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**SCHOOL OF MANAGEMENT SCIENCES**

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**COURSE TITLE: CO-OPERATIVE PRINCIPLES**

## **COURSE DEVELOPMENT**

*Course Developer:* Fred Ebunu

*Unit Writer:* Fred Ebunu

*Programme Leader:* Dr G.O. Falade  
National Open University of Nigeria  
Lagos

*Course Coordinator:* Ms Martha U. Nkom  
National Open University of Nigeria  
Lagos



**NATIONAL OPEN UNIVERSITY OF NIGERIA**

National Open University of Nigeria

Headquarters  
National Open University of Nigeria  
14/16 Ahmadu Bello Way  
Victoria Island  
Lagos

Abuja Annex Office  
245 Samuel Adesujo Ademulegun Street  
Opposite Arewa Suites  
Abuja

[E-mail: centralinfo@nou.edu.ng](mailto:centralinfo@nou.edu.ng)

[URL: www.nou.edu.ng](http://www.nou.edu.ng)

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## **MODULE 1**

## **Unit 1: SOCIO-ECONOMIC CIRCUMSTANCES IN BRITAIN BETWEEN 1750-1850**

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### **1.0 Introduction**

Last semester one of the courses you did was "introduction to co-operation" While going through the course, you were introduced to formal co-operation which has some features with self-help organizations common to many communities in Nigeria. The principles of formal co-operatives were first made in Great Britain in 1844 by a group of people that formed the first successful co-operative society known as the Rochdale Equitable Pioneers. We shall come to these principles and society later as you go through this course.

What I want to draw your attention to is, that there were circumstances and situations that were prevailing in Britain that motivated people to think and come with alternative way of producing goods and services, that is, through the co-operative. In other words it was the industrial and agrarian revolutions that occurred in Britain that provided the fertile ground for the birth of formal cooperatives.

### **2.0 Objectives**

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

1. Explain the circumstances under which the factory workers were operating in Britain.
2. Compare the domestic and factory workers systems of

cooperation.

3. Explain the condition of the agrarian workers.

### **3.0 Main Content**

#### **3.1 The Subsistence Economy**

Before the industrial revolution in Britain, the prevailing economic system was the domestic or subsistence system of production. Under the system, everything needed was produced at home. The system was such that even a craftsman who specialized in making an article could only produce on a very limited scale according to the demand of his customers.

The subsistence system gradually developed to the mercantile system. The merchants, however, were paying the craftsmen for their labour as well as producing the raw materials. The merchants sold the goods either in the cities or foreign lands.

#### **3.2 The Industrial Revolution**

The industrial revolution occurred in 1750-1850. There was a sudden change in the system of production. The change necessitated by machines, driven by power. That is, from work at home as in the case of craftsmen to work done in the factory. The former merchants who were initially depending on the craftsmen now turned to industrialist/capitalist and resulting to means of production. While in the subsistence economy, the market was limited, now the market was worldwide and the industrial economy sought to produce goods cheaply, through mechanical invention.

#### **3.3 The Inventions of 1750 and 1850**

The inventions had to do with spinning, weaving and power supply. James Hardgrave in 1767 invented the machine called Spinney Jenny, Richard Arkwright in 1769 invented the water frame which could not only be installed on the riverside marking the beginning of the factory system.

To attract weavers to the factory, the industrialists offered weavers high wages, while looking for a way to displace them with machines. The weavers came from the countryside, abandoned their homes and farms.

By 1782, James Watt invented the Steam Engine which rendered older

machines obsolete. The invention completed the mechanization of the textile industry and the stage was set for the capitalists to exploit the workers. Almost immediately the wages of the hand-loom weavers started dwindling.

