanism of the economy transformed Society and threatened the livelihood of many Workers. The first documented Consumer Cooperative was founded in 1769 in Fenwick, East Ayrshire, when Local Weavers manhandled a sack of oatmeal into John Walker's whitewashed front room and began selling the contents at a discount, thereby forming the Fenwick Weaver's Society. After some decades, several Cooperatives began to emerge. By 1830, there were hundreds of Cooperatives⁶. A few were successful, but most Cooperatives founded in the early 19th Century had failed by 1840. It was not until 1844 when the *Rochdale Society of Equitable Pioneers* established *Rochdale Principles* on which they ran their Cooperative, that the basis for development and growth of the Modern Cooperative Movement was established⁷.

Robert Owen (1771 – 1858) is considered as the father of the Cooperative Movement. He was a Welshman who made his fortune in Cotton Trade, and believed in putting his Workers in a good environment with access to education for themselves and their children. This idea was put into effect successfully in the Cotton Mills of New Lanark, Scotland. It was there that the first Cooperative Store was opened. Although Owen inspired the Cooperative Movement, others like **Dr. William King** (1776 – 1865) who was a British Physician and Philanthropist from Brighton, an early Supporter of the Cooperative Movement took his ideas and made them more workable and practical. *King* believed in starting small, and realized that the Working Classes would need to set up Cooperatives for themselves, so, he saw his role as one of Instruction. He founded a Monthly Periodical called *The Cooperator*⁸, the First Edition of which appeared on May 1st 1828. This gave a mixture of Cooperative Philosophy and practical advice about running a shop using cooperative principles. William King advised people not to cut themselves off from Society, and to start with a shop because, *we must go to a shop every day to buy food and necessaries. Why then should we not go to our own shop?* He proposed sensible Rules, such as having a Weekly Account Audit, having three Trustees, etc.

The Rochdale Pioneers (known as the Rochdale Society of Equitable Pioneers) was formed in 1844 as a group of ten Weavers and twenty others in Rochdale, England. As the mechanization of the Industrial Revolution was forcing more and more skilled Workers into poverty, these Tradesmen decided to bond together to open their own store, selling food items they could not otherwise afford. With lessons from prior failed attempts at Cooperation 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 twenty eight pounds. On 21st December 1844, they opened their store with a very meager selection of butter, sugar, flour, oatmeal and a few candles. Within another three months, they expanded their selection to

³ J.O Bitonio, Concepts and Types of Cooperatives (2012), <http://www.slideshare.net>.

⁴ [http://www.en.wikipedia.org/History of the Cooperative Movement](http://www.en.wikipedia.org/History_of_the_Cooperative_Movement).

⁵ This is despite the fact that *The Shore Porters' Society* claims to be one of the World's first Cooperatives, being established in Aberdeen in 1498, although it is reported that it has since demutualized to become a Private Partnership in <http://www.shareporters.com>, where its History has it that *The Shore Porters began as a Group of Porters, or Pynours who worked at Aberdeen Harbour, and formed for their mutual protection, what must be one of the oldest Cooperatives in existence*. See [http://www.en.wikipedia.org/History of the Cooperative Movement](http://www.en.wikipedia.org/History_of_the_Cooperative_Movement); [http://www.shoreporters.com/History of the Shore Porters](http://www.shoreporters.com/History_of_the_Shore_Porters).

⁶ Doug Peacock, Social Strife: The birth of the Co-op, (Cotton Times, Understanding the Industrial Revolution), p.2. Retrieved 26th June, 2008.

⁷ [http://www.en.wikipedia.org/History of the Cooperative Movement](http://www.en.wikipedia.org/History_of_the_Cooperative_Movement); <http://www.rochdalepioneers.coop>; [http://www.encyclopaedia.com/Rochdale Pioneers](http://www.encyclopaedia.com/Rochdale_Pioneers), 2002 (The Oxford Companion to British History, Oxford University Press).

⁸ 1828-1830; Dr. William King and The Cooperator, <http://www.books.google.com>.

include tea and tobacco, and they were soon known for providing high quality, unadulterated goods. Ten years later, the British Cooperative Movement had grown to nearly one thousand Cooperatives⁹.

At the onset in 1844, The Pioneers had a clear set of Objects for the Society by stating that the Objects and Plans of the Society are -

1. To form arrangements for the pecuniary benefit and improvement of the Social and domestic condition of its members by raising a sufficient amount of capital in Shares of one Pound each, to bring into operation the following Plans and arrangements:
 - i. The establishment of a store for the sale of provisions, clothing, etc.
 - ii. The building, purchasing or erecting of a number of houses in which those members desiring to assist each other in improving their domestic and social conditions may reside;
 - iii. To commence the manufacture of such articles as the Society may determine upon for employment of such members as may be without employment or who may be suffering in consequence of repeated reductions in their wages;
 - iv. As a further benefit and security to members of the Society, the Society shall purchase or rent an Estate or Estates of land which shall be cultivated by the members who may be out of employment or whose labor may be badly remunerated;
 - v. As soon as practicable, the Society shall proceed to arrange the powers of production, distribution, education and Government, or in other words, establish a self- supporting home colony of united interests, or assist other Societies in establishing such colonies.
 - vi. That for the promotion of sobriety, a temperance hotel be opened in one of the Society's houses as soon as convenient¹⁰.

The Rochdale Principles are¹¹:

- a. Open Membership
- b. Democratic Control – which means that the Cooperative was open to everybody, and everybody had a vote in it.
- c. Political and Religious Neutrality – ensured that the Cooperative was open to all Local Workers.
- d. Dividend on purchase
- e. Limited Interest on Capital
- f. Cash Trading – this ensured that debts and bills could not be run up against the limited funds of the Cooperative and put it at risk financially.
- g. Promotion of Education.

THE ENGLISH CWS AND COOPERATIVE SOCIETY

The Cooperative Group was formed gradually over one hundred and forty years from the Merger of many Independent Retail Societies and Federations. In 1863, twenty years after the Rochdale Pioneers opened their Cooperative, The North of England Cooperative Society was launched by three hundred Individual Coops across Yorkshire and Lancashire. By 1872, it had become known as The Cooperative Wholesale Society (CWS). By the 1990s, CWS's Share of the Market had declined considerably and many came to doubt the viability of the Cooperative Model. In 2000, CWS merged with the United Kingdom's second largest Society, known as Cooperative Retail Services with its Headquarters situated on the North side of Manchester City, adjacent to the Manchester Victoria Railway Station¹².

⁹ Rochdale Society of Equitable Pioneers, <http://www.en.wikipedia.org>.

¹⁰ Rochdale Society of Equitable Pioneers.

¹¹ How The Rochdale Pioneers Changed Commerce Forever, <http://www.bbc.co.uk>.

¹² History of the Cooperative Movement, <http://www.en.wikipedia.org>.

COOPERATIVE WOMEN'S GUILD

Alice Acland¹³ and Mary Lawrenson¹⁴ recognized the need for a separate Women's Organization within the Cooperative Movement, and began organizing a *Woman's League for the Spread of Cooperation* in 1883. The League formally met for the first time during the 1883 Cooperative Congress in Edinburgh in a group of fifty women and established Acland as its Organizing Secretary. By 1884, it had six different branches with 195 Members, and it was renamed *The Women's Cooperative Guild*¹⁵. The Guild published Articles in *The Women's Corner* for Women's involvement in the Cooperative Movement. The Guild opened the Sunderland Cooperative Store in 1902, which catered for the poor Working Class Women. It engaged in many Political Campaigns concerning Women's Health, Women's Suffrage and pacifism¹⁶. Until recently, the Organization participated in Social Justice Activism, but has now closed¹⁷.