### **3.4 The Factory System**

With the introduction of the factory system, large numbers of workers started working under one roof. The factory buildings were not adequate. The ventilation was poor with workers not having enough air to breathe in. The floor was not properly lit, the illumination and visibility greatly reduced. Dirt and general crustiness were everywhere. Fatal accidents were common as dangerous machines were not covered. The operatives worked under the strict directives of the employer. The employer himself owned the premises, the machines, the raw materials and the finished products. The worker contributed only his skills and labour, and he got his wage for these, the production process was broken down into stages and each stage was undertaken by a group of workers. Craftmanship disappeared, the finished product was no longer the hand work of an individual worker but of several groups of workers. The worker lost his freedom as the pace and manner of his work were dictated by the factory owner. His accommodation was in the shanties.

### **3.5 The Effect of the Factory System**

Under the factory system, the merchants and manufacturers were smiling with their fortunes. Landlords who provided shanty accommodation were making money to the discomfort and the risk of ill-health to the workers. Production increased. Engineers and some other professionals formed a comfortable and prosperous middle class. But the workers suffered, father, mother and children worked in the factory for long hours and family life was completely disrupted. Child labour was rampant, the children were made to work for long hours, between 12 to 16 hours a day. As if these were not enough, child labour was marked with brutality, underfeeding and children were not better than slaves.

#### **Exercise 1.1**

1. List the differences between the subsistence economy and the industrialized/market economy.
2. Describe the features of the factory system of production in Britain between 1750 and 1850.
3. Show the effects of the invention of machine on craftsmanship.

### **3.6 The Agrarian Revolution**

Another revolution occurred in Britain almost at this time. With inventions in machines brought in, an improved technology in agricultural practices, the petty farmers could no longer work on their farms. There were other bigger farmers who were producing more and at cheaper rates. Since the big farmers sold in large quantities and at cheaper prices the peasant farmers could not cope with the situation. The big landlords later consolidated and drove the petty farmers from their farmlands. They were forced to migrate to the towns and cities where they thought there was hope.

But as people started drifting in large numbers to the towns and cities, there was a high increase in unemployment and the wages being paid to the workers fell drastically. The wages were so low for adults that the parents were motivated to send their children to work in the factory in spite of the harsh and unfavourable treatment that these children were receiving. Boys earned a penny a day, and women two shillings and six pence a week. All these led to gambling, drunkenness as a temporary escape from reality as well as occasional strikes and machine wrecking riots. These conditions were more noticeable in Lancashire, the centre of the weaving industry.

### **3.7 Survival of the Fittest**

The extremely low wages resulted in the survival of the fittest attitude of the government. Labour unions were banned by the government. The government officials connived with the industrialist, the shop owners and the landlords for the purpose of exploiting the poor workers. There was no public regulation of economic life in the belief that the maximum benefit would come to the nation from the exercise of unrestricted freedom and the competition by individuals in the pursuit of their private interests. In the cut-throat competition that resulted, survival depended on reducing prices. Keeping wages and cost down, maximizing profits and reinvesting the profit as goods of all kinds were produced, England soon became a centre of attraction of all Europe and a nation of shop keepers, who were resenting the goods that were already adulterated. The shop keeper further made money by raising the prices of goods, and cheating the workers through the manipulation of weights and measures.

#### **Exercise 1.2**

You have just studied the social and economic conditions prevailing in Britain between 1750-1850. Reread this section again. Look around your immediate community and determine both the social and economic conditions existing now. How can the formation of the relevant co-



operative society assists in improving the conditions? Remember that there are different types of cooperatives complying with different functions. You may go back again and reread the relevant units in course CM 101.

#### **4.0 Conclusions**

Unit one of this course which we are presently discussing seeks to provide motives behind the birth of modern cooperation. We examined the subsistence economy in Britain before the industrial revolution; the subsistence economy was a closed one. It was the era of craftsmanship. Gradually the closed economy gave way to market economy with mass production. This was facilitated by the introduction of engines driven with power. Division of labour replaced craftsmanship. Workers started migrating from the rural areas to the urban centres in search of jobs. It was not only the craftsman that migrated; the peasant farmers also did. There was agrarian revolution. The peasant farmers could not afford the new machines for production. The wealthy landlords connived with one another and with the assistance of government officials drove them away from their lands. The effects of all these were that children were made to work for long hours, so also women wages were low, accommodation was in the shanties, goods were sold to the factory workers at exorbitant prices even when the goods were adulterated.

#### **5.0 Summary**

This unit considered the industrial revolution as well as the agrarian revolution that occurred in Britain between 1750-1850. The revolution had both positive and negative effects on the lives of the peasants. It was the negative effects that forced workers and few notable individuals in Britain to start a new social and economic order particularly the efforts of social reformers, like Robert Owen and Dr. William King.

#### **6.0 Tutor-marked Assignments**

1. Describe the circumstances that the factory workers were operating between 1750-1850 in Britain.
2. How did the agrarian revolution in Britain lead to the economic and social unrest in the land?

#### **7.0 References**

Onuoha E. (1986): *Principles of Co-operative Enterprise*, Express Publishing Co. Ltd., Enugu.

Adesina D, (1998): *Essential Information on Co-operative and Credit Societies*, DAC Printers and Publishers, Ibadan, Nigeria.

**UNIT 2: REACTIONS OF THE WORKERS AND SOCIAL**

# REFORMERS TO THE SOCIO-ECONOMIC CONDITIONS IN BRITAIN

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## 1.0 Introduction

In our last discussions we looked into pre-industrial revolution period in Britain, that is, the closed economy which was prevalent then. The essence was to compare that period with the advent of machines and improved systems of production (in the industrial revolution) that occurred between 1750-1850. We noticed the differences in the two systems. We also identified the features of factory system of production and the conditions under which the factory workers were asked to work. We saw the influx of peasant farmers from the country side, their farmlands having been taken over by the wealthy landlords. This worsened the plight of the factory workers and more people were looking for jobs that were not there. The consequences of all these were: child labour, women were asked to work for almost 12 hours a day, low wages, living in shanties by the factory workers, fatal factory accidents goods were sold to the factory workers at very high prices among other negative effects.

In this unit, that is unit 2, we shall discuss the reactions of the workers to the prevailing economic and social conditions. We shall also look at the efforts of some social reformers who did not only sympathise with the workers but took concrete actions that maximized the efforts of the workers.

## 2.0 Objectives

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

- Describe the reactions of the workers to the emerging system of production.
- Explain the activities of social reformers particularly Robert Owen and Dr. Williams King towards alleviating the sufferings of the workers.

### **3.0 Main Content**

#### **3.1 Workers Reactions**

Workers did not fold their hands in the light of the exploitation they were receiving from the industrialists/factory owners, the landowners and the landlords. A lot of activities were actually planned and executed.

#### **3.2 Protests**

Workers soon started to complain, loudly too, concerning their plight. The complaints were done individually and in groups. The group complaints eventually led to major protests in cities of Britain, such as Manchester and Birmingham. Roads were blocked and placards were carried by some of the workers, leaders were arrested and put to jail, but this did not stop the protests.

At individual level, there were acts of sabotage in the production floor, sensitive components of machines were removed in the absence of foremen. Some workers were seen withdrawing from their places of work as an indication of discontent.

#### **3.3 Formation of Co-operative Organizations**

Workers co-operative group was formed even though it did not last long. This was "the friendly society" the avenue of the group was to work together and to take care of the sick as well as those members that have been bereaved. The effects of factory system which we discussed in our last unit saw many workers passing into transition. The friendly society was to console and take care of the family, more so, when family ties had already been severed. But the friendly society did not survive for long for several reasons. The government was still hostile to the idea of workers coming together to form associations. Another important reason was that the society was not operated according to defined rules and regulations or what could be regarded as principles. Also the leaders lacked co-operative education with which to manage such organizations

along co-operative lines.

### **3.4 Formation of Labour Unions**

Even though the government banned all labour unions, the decision of the government did not prevent the workers from forming labour unions. They came together to form labour union and teamed up with the friendly society to press for recognition. Their struggles eventually paid off in 1783 when the friendly societies act was enacted. This gave recognition to those organizations formed as humanitarian or charity organizations but not strictly as a business organization. But with this limitation notwithstanding the enactment of the act of parliament was a positive development.

With more struggles and determination, the industrial and provident societies act was passed in 1852 to take into account the sufferings of factory workers.