OTHER DEVELOPMENTS

In **Russia**, the Village Cooperative (*Obschina* or *Mir*) operated from Pre-serfdom times till the twentieth Century.

The Cooperative Model has a long history in **The USA**, including an early Factory in the 1990s. In Colorado, USA, the Meadowlark Cooperative administers the only Private Free Land Program in the USA, providing many services to its members who buy and sell together. In Newyork City, several food Cooperatives were founded around 2010, adding to others, some existing since 1970s. The USA has some diverse Worker Cooperatives. Credit Unions were established in USA by 1908. Electrical Cooperatives became an important economic strategy for the USA Rural Areas beginning in the 1930s, and have continued to operate successfully through events such as Hurricane Sandy 2012. Agricultural Cooperatives have had mainstream success in the USA, including Welch's Ocean Spray and Land O' Lakes.

In the USA, a Cooperative Association was founded by 1920. Currently, there are over 29,000 Cooperatives employing two million people with over 652 billion dollars in Annual Revenue. To address the need for an Organization oriented to newer and smaller Coops, the United States Federation of Worker Cooperatives was founded in 2000.

The United Kingdom is home to a widespread and diverse Cooperative Movement with over 7000 registered Cooperatives which are owned by 17 million individual members and which contribute to 34 billion pounds a year to the British Economy¹⁸. Though the history of the Cooperative Movement in the UK is often traced back to the Rochdale Pioneers of 1844, the history can be traced back much further. The origins of Modern Cooperatives in Britain owe their beginnings not simply to the extreme poverty faced by many in the 18th and 19th Centuries, but also to the rapid social changes of urbanization, the rising food prices which resulted from the marketization of the economy and from the lack of political representation for the Working Class during this period. These factors led to a number of social changes,

¹³ Alice Acland (1849 - 1935) was the Founder, the First General Secretary and the First President of the Cooperative Women's Guild. See [http://www.en.wikipedia.org/Alice Acland](http://www.en.wikipedia.org/Alice_Acland).

¹⁴ Mary Ann Lawrenson, 1850 - 1943 was an English Activist in the Cooperative Movement, a Founder - Member of the Cooperative Women's Guild, she served as its General Secretary from 1885 - 1889.

¹⁵ Jean Gaffin and David Thoms, *Caring and Sharing: Centenary History of the Cooperative Women's Guild* (1983), Cooperative Union Limited. See also *Cooperative Women's Guild*, www.hullhistorycentre.org.uk.

¹⁶ Records of the Women's Cooperative Guild (Cooperative Women's Guild), Hull University. Retrieved 26th august 2008; Cooperative Women's Guild - National Cooperative Archive, <http://www.archive.coop>.

¹⁷ Marie - Claire Kidd, Women's Guild votes to dissolve Organization, <http://www.thenews.coop> 15th October 2015. Here, it was reported that *the Cooperative Women's Guild will cease to be a National Organization next June. At a Special Meeting in Coventry on 6th October, a Proposal to dissolve, put forward by the Guild's National Executive Committee (NEC), was carried by 27 votes to 3. The change will come into effect on 25th June 2016. Local Branches will be able to continue their activities as they wish.* See also *Women's Guild to Vote on Closing Down after 132 years*, <http://www.thenews.coop>; *The Rise and Fall of the Cooperative Women's Guild*, <http://www.edmayo.wordpress.com>; [http://www.en.wikipedia.org/History of the Cooperative Movement](http://www.en.wikipedia.org/History_of_the_Cooperative_Movement).

¹⁸ British Cooperative Movement - <http://www.en.wikipedia.org>

including an increased focus on mutual businesses (notably Cooperatives) in public discourse during this time, and also to events such as The Swing Riots of 1830¹⁹.

The United Kingdom has the following types of Cooperatives:

1. **Consumer Cooperatives (Retail and Food)** – are the largest and most recognized part of the UK Movement. They are cooperative businesses run for the benefit of their Customer Members. Of these Cooperatives, the largest sector is Food Retailing, though they have a significant presence in other sectors like Travel Agencies. The late 20th and early 21st Centuries have seen a gradual exit by these businesses from the non – food retailing market²⁰. Many Cooperatives (by Convention known as Cooperative Societies) started out in a single village, town or city usually with just a single store. Here, members would be customers of the Society’s Trading Location, and the Society would reward these members with a proportion of any profits based on that member’s spending with the Society or a Dividend.
2. **Utility Cooperatives** – Utility Cooperatives provide their members with services such as Telecommunications, Energy and Water. The phone Co-op was established in 1998, and provides broadband, fixed line and mobile telecoms services to consumers and Organizations. Today, the Society has more than ten thousand members and provides landline, mobile telephone, internet services²¹, including web hosting and broadband.
3. **Financial Cooperatives, such as Credit Unions** – Credit Unions are a loan and Savings Cooperative. Members normally have a common bond to make them eligible for membership. Common bonds are usually that all members live in a certain locality, work for a common employer or belong to the same Trade Union, Church or Association. Credit Unions use their money to run their services and reward their members, not to pay Outside Shareholders. A Credit Union is a member – owned Financial Cooperative controlled by its members and operated on the principle of people helping people, providing its members Credit at competitive rates, as well as other financial services²². In Great Britain (England, Scotland and Wales), Credit Unions are regulated by the Financial Services Authority who set certain Standards and approve of the people who hold important positions within a Credit Union. The Financial services Authority have since 2013 been dissolved²³.
4. **Housing Cooperatives** – these are owned and democratically controlled by its member – Tenants. The Confederation of Cooperative Housing is the UK’s National Body for Housing Co-ops.
5. **Workers’ Cooperative** – a Workers’ Cooperative is a Cooperative owned and democratically controlled by its employees. There are no Outside or Consumer – Owners in a Workers’ Cooperative. Only the Workers own Shares of the business. It is estimated that there are approximately 403 Worker – Owned and controlled Cooperatives in the United Kingdom. The largest Employee – Owned Company in the UK is the *John Lewis Partnership* which is a Public Limited Company. However, its Shares are held in trust on behalf of the employees, rather than being traded on the London Stock Exchange. Each employee (referred to as *Partner* with John Lewis Partnership) has a say on how the Company is run, and each year, they are awarded an equal percentage Share Profits based on their salary. The Edinburgh Bicycle Cooperative is the oldest Workers’ Cooperative in Scotland, having been established in 1977²⁴.

¹⁹ J.F Wilson, A. Webster & R. Vorberg-Rugh, *Building Co-operation: A Business of The Co-operative Group* (2013, Oxford University Press).

²⁰ [http://www.en.wikipedia.org/British Cooperative Movement](http://www.en.wikipedia.org/British%20Cooperative%20Movement).

²¹ [http://www.en.wikipedia.org/British Cooperative Movement](http://www.en.wikipedia.org/British%20Cooperative%20Movement).

²² Arthur O’Sullivan and Stephen M. Sheffron, *Economics: Principles in Action* (2003, Prentice Hall); [http://www.en.wikipedia.org/Credit Unions](http://www.en.wikipedia.org/Credit%20Unions).

²³ [http://www.en.wikipedia.org/Financial Services Authority](http://www.en.wikipedia.org/Financial%20Services%20Authority). The FSA has been superseded by the Prudential Regulation Authority and Financial Conduct Authority with jurisdiction and Headquarters in the United Kingdom.

²⁴ [http://www.en.wikipedia.org/British Cooperative Movement](http://www.en.wikipedia.org/British%20Cooperative%20Movement).

6. **Agricultural Cooperatives** – Agricultural Marketing and Supply Cooperatives are owned by Farmers. *Mole Valley Farmers* is a large example of Supply Cooperative founded by Farmers. *Open Field Agriculture* is the largest UK Cooperative Grain Trading business, owned by approximately 2000 Farmer Members with a Turnover of over 800 million pounds per year.
7. **Community Cooperatives** – Community Shops are often found in more remote villages, and provide some of the services of a Convenience Store, but also frequently have Cafe, Healthcare or Library Services. As at 2015, there were 330 Community Shops in the UK. We also have Community Energy Cooperatives and quite a number of these have been established to own and run Small Scale Renewable Energy Projects. Many of them operate as Onshore Wind Farms, Small Scale Solar Power Installations or as Micro Hydro Projects. Financing for such Schemes is often a combination of Community Shares and Loan Funding, as surplus funds are often distributed (once interest is paid to Loan Providers and Shareholders) to Community Groups or Local Development Projects. Examples of such Cooperatives include the Baywind Energy Cooperative and Torrs Hydro²⁵.
8. **Retailers' Cooperatives** – these should not be confused with Retail Consumer Cooperatives as already described. Retail Cooperatives provide Marketing and Wholesaling Services to retail businesses.

The above types of Cooperatives available in the United Kingdom are found in several other Jurisdictions of the World, including Nigeria, though some Jurisdictions may not classify their types of Cooperatives up to eight types as stated above, while some others may have more than eight types or classes of Cooperatives.

BRIEF HISTORY OF COOPERATIVE SOCIETIES IN NIGERIA

Pre - Nigerian Period

The concept of Cooperative has existed in Nigeria before the coming of the White men. In the Yoruba Ethno-linguistic Group, it dates as far back as the sixteenth century in the name of *Esusu*, a Rotating Savings and Credit Association²⁶. This Innovation is called *Ajo* among the Yoruba Ethnic Group of Nigeria. Almost every Ethno-linguistic Group in Nigeria has its own Traditional Cooperative Institutions. These Traditional Cooperatives had been exported as far as other West Africa and Central African Countries, and they cover all human Societies from Marketing, Credit, Consumer, Building, Group Farming, Craft Workers' societies. The first known of such Cooperatives is *The Agege Planters' Union* made of over four hundred Cocoa Farmers in 1907. However, the Colonial Government did not support their Activities, but they persisted²⁷.

Post Nigerian Era (The Colonial Influence)

Modern Cooperative is a Business Organization that is based on the Rochdale Principles as set out by Rochdale Society of Equitable Pioneers in 1844, with the earlier stated Principles of *Open Membership, Democratic Control, Political and Religious Neutrality, Dividend on Purchase, Limited interest on capital, Cash Trading, and Promotion of Member Education*. Modern Cooperative system of business was later adopted by the International Cooperative Alliance of 1937. It was introduced into Nigeria in 1926 when the Ministry of Agriculture in the Colonial Government of Sir Graeme Thomson recognized and re-organized the *Cocoa Producers' Cooperative of Agege Planters' Union* and *Egba Farmers' Union* in the Cities of Abeokuta and Ibadan into Marketing Cooperatives to drive the sales of their Produce. The success of these Cooperatives was soon replicated across Western Nigeria Region, and this prompted the Government to invite Mr. C.F Strickland, a former British Cooperative Registrar in India to study the culture, geography and economic condition of the whole country and propose the best Cooperative

²⁵ [http://www.en.wikipedia.org/British Cooperative Movement](http://www.en.wikipedia.org/British%20Cooperative%20Movement).

²⁶ History of Cooperative Society in Nigeria, <http://www.peakng.com>, April 26th 2018.

²⁷ History of Cooperative Society in Nigeria, <http://www.peakng.com>, April 26th 2018.

System suited for the country²⁸. He was also to understudy the success of Cocoa Marketing Cooperatives of the Western Region with a view to enacting a Cooperative Law. He did these for a period of three months from December 1933 to March 1934, by carrying out an On-the-spot Assessment²⁹.

In his Report of 1934, Mr. Strickland strongly recommended the Introduction of Cooperatives into Nigeria, and drafted a proposed Ordinance and Regulation. The Colonial Administration accepted it. On the basis of the Strickland Report, the Colonial Administration started to introduce Cooperatives in Nigeria from 1935 after appointing Mr. E.F. Haig as the Registrar of Cooperative Societies in Nigeria. In 1936, the Cooperative Thrift and Credit Societies (CTCS) was formed, and it spread rapidly all over Eastern and Western Regions of Nigeria, as its form of Business Organization fitted neatly into the prevailing Indigenous Value Systems, behavioural norms and patterns of decision making, thereby providing an alternative approach to managing household finances.

In 1937, *Gbedun Cooperative Produce Marketing Society* became the first Cooperative Society to be registered by the Registrar, E.F.G Haig. Several Cooperative Societies in the Western Region, Consumer and Credit Cooperatives in the Eastern Region with Credit and Market Cooperatives in the Northern Region later sprang up and became duly registered by the Government³⁰. In late 1940, Secondary Cooperative Societies which were established by the primary Cooperatives to give Advice, Loans, Grants, keep their Books and Records began to emerge. Examples are the Cooperative Produce and Marketing Union (CPMU), and the Cooperative Thrift and Credit Union (CTCU).

Later in 1945, the Cooperative Federation of Nigeria (CFN) was formed, and formally registered in 1967 as a National Apex Organization which represents the entire Cooperative Movement in Nigeria. All Cooperative Societies later came under the umbrella of Cooperative Societies Association (CSA). The distribution of Stockfish, Tinned Milk and cheap loans through Cooperatives in the 1970s up to the Mid – 1980s gave room for rapid quantitative and geographic expansion over and beyond the areas where Cooperatives had previously existed. The inability of the Cooperatives themselves to access loans from Commercial Banks led to the establishment of Secondary Unions known as the Cooperative Financing Agencies (CFAs) in the 1970s. In many Regions, they replaced the former secondary Cooperative Unions which had become obsolete as they had lost their relevance. The major source of Capital of the CFAs came from Government Sources, including State Budgets and the Nigerian Agricultural and Cooperative Bank (NACB)³¹.

The old NACB, after undergoing so many changes to reposition it for better services of credit and developmental functions to the numerous Cooperatives in Nigeria, metamorphosed into the Bank of Agriculture Limited in 2010³². What started out in Western Nigeria among the four hundred Cash Crop Produce Farmers without the support of the Colonial Government later rose to become the Agricultural and Rural Development System adopted by respective Nigerian Governments, with a geographical spread across the (774) Seven hundred and seventy four Local Government Areas of Nigeria, including the Area Councils within the Federal Capital Territory of Nigeria.