#### **Exercise 2.1**

1. Explain briefly the reaction of workers concerning their condition during the period of industrial revolutions.
2. Do you see these reaction as being sufficient to solve their problems?

### **3.5 The Activities of the Social Reformers**

Individual sympathetic to the course of the workers emerged. You have to note that these individuals on their own were comfortable and through their professions could take care of themselves. We are going to consider two of these social reformers.

### **3.6 Robert Owen**

Robert Owen was born in 1771 and by 1789 was a manager of a cotton mill in Manchester. He later, together with two partners, bought the new Lanark Cotton Mills. As soon as this mill was bought, Owen started to introduce radical reforms:

1. He changed the working and living conditions of the employees by organizing the workers on communal lines. This enabled him to reduce the hours of work for the employees.
2. He stopped child labour, that is, the practice of children working in the factory.
3. He built schools for children so that they can receive education.
4. He was the first to open a nursery school in Europe.

5. He increased the wages of the employees.
6. He encouraged games and recreation among the employees as a way of relaxation and keeping physically and mentally fit.

Owen's partners opposed his and he had to buy them out and brought in others who were sympathetic to his cause. He became known as the "philanthropic Mr. Owen".

New Lanark became known all over Europe and attracted visitors including statesmen, who came to see the educational, social and industrial reforms of Owen. In spite of the amenities provided for his workers, his business was highly profitable, this proved that contented workers work better.

Owen was a persuasive speaker and a copious writer. Some of his essays worthy of note are:

- (i) On the formation of character where he claimed that a man's character was made for him and not by him.
- (ii) He wrote the "observation on the effect of the manufacturing systems", where he condemned the long hours of work.
- (iii) In 1817, he addressed the city of London Tavern, where he set out his plans for the establishment of villages of co-operation, condemning competition and exploitation. He demanded religion and became an agnostic. He formulated theories on God, life after death, morality, character formation, marriage, education, economies, in fact he visualizes a perfect community.

Through Owen's persuasive speeches the combination act which made workers not to organize trade union was repealed in 1824. In the same year, trade unions were legalized.

### **3.6.1 Owen's contribution to co-operation**

The following doctrines can be said to be Owen's contribution to co-operation:

1. Business without profit. This is the anti-profit stance of the co-operative movement. He also advocated the limitation of dividends paid to capital.
2. Production of consumers for their own use, and not for profit. This is the *idea* of the owner-user nature of co-operative. We emphasized this point in our first course (CPM 101).
3. Common ownership of the means of production.
4. The prime importance of education which was considered to be

- vital to  
the success of any social programme.
5. Voluntary association as a technique for solving social and economic problems.

### **Exercise 2.3**

We have a working definition of a co-operative society in CPM 101. Recall that definition. Do you see any relationship of Owen's contributions to co-operation to the nature of co-operative as shown in the definition? List these relationships.

### **3.7 Dr William King**

When the British parliament refused to support the radical plans of Owen, he left England for America to try his ideas while he was away, Dr. William King filled the vacuum even though for just five years.

Dr King was a medical practitioner who sympathized with the misery of the workers. He was humanitarian in nature. Dr. King's contribution to cooperatives can be seen from the following:

1. He established a nursery school for children.
2. He promoted through regular lecture a mechanic's institute in Brighton where people learnt about car repairs.
3. He set up a co-operative organization with the co-operative benevolent fund association. The benevolent fund was to spread knowledge about co-operative while the Brighton Trading Association was to engage in retail trading.
4. He established a news paper called the co-operator in order to show people how Owen's idea could be realized through practical means. He gave interpretation to co-operative idea.
5. He emphasized member education for co-operative members so as to remove ignorance from their minds.
6. He advocated active participation of the management of their shop by co-operative members, through proper bookkeeping and sound business methods.
7. He encouraged the habit of thrift and savings by co-operative members to a common fund which would then be used as capital to establish businesses.
8. He advocated hand cash sales and not credit sales to avoid incidents of bad debts.
9. Co-operatives should buy at wholesale price and sell at market price. But the profits must not be shared out, it should be added to capital to augment it.
10. When the shop had acquired sufficient capital through self

financing, subsequent profit should be used to give employment to members e.g. a shoemaker can be employed to make shoes for sale to members and non-members, next time, a carpenter can be employed and so on.

11. Co-operatives can acquire land to produce their own food, build their own houses, build schools, libraries, old people's homes and so on. By so doing they will gradually become independent of external aid.

#### **Exercise 2.4**

Go through Robert Owen's contributions and Dr William King's contributions to co-operative and point 3 areas of similarities and 2 areas of differences.

#### **4.0 Conclusion**

Robert Owen's contributions to co-operation are outstanding. At the time when other factory owners were exploiting the workers and employing child labour in the process of production, Owen was doing the very opposite. He demonstrated all this by practically proving the principle of motivation that a happy and contented worker is a maximum producer.

#### **5.0 Summary**

In this unit, we have treated two important social reformers – Robert Owen and Dr. William King. We did examine their contribution to co-operations. In spite of their contribution, these early forms of co-operatives, what is sometimes called, pre-Rochdale Equitable Pioneer co-operatives failed. We will look briefly at the reasons for their failure. Thereafter we shall move to the first ever successful co-operative society. The Rochdale Equitable Pioneers.

#### **6.0 Tutor-marked Assignments**

1. Why is Robert Owen regarded as the Father of Modern Co-operatives?
2. Compare Robert Owen and Dr William King in their contributions to co-operatives.

#### **7.0 References**

Onuoha E. (1986) *Principles of Co-operative*. Express Publishing Co. Ltd. Enugu.

### **UNIT 3: THE ROCHDALE EQUITABLE PIONEERS**

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### **1.0 Introduction**

The last unit before this present one, we discussed the efforts of the workers to free themselves from the shackles of poverty as a result of the industrial revolution that occurred in Britain between 1750-1850. The social as well as the economic conditions were poor; low wages were paid to the workers, they worked for very long hours everyday, children were made to work, women too were not exempted from work, the employees lived in shanties where epidemics were the order of the day, among other degrading conditions. It was as a result of all these and more that workers started reacting through individual and organized protests, sabotage and so on.

The social reformers, that is, those individuals, who sought for a new economic and social order, alternative ways of production and commerce came into the scene. We discussed two of them, namely: Robert Owen and Dr. William King and we saw their valuable contributions to co-operation. But all the cooperatives which the workers and the social reformers formed failed some years later. We are going to examine the factors responsible for the failure in this unit. But out of failure and through better organization, came success. From the failure of the early formal co-operatives, emerged the first successful co-operative organization known as the Rochdale Equitable Pioneers and this co-operative is still in existence until today.

### **2.0 Objectives**



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

1. List the reasons for the failure of the early formal co-operatives.
2. Describe the origin of the first successful co-operative society
3. Explain the objectives of the first successful co-operative organization, the Rochdale Equitable Pioneers.

### **3.0 Reasons for the Failure of Early Co-operatives**

The early formal co-operatives which are sometimes referred to as pre-Rochdale co-operative societies failed. There were reasons for the failure which are:

- (i) The co-operatives were organized during strike periods, that is, during the periods that the workers ceased to work, they organized into cooperatives in order to avoid idleness. As soon as the strikes were over, majority felt no urge anymore for such associations.
- (ii) The organizers of these co-operatives did not follow the practical guidelines of Dr. William King's recommendations which includes contributions from members to raise share capital, buying and selling those things that the members needed, managing the co-operatives by themselves among others.
- (iii) Goods were sold on credit. This resulted in bad debts that the members found difficult to offset.
- (iv) Constant harassment from the police who felt that they were carrying out illegal business.
- (v) There was no enabling law that would give the co-operatives legal backing. They were asked to register the business under the friendly society act which we discussed in our last unit. But the provision of this act did not meet the requirements of a business organization.

#### **Exercise 3.1**

You have just studied some of the reasons why the pre-Rochdale co-operative societies collapsed. Can you see similar situations in some of the co-operatives around you or the ones that you have heard about?