²⁸ History of Cooperative Society in Nigeria, <http://www.peakng.com>, April 26th 2018.

²⁹ Development of Cooperatives in Nigeria, <http://www.articlesng.com>.

³⁰ History of Cooperative Society in Nigeria, <http://www.peakng.com>, April 26th 2018.

³¹ History of Cooperative Society in Nigeria, <http://www.peakng.com>, April 26th 2018.

³² <http://www.boanig.com>. The bank of Agriculture Limited has the following key mandates: (a) Provision of Credit to support all activities in the Agricultural Value Chain; (b) Provision of non - agricultural micro credit to the poor segment of the Society comprising Rural Artisans, Petty Traders, etc; (c) Capacity development for the promotion of Cooperative and Agricultural Information Systems; (d) Provision of technical Support and Extension Services; (e) Boosting of opportunities for Self Employment in the Rural Areas to stem Rural - Urban Migration; (f) Inculcation of Banking Habits at the grassroots of the Nigerian Society, <http://www.boanig.com>. The Products and Services include Credit Services and Mobile Banking Services. The Bank targets Households whose Entry Level Loan requirements range from N20,000 - N30,000. The Bank of agriculture Rural Business Initiative Model is aimed at meeting the foregoing desire by ensuring that Sustainable Microfinance Services are available to Households at the bottom layers of the Rural Microfinance Market, and aims at reaching around one million Households in this Market Segment throughout Nigeria over a ten year period.

REGISTRATION OF COOPERATIVE SOCIETIES IN NIGERIA³³

In Section 1(1) of the Nigerian Cooperative Societies Act, LFN 2004, the President may appoint a person to be a Federal Director of Cooperatives, and may appoint persons to assist him. In Section 1 (2), the Governor of a State may appoint a person to be the Director of Cooperatives in the State, and may equally appoint persons to assist him. For purposes of clarity, the relevant Sections here are Sections 3 – 10. Section 3 talks about the Conditions for Registration, Section 4 – Application for Registration, Section 5 is on Registration, Section 6 – Effect of Registration, Section 7 – Evidence of Registration, Section 8 – Register of Members, Section 9 – Merit of Entry Books of the Society, and Section 10 talks about the Address of the Society. Important Sections for the purposes of this Paper Work are to be found in the Sections listed below:

PART ONE

- 1. Appointment of Federal Director of Co-operatives, etc.**
 - (1) The President may —
 - (a) appoint a person to be a Federal Director of Co-operatives;
 - (b) appoint persons to assist him; and
 - (c) by notice in the Gazette confer all or any of the powers of a Director under this Act on any such person.
 - (2) The Governor of a State may appoint a person to be the Director of Co-operatives in the State and may appoint persons to assist him, and shall by notice in the State Gazette, confer on any such person all or any of the powers of a Director under this Act.
- 2. Societies which may be registered**
 - (1) A society may be registered as a co-operative society under this Act if—
 - (a) it is a limited liability society; and
 - (b) has as its objects the promotion of the socio-economic interests of its members in accordance with co-operative principles, and established for the purpose of facilitating the operation of those principles.
 - (2) A society may be registered under this Act as an industrial society or as a primary or secondary society.
 - (3) A person appointed as a Director of Co-operatives under subsection (1) or (2) of section 1 of this Act, shall have a seal of such device as may be approved by the President, in the case of a Federal Director and by the State Governor, in the case of a State Director of Co-operatives and the impression of such seal shall be judicially noticed.
- 3. Conditions of Registration**
 - (1) A primary society may be registered under this Act, if it consists of at least ten persons each of whom is qualified for membership under section 22 of this Act.
 - (2) An industrial society may be registered under this Act if it consists of a minimum of six persons and is economically viable.
 - (3) No secondary society which is established for the purpose of facilitating the operations of a registered society shall be registered unless it has as members at least five registered societies and in the case of a Federal apex society it has as members at least five registered State apex societies.
 - (4) The word “Co-operative” or its vernacular equivalent shall form part of the name of every society registered under the Act.
 - (5) The word “limited” or its vernacular equivalent shall be the last word in the name of every society registered under this Act.
 - (6) Except in the case of a central financing society, the word “bank” or “banking” shall not form part of the name of any society registered under this Act.

³³ Registration of Cooperative Societies in Nigeria is governed by the Nigerian Cooperative Societies Act, Laws of the Federation of Nigeria 2004.

- (7) When, for the purpose of this section, a question arises as to age, residence or occupation of land constituting the qualification of any person, that question shall be decided by the Federal Director of Co-operatives whose decision shall be final.
- (8) A registration fee of N100 or such other sum as may be prescribed by the Minister or Commissioner shall be paid to the Director.
- 4. Application for Registration**
- (1) An Application for registration shall be made to the Director.
- (2) The application shall be signed and in the case of—
- (a) a primary society, by at least ten individuals qualified for membership of the society;
- (b) a secondary society which has a registered society as a member, by a duly authorised member on behalf of every such registered society, and where all members of the society are not registered societies, by ten other members and when there are less than ten members, by all the members.
- (3) The application shall be accompanied by such number of copies of the proposed bye-laws of the society as prescribed by the Director and the persons by whom or on whose behalf the application is made shall furnish such information relating to the society as the Director may require.
- (4) The Director may make such alteration in a society's proposed bye-laws as he may deem necessary to bring them into conformity with the provisions of this Act.
- 5. Registration**
- (1) If the Director is satisfied that a society has complied with the provisions of sections 3 and 4 of this Act and that its proposed bye-laws are not contrary to the provisions of this Act, he shall register the society and its bye-laws.
- (2) If the Director refuses to register a society, the society may within 60 days from the date of the notification to it by the Director of his refusal to register the society, appeal against the refusal to the Minister or Commissioner, as the case may be.
- (3) The Director shall within 60 days dispose of an application for registration by a society.
- 6. Effect of Registration**
- (1) The registration of a society shall—
- (a) render it as a body corporate by the name under which it is registered, with perpetual succession and a common seal;
- (b) vest it with power to—
- (i) hold movable and immovable property of any description;
- (ii) enter into contracts;
- (iii) institute and defend suits and other legal proceedings; and
- (iv) do all things necessary for the purpose of its constitution.
- (2) The affairs of a registered society shall be administered and managed by a committee appointed by the members for that purpose.
- 7. Evidence of Registration**
- A certificate of registration, signed, sealed and delivered by the Director shall be conclusive evidence that the society mentioned in the certificate is duly registered, unless it is proved that the registration of the society has been cancelled.
- 8. Register of Members**
- A register or list of members kept by a registered society shall be prima facie evidence of the following particulars entered in it regarding—
- (a) the date at which the name of a person was entered in the register or listed as a member; and
- (b) the date at which the person or member ceased to be a member.
- 9. Merit of Entry in Books of the Society**
- (1) A copy of an entry in a book of a registered society regularly kept in the course of business shall, if certified in such manner as may be prescribed by regulations, be received in any legal proceeding, civil or criminal, as prima facie evidence of the existence of such entry and shall be

admitted as evidence of the matters, transactions and accounts therein recorded in every case where, and to the same extent as the original entry itself is admissible.