### **3.1 The Rochdale Equitable Pioneers**

### **3.1.1 Origin**

In 1844 another group of 28 people from the town of Rochdale came together to form a co-operative society. These 28 individuals comprised of some weavers, Owenite, socialists i.e. the followers of Robert Owen, trade unionists and charities, made history by forming the Rochdale Equitable Pioneers. They avoided Owen's utopian schemes and adopted a practical approach to co-operation as recommended by Dr William King.

### **3.1.2 Techniques of Rochdale equitable pioneers**

- (i) Each contributed \$1.00 from which they rented a shop.
- (ii) They started by organizing meetings. Through such meetings, they were able to analyse the mistakes of the collapsed societies and they tried not to repeat the same mistakes.
- (iii) They studied diligently the publications of Dr William King in his newspaper the Co-operator.
- (iv) They applied the principle that Dr King prescribed for running co-operatives successfully.
- (v) Through the contribution they made, they stocked their shop with the basic necessities that the members actually needed — flour, sugar, oat meal, butter among others.
- (vi) Having educated themselves on the basic principles of management, each member took turn to sell in the shop. By so doing, they were able to apply what they have learnt. Also, they did not employ a shop keeper, who might not have understood what their objectives were. The shop keeper would also receive wage thereby eating into the working capital.

### **3.2 Objectives of Rochdale Equitable Pioneers**

Earlier, we said that the members of the Rochdale Equitable Pioneers did not jump into the decision to form a co-operative society. They first started by having meetings. One of the results of such meetings was the unanimous decision to draw up the objectives of the proposed society. The objectives of the society could be likened to statement of purpose. That is, what the society sought to achieve for the members and the community. The following constituted the objects:

- (i) The establishment of a store for the sake of provisions and clothing.
- (ii) The building, purchasing or erecting a number of houses in which

those members desiring to assist each other in improving their domestic and social condition may reside.

- (iii) To commence the manufacture of such articles as the society may determine upon, for the 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 the members of this 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 labour may be badly remunerated.
- (v) That as soon as practicable, this society shall proceed to arrange the power of distribution production, education and government, or in other words, to establish a self supporting home colony of united interests, or assists other societies in establishing such colonies.
- (vi) That for the promotion of sobriety (to be calm), a Temperance Hotel be opened in one of the society's houses as soon as convenient.

The above objectives of the Rochdale Equitable Pioneers constituted their purposes for existence or what may be termed these days as "their mission statement". It gave character to their thinking and actions. They sought and worked diligently through the strategies we discussed earlier to bring the objects of the co-operation into reality.

### **Exercise 3.2**

Take 3 objectives of Rochdale Equitable Pioneers and show how relevant they were in the reactions of the members to the exploitation of the industrialists and shop keepers.

#### **3.2.1 The Rochdale equitable pioneers' principles**

These principles were derived from four documents of the Rochdale Pioneers. These are:

- (i) The Statutes of 1844
- (ii) The 1845 amendments
- (iii) New statutes adopted in 1854 and
- (iv) A statement in their 1860 Annual Almanac.

These documents consist of co-operatives principles and business

practices. They were later classified by co-operators to eight, widely publicized and circulated as "Rochdale Principles". Below are the stated principles:

1. Open membership
2. Democratic control
3. Limited interest on capital
4. Patronage refund
5. Cash trading at market price
6. Sale of pure and unadulterated goods
7. Political and religious neutrality; and
8. Continuous education of members.

#### **4.0 Conclusion**

We have discussed the Rochdale Equitable Pioneers, the first successful cooperative society. We looked at the failure of the pre-Rochdale Equitable Pioneers and tried to examine the reasons why they failed. We also saw the origin of the strategies (practices) they adopted in operation of their business. We looked at the defined objects of the Equitable Pioneers or what can be the purpose or mission statement of the society, and finally a list was made of the principles of co-operatives derived from the statutes books of the Pioneers Almanac.

#### **5.0 Summary**

We have examined the origin of the first co-operative society, including their business practices, objects and their co-operative principles, some of which are still relevant today. These principles will be examined further in our subsequent units.

#### **6.0 Tutor-marked Assignments**

1. Explain the business practices of Rochdale Equitable Pioneers. Justify their relevance in present day Co-operative management in Nigeria.
2. List the 8 principles of co-operatives. Explain any 2 of them in the light of your understanding of a co-operative society.

#### **7.0 References**

Adesina, D. (1988): *Essential Information on Co-operative Credit Societies*. DAC Printers & Publishers, Ibadan.

Onuoha, E.: *Principles of Co-operative Enterprise*. Express Publishing Co. Ltd. Enugu.

**UNIT 4: PRINCIPLES, PRACTICE AND IDEALS OF**

# CO-OPERATION

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### 1.0 Introduction

In unit 3 of this course, that is, the previous unit, we treated the business practices of the first successful co-operative society, the Rochdale Equitable Pioneers (REP) It was suggested to you that the principles of REP would be treated in details in our subsequent decision. But before we come to the details of these principles, it would be wise to clarify some few points. We are going to explain what principles actually are, what is the practice of co-operative principles, and what could be regarded as co-operative ideals. It is well to fully understand these terms and the inter-relationships among them as well as their relevance to co-operative management so that we would be rooted in the foundation of what actually constitute co-operative management.

### 2.0 Objectives

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

1. Explain what a principle is
2. List the sources of co-operative principles
3. Describe co-operative ideals and
4. Discuss co-operative practices.

### 3.0 What a Co-operative Principle is

In general, a principle can be regarded as a guiding force for behaviour, and it is basic and fundamental to such behaviour. That is why the principles of cooperation are general, basic truths that show what a co-operative is. The principles also separate co-operatives from other forms of business. It is the principles of co-operation that mark a stamp on an organization that calls itself a co-operative. These principles, consequently, serve as a rule of conduct to cooperators. You are advised to go back again to the Rochdale Equitable Pioneers principles and be well familiar with them. We shall be going back to them from time to time. Co-operative principles, apply to all types of co-operatives, there is no distinction because a principle that is applicable to only one form of co-operative and excludes the others is no principle and is of no use to what we are discussing.

A co-operative principle therefore, describes the nature of co-operative so as to set it apart from other businesses. In other words, one nature of co-operative principle is that it is descriptive.

Another nature of co-operative principle is that it guides the actions of all cooperators the world over. It serves as a standard for the group of individuals that form a co-operative society. The members must show in practical ways these behaviours, for them to qualify as co-operators. Such as patronizing the society, taking part in the election of co-operative offices among others. These behaviours must be respected by others and enforced by competent authority. In this sense, we can say that co-operative principles are prescriptive, that is they prescribe the ways that co-operators have to behave in the affairs of their co-operative.

#### **Exercise 4.1**

List the principles of co-operatives as drawn up by the Rochdale Equitable Pioneers. Which of these principles are descriptive? And which other ones are prescriptive? Or both descriptive and prescriptive.

### **3.1 Sources of Co-operative Principles**

The principles of co-operative are formulated and derived from different sources. These sources are as follows:

#### **3.1.1 The founding fathers of co-operative**

Try to recall the contents of our units 1 and 2 of this course. We discussed the reactions of the social reformers particularly Robert Owen who is regarded as the father of co-operation and Dr. William King who

is seen as the father of consumer co-operatives. These honours are given to these individuals because of the ideas they gave as to what a co-operative is and what co-operators should do in order to make their co-operative business a success.

It was on the foundation that Robert Owen and Dr William King laid that the Rochdale Equitable Pioneers relied on in drafting their objectives, techniques and principles of co-operation, some of which we are still using today. All these constitute a source of co-operative principles.

### **3.1.2 The international co-operative alliance (ICA)**

The ICA is a global organisation responsible for co-operative matters. It was founded in 1895. We shall be discussing details of the organization in the units to come. But we have to recognize it as a source of co-operative principles. They have been reformulating the original principles of Rochdale Equitable Pioneers in accordance with noticeable changes in commerce and industry the world over and the environments that the co-operatives are operating. These changes of the principles are necessary so that while co-operatives do not lose their nature, they should at the same time comply with some of the demands of the environment particularly the external environmental factors. It is to this extent that we regard the I.C.A. as a source of co-operative principles.