- (2) An officer of a society shall not in any legal proceeding to which the society is not a party, be compelled to produce any of the society's books, the contents of which can be proved under subsection (1) of this section or to appear as a witness to prove any matter, transaction or accounts recorded in the bodies, unless the court, for special reasons, so orders.

10. Address of Society

A registered society shall have an address registered in accordance with this Act to which all notices and communications may be sent, and shall send to the Director notice of every change of address.

PART II - Duties and Privileges of Registered Societies

11. Power of Society to make Bye-Laws

- (1) A registered Society may make bye-laws for such things as are necessary or desirable for the purpose for which the society is established and the bye-laws of the society shall be presented with its application for registration as required under section 4 of this Act.
- (2) Without prejudice to the generality of subsection (1) of this section, a registered society shall make bye-laws in respect of the following matters, that is—
- (a) the name and registered address of the society;
 - (b) the objects for which the society is established;
 - (c) the area of its operation;
 - (d) the qualifications for membership, the terms of admission of members, the admission fees, if any, and the mode of election;
 - (e) the purposes to which its funds may be applied and the mode of custody and investment of its funds;
 - (f) the nature and extent of the liability of members;
 - (g) the withdrawal and expulsion of members and the payment, if any, to be made to those members;
 - (h) the transfer of shares or interests of members;
 - (i) the manner of raising the share capital, if any, and other funds;
 - (j) the general meetings, and the procedure for and power of those meetings;
 - (k) the appointment, suspension and removal of members of any committee appointed by the society and the powers and duties of the committee;
 - (l) the authorisation of an officer to sign documents and to use the seal on behalf of the society; and
 - (m) the disposal of annual surplus.
- (3) If the objects of the registered society include the creation of funds to be lent to the members, additional bye-laws shall be made in respect of conditions on which loans may be granted to members, including—
- (a) the rate of interests;
 - (b) the maximum amount which may be lent to a member;
 - (c) the maximum period which can be granted for the repayment of a loan;
 - (d) the extension of the term for repayment of loans;
 - (e) the purpose for which a loan can be granted; and
 - (f) the consequences of default in payment or repayment of any sum due on account of shares or loans and the consequences of failure to use a loan for the purpose for which it is granted.
- (4) A bye-law made under this section may empower a registered society to impose a fine upon a member of the society for breach of a bye-law, and the fine shall be recoverable by the society as a civil debt due to the society.

12. Amendment of Bye-Laws of a Registered Society

- (1) A registered Society may, subject to this Act, amend its bye-laws, including the bye-law which describes the name of the society.
 - (2) No amendment of the bye-laws of a registered society shall be valid until it has been registered under this Act, and for that purpose three copies of the amendment shall be forwarded to the Director.
 - (3) If the Director is satisfied that an amendment of the society's bye-law is not contrary to this Act or to the regulations made under it, he shall register the amendment.
 - (4) If the Director refuses to register an amendment, the society may within two calendar months from the date of notification to it by the Director of his refusal to register an amendment of any bye-law, appeal to the Minister or Commissioner against the refusal.
 - (5) An amendment which changes the name of the society shall not affect any right or obligation of the society or any of its members, and any legal proceedings pending may continue against or in favour of the society under its new name.
 - (6) When the Director registers an amendment of a bye-law, he shall issue to the society a copy of the amendment certified and sealed by him, and such copy so certified and sealed shall be conclusive evidence that the amendment has been duly registered.
 - (7) In this section, "amendment" includes the making of a new bye-law and the variation or revocation of a bye-law.
- 13. Copy of Act, Regulations and Bye-Laws to be open for Inspection**
A registered society shall keep a copy of this Act and all of regulations made under it and its bye-laws and a list of its members open for inspection, free of charge, at all reasonable times at the registered address of the society.
- 14. Contract with Members**
- (1) A registered society which has as one of its objects the disposal of any article produced or obtained by the work on industry of its members whether it is the produce of agriculture, animal husbandry, forestry, fisheries, handicraft or otherwise may provide in its bye-laws or may otherwise contract with its members the following, that is—
 - (a) that every member who produces an article shall dispose of the whole or any specified amount, quantity, proportion or of any description thereof to or through the society; and
 - (b) that a member who is proved or adjudged in such manner as may be prescribed by the regulations to have committed a breach of the bye-laws or contract shall pay to the society as liquidated damages a sum ascertained or assessed in such manner as may be prescribed by the regulations.
 - (2) No contract entered into under the provisions of this section shall be contested in any court on the ground only that it constitutes a contract in restraint of trade.
 - (3) A member who violates a contract under this section shall pay damages to the society and the society may apply for an injunction in restraint of an attempt by a person to include violation of any such contract.
 - (4) The fact that a person duly admitted as a member of any registered society is a minor shall not—
 - (a) prevent that person from executing any instrument or giving any acquaintance necessary to be executed or given under this Act or the regulations made, under it; or
 - (b) be a ground for invalidating or avoiding any contract entered into by that person with the society, whether as principal or as surety, and any such contract shall be enforceable by or against such person notwithstanding his minority or non-age.
- 15. Creation of Charges in favour of a Registered Society**
Subject to the prior claims of the Federal or the State Government the property of the debtor and to the lien or claim of a landlord in respect of or any money recoverable as rent and in the case of immovable property, any prior registered charge thereon—
- (a) a debt or outstanding demand payable to a registered society by a present or past member shall be a first charge—

- (i) on all crops, forest produce, marine produce, fish, livestock, fodder, agricultural, industrial and fishing implements, plant, machinery, boat, tackle and knots, raw materials, stock in trade; and
 - (ii) generally on all produce of labour and things used in connection with the production, raised, purchased or produced in whole or in part from any loan whether in money or in goods given to a member or past member by the society, provided that nothing therein contained shall effect the claims of any bona fide purchaser or transferee for value without notice;
 - (b) any outstanding demand or dues payable to a registered society by a present or past member or in respect of rent, shares, loans, purchase money, or any other rights, or amount payable to such society shall be a first charge upon his interest in the immovable property of the society.
- 16. Charge and Set-Off in respect of Shares of Members**
A registered Society shall have a charge—
- (a) upon the shares or interests in the capital and on the deposits of a present or past or deceased member; and
 - (b) upon any dividend, bonus or profits payable to a present or past member or to the estate of a deceased member, in respect of any debt due to the society from the present, past or deceased member and may set off any sum credited or payable to the present or past member or passed on to the estate of a deceased member in or towards payment of any debt.
- 17. Shares or Interest not liable to Attachment or Sale**
Subject to the provisions of section 14 of this Act, the shares or interest of a member in the capital of a registered society shall not be liable to attachment or sale under any Act or order of a court in respect of any debt or liability incurred by that member, and his assignee in insolvency or a receiver duly appointed shall be entitled to or have a claim on such share or interest.
- 18. Transfer of Interest on death of a Member**
- (1) On the death of a member, a registered society may transfer the shares or interest of the deceased member to—
 - (a) the person nominated in accordance with the law; or
 - (b) if there is no person so nominated, to the heir or legal representative of the deceased member; or
 - (c) where a court of competent jurisdiction is administering the estate of the deceased member, to such court; or
 - (d) may pay to such nominee, heir, legal representative or a court of competent jurisdiction, as the case may be, a sum representing the value of such member's share or interest, as ascertained in accordance with the regulations or byelaws made under this Act by the society.
 - (2) A registered society shall pay all other moneys due to the deceased member from the society to such nominee, heir, legal representative or court of competent jurisdiction as the case may be, as stated in subsection (1) of this section.
 - (3) All transfers and payments lawfully made by a registered society under this Act shall be valid and effectual against any demand made upon the society by any other person.
- 19. Deposit by or on behalf of a Minor**
- (1) A registered society may receive deposits from or for the benefits of minors and it shall be lawful for a registered society to pay such minors the interest which may become due on the deposits.
 - (2) Any deposit made by a minor may, together with the interest accrued thereon, be paid to that minor, and any deposit made on behalf of a minor may, together with interest accrued thereon, be put to the guardian of the minor or the use of the minor, notwithstanding anything to the contrary in any law relating to the rights and liabilities of a minor.
 - (3) The receipt of any minor or guardian for money paid to him under this section shall be a sufficient discharge of the liability of the society in respect of that money.
- 20. Exemption from certain Duties, Fees and Tax**
- (1) All instruments executed by or on behalf of a registered society or by any officer or member of a registered society, relating to the business or the society shall be exempted from stamp duties

- chargeable under the Stamp Duties Act and from registration fees payable under any law, relating to registration of instruments, for the time being in force throughout the Federation.
- (2) A registered society shall be exempted from payment of tax under section 26 of the Companies Income Tax Act.
- 21. Exemption from Compulsory Registration of certain Instruments**
Nothing in any law, for the time being in force, relating to the registration of instruments shall apply to—
- (a) any instrument relating to shares in a registered society notwithstanding that the assets of the society consist in whole or in part of immovable property; or
- (b) a debenture issued by a registered society and not creating, declaring, assigning, limiting or extinguishing any right, title or interest to or in immovable property, except in so far as it entitles the holder to security afforded by a registered instrument whereby the society has mortgage, conveyed or otherwise transferred the whole or part of its immovable property or any interest therein to trustees upon trust for the benefit of the holders of the debenture; or
- (c) any endorsement upon or transfer of a debenture issued by the society; or
- (d) a charge created in favour of a registered society by a member of that society in respect of a Produce of his agriculture or his land.

SOURCES OF CAPITAL FOR COOPERATIVE SOCIETIES IN NIGERIA

The greater the amount of capital held by the Cooperative, the greater its ability to purchase more efficient technology and make other improvements on the running of the business.

Sources of capital for Cooperative Societies can come from three main sources namely:

1. Members' Contributions – this could be through Registration fees or Annual Membership Dues, amounts contributed by members to purchase Shares, the fee charged from the proceeds or sales of the members' Produce, interests earned on money loaned out or Firm inputs advanced to members, etc.
2. Cooperative Business Surpluses³⁴
3. Outsiders or Non – member Sources like Commercial Banks, Trade Credit offered by Suppliers, Government or Donor Agencies³⁵.

WHAT KIND OF FUNDS ARE THE BEST³⁶?

Institutional and Member Capital are the lowest risk, safest forms of funding, and hence, are usually the first choice in most cases. However, these types of funding are sometimes not enough, or may not be available at the time needed, especially for the fact that at times, too many members want to take loans at the same time or period from the Cooperative. Funds may for example, be needed to cover running costs until a harvest is sold (especially in the case of Agricultural Cooperatives). In this case, a short term loan from an outside source may be taken and repaid after the harvest. In other cases, funds may be required for a longer period. This may be the case when the Cooperative decides that the purchase of a new piece of equipment is economically justified. The Group may then decide to obtain a long term loan. In the above cases, borrowing from non-members, such as Banks and Suppliers is a good strategy only when the Returns from the borrowing are larger than the cost of borrowing.

The type and source of capital is important because they determine the terms and conditions attached.. For example, Share Capital which can generally be withdrawn by the Member – Owner only upon leaving the Cooperative, is a relatively stable and long term source of funds. The cost of Share Capital is low because of the Cooperative practice of making low (or in some cases, no) payments to members based on their Share Holdings. It is also low risk since no collateral is required to secure the funds.

³⁴ How can Cooperative Activities be Financed? - <http://www.fao.org>.

³⁵ <http://www.fao.org/How can Cooperative Activities be Financed?>.

³⁶ <http://www.fao.org/How can Cooperative Activities be Financed?>

Loans from Commercial Banks are at a higher cost as interest has to be paid on them. They are also of higher risk since Cooperative assets used as collateral may be forfeited to the Lender in the event of inability to repay the loan and interest.

Equipment Suppliers may also effectively provide a loan to a Cooperative by allowing payments to be spread over a period. Again, the Lender may be protected against risk through Cooperative assets pledged as collateral. Short term seasonal loans from a Bank to finance the purchase of a harvest by a marketing society, for example, have to be repaid within a few months of the harvest. These funds are also relatively expensive. Despite this fact, short term loans can still be very useful for a Cooperative.

FEATURES OF A COOPERATIVE SOCIETY³⁷

Having listed the Characteristics or Principles of a Cooperative Society as established by the Rochdale Society of Equitable Pioneers, which is universally recognized and acceptable worldwide, it has become necessary to explain these Principles on which a good Cooperative thrives.

1. **Voluntary Membership** – this is the first cardinal principle of Cooperation. A person who has a common interest and is prepared to abide by the Rules of the Cooperative Society has the right to join the Society as and when he or she chooses to do so. He/she also has a right to continue in it for as long as he or she wants, and can leave at Will. On leaving the Society, Shares are not transferable, although they are automatically transferred to Legal Representatives or Heirs of the deceased member on his or her death. See Section 18 of the Nigeria Cooperative Societies' Act LFN 2004.
2. **Open Membership** – apart from being voluntary in nature, the membership of a Cooperative Organization is open to all, irrespective of Race, Colour, Creed, Caste or Sex, etc. No distinction should be made on the basis of any of these factors. However, the right of membership is not absolute, as it can be denied if it is likely to be prejudicial to the interests or existence of the Society.
3. **Finances** – the finances of a Cooperative are largely contributed by members through the purchase of Shares. They also get finance from the Cooperative business surpluses or from Outsiders and non –members like Banks, Suppliers and Donor Agencies. There is also a limit to the maximum amount of Shares a member can buy.
4. **Liability of Members** – the liability of members is limited to the extent of their capital contribution. They cannot be personally held liable for the debts of the Society³⁸.
5. **Democratic Control** – Cooperation is democracy in action. One man, one vote is a basic element of Cooperative democracy. In a Cooperative, one man may have 5000 Shares, while the other has only 1000 Shares. Each of them would have a vote each, and no proxies would be entertained. The business of a Cooperative Society is generally managed by a Committee elected by the members at the Annual General Meeting. Since many Cooperative Societies operate on a local scale, the Meetings of members are usually well attended, and this puts the Managing Committee under serious close supervision. Maximum shareholding for an individual is usually prescribed, so that none may be able to exercise undue influence by virtue of his or her Holdings in a Cooperative or resort to blackmailing by threatening withdrawal of his substantial Holdings. Some issues are not decided by a simple majority, but by two-thirds or three-fourths majority, all in the bid to strengthen democracy within the cooperative Society. Democracy is to be preserved through a regular system of membership, frequent meetings of General Membership, Managing Committee and sub-committees with which all members are to be associated.

³⁷ Smirti Chand, *Ten Important Characteristics of a Cooperative Organization*, <http://www.yourarticlelibrary.com>.

³⁸ Advantages and Disadvantages of Cooperative Societies, <http://www.accountlearning.com>.

6. **Limited Interest on Capital** – in Cooperative Laws, a ceiling has to be placed on the rate of dividend which can be declared out of profit for the use of capital, and it generally never exceeds ten percent (10%).
7. **Distribution of Surplus** – unlike profit – oriented Enterprises, the surplus (profit after limited interest has been paid on capital) of a Cooperative Society is not distributed to members in the ratio of their capital contribution. Depending on the law governing a particular Cooperative Society, at least 25% of the profit must be transferred to the General Reserve. Likewise, a certain percentage (not exceeding 10%) may also be utilized for the general welfare of the Local Community.
8. **Service Motive** – a Cooperative Society is formed with the basic objective of providing useful service, be it credit, consumption goods or input resources to its members and the Society. It is not meant to maximize profits at the expense of others, nor is it to sustain losses.
9. **Registration** – the conditions for registration of Cooperative Societies in the case of Nigeria has already been mentioned, and is available in Part One of the Nigerian Cooperative Societies Act, specifically in Sections 3 – 10. That does not rule out that the fact that a few other Sections outside Sections 3 to 10 of the same Act still have a link to the issue of Registration of Cooperative Societies in Nigeria.
10. **Education and Training** – a Cooperative Society also educates and trains its members with the purpose of developing cooperation in an organized Movement. Cooperation is a simple idea in Theory, but difficult in practice because of the fact that when we translate the concept into action, we have administrative bottlenecks blocking our paths, views, clashing and sentiments coming in from different angles from time to time. Cooperative Societies should not have their autonomy tampered with.

It is equally necessary to urge members of every Cooperative Society to cooperate with each other and mould their attitude in a way that they will be able to take combined and agreed decisions, and abide with them without creating any hard feelings, enmity or strife, all of which can lead to a shutdown of a Cooperative Society. Cooperative education is therefore, considered to be a basic principle in the absence of which seeds of Cooperative Democracy fail to germinate.

I must say that the above features discussed equally amount to advantages of Cooperative Societies, as they all bring about positive developments. In addition, the following extra advantages include³⁹:

- i. **Stable Existence** – a Cooperative Society enjoys a separate legal entity as distinct from its members. Therefore, its continuance is in no way affected by the death, insanity or insolvency of its members. It enjoys perpetual existence, except there are serious factors which make the entire members vote for its closure.
- ii. **Low Taxes** – Government provides various tax exemptions and tax concessions in order to promote the Cooperative Movement.
- iii. **Government Support** – Government with a view to promote the growth of Cooperative Societies extends some support to them, the most common being provision of loans through specialized banks to the Cooperatives at cheap interest rates.
- iv. **Encouragement of Thrift** – Cooperative Societies encourage the habit of Savings and Thrift among their members. They provide loans only for productive purposes and not for wasteful expenditure.
- v. **Social Benefit** – Cooperative Societies have played an important role in changing Social Customs and curbing unnecessary expenditure. The profits earned by the Cooperatives have been used for providing basic social amenities to the Society.

³⁹ Advantages and Disadvantages of Cooperative Societies, <http://www.accountlearning.com>.

vi. Rural Credit – Cooperative Societies have contributed significantly in freeing Villagers from Money Lenders who charge high interest rates, which in turn makes Villagers pay most out of their earnings on loan interests. Cooperatives provide loans at cheaper interest rates, thereby benefiting the Rural Communities largely.

vii. Greater Identity of Interests – a Cooperative Society operates in a limited geographical area where its impact can be felt and enjoyed by its members. This leads to a greater identity of interest among members, as they can easily make up their minds to cooperate and manage the activities of the Society in a more effective manner. In this case, the limited geographical area makes it possible for almost all, if not all members to attend meetings together, including those of education and training, and chart ways to move forward the Cooperative. Members are easily carried along in all the Cooperative activities, and this is a key factor to building a successful Cooperative Society.

FACTORS THAT HINDER THE SMOOTH OPERATION OF COOPERATIVE SOCIETIES IN NIGERIA.

Some factors that hinder the smooth operation of most Cooperative Societies include the following:

1. *Limited Funds* – Membership and Registration fees collected by most Cooperative Societies are low, and this makes only limited funds to be available. The limited dividends being paid also reduce the enthusiasm of many members. It is therefore, difficult for the Cooperatives to expand their activities beyond a particular level because of limited financial resources.
2. *Over Reliance on Government Funds* – as a result of limited finances, some Cooperatives rely heavily on Government Funds. At times, the Government delays in releasing the funds, making it difficult for the Cooperatives to plan their activities timely and in the right manner.
3. *Benefit to the Rural Rich* – Cooperatives have benefited the rural rich than the rural poor masses, as the rich elect themselves to the Managing Committee, and manage the affairs of the Cooperatives for their own greedy benefit to the neglect of the rural poor people.
4. *Inadequate Rural Credit* – Cooperatives have not succeeded in freeing the rural poor from the clutches of the Money Lenders, as they give loans only for productive purposes and not for personal or Family expenses like marriage celebration, medical care, social commitments.
5. *Lack of Managerial Skills* – Cooperative Societies are managed by the Managing Committee elected by its members, who may not necessarily have the required qualification, skill and experience. Since most Cooperative Societies have limited financial Resources, their ability to compensate their employees is limited, and they cannot employ the best talents.
6. *Government Regulations* – Cooperative Societies are sometimes subject to excessive and strict Government Regulations which affect their autonomy and flexibility, and this may even affect decisions making on some issues that may warrant urgent attention.
7. *Corruption/Misuse of Funds* – Corrupt Managing Committee Members can swindle the funds of the Cooperative Society, and may even abscond immediately or afterwards, depending on how soon they think that their fraudulent acts can be noticed by members. It may be difficult to arrest them subsequently. A Cooperative Society may be closed down due to greed, illegal conversion and misuse of its funds.
8. *Inefficiencies leading to losses* – lack of adequate finance and funding by Cooperative Societies may make them unable to recruit the best talents, acquire or adopt the latest technology and modern management practices. They may operate in the traditional mode which may not be suitable in the modern business environment, and this may lead to losses on their part.
9. *Lack of Secrecy* – business secrets can hardly be maintained in Cooperative Societies because all members should be aware of the activities. In addition, Reports and Books of Accounts have to be submitted to the Registrar of Cooperative Societies, and this makes all information on the Activities, Revenue and Members of the Cooperative Societies become public knowledge.

10. *Conflict among Members* – In practice, one cannot rule out the fact of Internal Politics, difference in opinions, quarrels, e.t.c, for one reason or the other. Such disputes affect the proper functioning of Cooperatives. For example, it is common to have disagreements on those that will occupy certain sensitive positions in the Managing Committee of the Cooperatives, as some members will always prefer some candidates over others for the positions of The Chairman, General Secretary, Treasurer, etc for some reasons (tangible or intangible). At times, the fact that there are limited funds to give out as loans bring about quarrel between some members and the Executive Committee of the Cooperative, as not every Loan Request can be immediately processed with a resultant positive response. At times, some members disregard the Rules and Regulations of the Cooperative Societies, and begin to ask for a far bigger amount of loan than what they are entitled to access under the Cooperative Society's Rules. This causes unnecessary uproar and breach of peace in the Cooperative Society.
11. *Limited Scope* – Cooperative Societies cannot be introduced to all Industries, as their scope of transactions are largely limited by funds available to them.
12. *Low Public Confidence* –In some Cooperative Societies, public confidence has declined over time. This is usually due to some form of political interference and domination. The Members of the Ruling Class dictate some terms and conditions for members, thereby defeating the purpose for which Cooperative Societies are formed. Some Management in some Government Establishments and the Organized Private Sector in Nigeria are very guilty of this factor, thereby adding to problems suffered by the Cooperatives. Sometimes, key Management Staff of Establishments and Organized Private Sector impose their choice candidates for various elective positions in the Cooperative Societies on the members as against members' wishes. This is largely because they like to dictate to the Managing Committee members on how the Cooperative should be run. Cooperative Societies need some good measure of autonomy from external forces, or else, the concept of Cooperatives will soon lose its value completely in Nigeria.

CONCLUSION

The more assets a Cooperative owns and has fully paid for, such as Buildings, Equipment, Stocks and Financial Reserves, the more others are willing to lend it additional funds. The greater the amount of the Cooperative's Institutional plus Member Capital, the higher the amount that can safely be borrowed from Outside sources. Financial Leverage or *Gearing* is expressed as a percentage ratio which gives an indication of the amount of risk involved in borrowing funds. The higher the gearing ratio, the higher the risk the Cooperative runs in losing their assets in the event of inability to repay a loan⁴⁰. Institutional and Member Capital are of lower risk than Outsider Funding, since they are provided by the Members, and hence, the assets of the Cooperative are less at risk. In most situations, they are often a preferred form of Funding. Institutional Capital is therefore, the cheapest form of capital since generally, no interest needs to be paid⁴¹.

Despite all these, it has already been mentioned that some Laws and Regulations tend to restrict Cooperative Societies in their business activities which are solely for welfare of members. For example, a specified percentage of the sales revenue of the Cooperative may have to be returned to members within a specified period of time, regardless of the financial condition of the Cooperative.

Secondly, payouts of Patronage Refunds may have to equal a specified minimum percentage of the surplus, regardless of the wishes of members. Thirdly, a certain portion of the surplus may have to be placed in Reserve with a Government Authority or an apex Cooperative Organization, or dedicated to Community Improvements, regardless of alternatives that would otherwise be available and possibly be of greater use to members. Fourthly, some Cooperatives may be required to deliver their Produce to

⁴⁰ <http://www.fao.org/How can Cooperatives be Financed?>

⁴¹ <http://www.fao.org/How can Cooperatives be Financed?>

Government Agencies at prices that are not attractive, or to sell Government – rationed goods at mark – ups that are not remunerative.

In recent times, financial support and Privileges for Cooperatives have been on the decrease, and Cooperatives are now faced with the option of operating in competition with Conventional Businesses. Some Business Laws and Regulations are however, appropriate and of benefit to Cooperatives. A few examples are:

1. Those that guarantee that business contracts will be enforced.
2. Those that permit land and property to be confiscated on non – repayment of loans and hence, allow them to be used as collaterals.
3. Those that promote greater transparency in business transactions.
4. Those that require accounts to be periodically audited⁴².

Nigeria is a developing economy where the importance of Cooperative Societies cannot be over – emphasized. Those factors that hinder the smooth running of Cooperative Societies are more pronounced in developing, rather than developed Countries where the Standard of Living is already high and acceptable. However, despite all these, the Cooperative Societies in Nigeria have come to stay, because it has proved to be a means of inculcating financial discipline in citizens who otherwise would not save a dime to meet their current, future or emergency needs. It has reduced the incidence of Loan Requests made to Banks as many people now learn to live within their means. Nigerians generally have a poor Savings Culture, but Cooperative Education and Trainings have made so many Nigerian citizens welcome the Cooperative Societies’ concept. Those who are wise have learnt not to bite more than they can chew. Membership of Cooperative Societies should be of utmost importance to Nigerians because of the need to survive in a harsh economy, without necessarily resorting to Bank loans at the slightest opportunity. Joining Cooperative Societies has indirectly reduced the incidence of Crime in Nigeria, but more still needs to be done. The Government must try to reduce inflation, make available more jobs for unemployed Graduates and train its citizens to be self employed by giving them some money just once to start off a small business that can sustain them over a reasonable period of time, so that they can remain productive and be able to join Cooperative Societies, if they so wish.

Since Cooperative Societies are voluntary Organizations, Workers, Farmers or self employed business people who do have the financial discipline to save their own money in the Bank or any other good financial Institution cannot, and should not be forced to join Cooperative Societies, if they feel they do not mind the fact that the advantages derived from Cooperative Societies’ membership do not apply to them. Some Nigerians and non - Nigerian citizens feel better saving their monies personally than having to put their savings in a Cooperative Society, because of the obvious ease of access to their money at any time the need for it arises. In the case of a Cooperative Society, members have to make a Formal Request before accessing their saved funds or loans. They may get their Request processed with their money paid to them very fast, depending on the financial position of the Cooperative Society at the time they make their Formal Request. It would not be appropriate for anybody to belong to more than one Cooperative Society registered under the Nigerian Cooperative Societies Act.

It is humbly suggested that the Government (Federal, State and Local) should give out loans to Cooperative Societies once the Cooperatives make available adequate collateral commensurate with the amount of Loan Requested. Members of Cooperative Societies should be sanctioned once they break the Rules and Regulations, even if it is in form of Request for cash loans that are of a higher amount that they are entitled to request for by Law. Any Cooperative Society Management Committee member should be made to face the Law if any case of fraud is established against him or her. If the entire Management Committee members are jointly guilty of fraud, they should be jointly liable for the crime committed and face the Law. Once a new Cooperative Society is established, it is strongly advised that no loan advance should be made within the first year of its operation, whether the Law expressly or impliedly states so or not. This is to enable the Cooperative Management Committee members organize and adequately

⁴² <http://www.fao.org/How can Cooperatives be Financed?>

strategize positively on how best to utilize the funds of the Cooperative, and still gather more funds from newly registered members. After the first year, once genuine loan requests are made by members in the prescribed form, the Cooperative should not waste time in processing such loans, though Requests may have to be approved in batches at different periods of the year, if the Loan Applications by members gets too many within a particular financial year.

Annual General Meetings must hold once a year with members in attendance, and total compliance by all members of the Cooperative Rules and Regulations must be ensured. Failure to comply with the Rules and Regulations should attract a penalty. Same applies to the Cooperative Societies Management Committee if they fail to hold the Annual General Meeting, declare annual dividend, audit their Records and Account Books every year.

It would be wise for the Federal and States Government to review their respective Cooperative Societies Laws at least once in every seven years, so that the Laws can be in tandem with the prevailing socio-economic situation of the country at every given time. Otherwise, the Cooperative Laws may become outdated and out of tune with reality, and the Cooperative Societies may no longer want to comply strictly with the Laws anymore⁴³.

Thank you.

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⁴³ This Paper is specially dedicated to the Memory of my Beloved Father, *Chief (Sir) Anthony Chukwuemeka Nwagbara, KSJI*, who passed away recently on the 15th day of June 2018. May his Soul Rest in Perfect Peace. Amen!

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