### **3.1.3 Co-operative thinkers and writers**

There are many co-operative thinkers and writers who have contributed in reformulating co-operatives principles, beside Robert Owen and Dr. William King. But these days, the research works and findings of these co-operative thinkers are usually passed to the ICA for proper scrutiny. Alternatively, the ICA does commission these thinkers and writers to research on specific issues concerning co-operative principles. On the submission of their reports, a general meeting of ICA is then summoned to discuss the reports and if possible pass them either as new principles of co-operatives or modification of existing ones.

### **3.1.4 Governments who pass laws adopting, adapting and enforcing the principles**

In Nigeria and other countries of the world, the governments do pass laws which adopt the co-operatives principles. Sometimes laws are passed which adopt the co-operative principles while there are also laws which seek to enforce the co-operative principles. That is why, at the federal level, there is the Federal Co-operative Law of 1993 otherwise known as the Co-operative Decree of 1993. This law affects all states of

the federation. It is from here that the various directors of co-operative services in each state of the federation prepare co-operative societies Laws and Regulations as well as the principles. From the co-operative laws and co-operative Principles, rules and Regulations, model bye-laws are prepared for the co-operative societies.

### **3.2 Co-operative Ideals**

Co-operative ideals concern the ultimate goal as well as the yearnings of the co-operative movement. Included in the co-operative ideals are broad actions which should be realized or a satisfactory progress being made to the attainment of the ideals. You have to understand that in general, ideals are not attained. But they are necessary so as to serve as inspiration and to serve as a higher standard against the standard that has been accomplished.

Some of the ideals for the co-operative movement include:

- (i) Justice and Equality in Economic Relations;
- (ii) Elimination of Exploitative Middlemen;
- (iii) Business for service, Business without Profits and;
- (iv) Reformation of the economy.

These ideals and others even though attractive, they are not attainable. As an example of the consumers co-operative, it would seem as if all the consumers in the whole world would unite and carry on their own retailing, wholesaling, manufacturing, primary production, banking, insurance among others thereby cutting off completely the middlemen from the marketing scene, and establishing co-operative democracy on earth. This is a wishful thinking; it is not an ideal! This one reason why these days, people join co-operatives not to change the world or cause any revolution but to obtain in practical terms concrete, immediate attainable benefits, such as loans for productive purpose, farm inputs, essential commodities among others.

### **Exercise 4.2**

You are once again entreated to visit a co-operative society. Request for the manager to kindly give you a copy of their bye laws. Study the divisions and list them. If you cannot get a co-operative society form and bye laws from the manager, you can as well get it from a co-operative Press or from the Director of Co-operative Services in the Ministry of Commerce, Industry, Tourism and Co-operatives or Ministry of Agriculture and rural Development or any appropriate ministry.

### **3.3 Co-operative Practices**



These are practical methods of implementing policies. A principle can be implemented or observed in several ways. For example, Limited Interest on Capital which may be observed by paying a certain percentage of the profit declared on capital contributed to each member. In another situation, the same society may decide that instead of paying interest on capital, the money should be put back into the society to increase the reserves. As a result, some practices of the co-operative principles are more radical than others. Some practices are easy to implement the letter of the principles, these are conservative practices. Other practices are faithful to the essence of the principles. These are radical practices.

#### **4.0 Conclusion**

In this unit, we have been able to explain what a principle is, and we shall be keeping the nature of a principle in mind because that will guide us. Remember, a principle is a basic truth that guides behaviours. Co-operative principles are therefore basic truths that guide co-operative behaviours including the behaviours of individuals that make up the co-operative. We also saw what an ideal is. It is futuristic and of a very high standard. An ideal is never attained but enables us to measure where we are presently and where we are still going to. This make us to continuously do our best. Co-operative practices are to implement co-operative principles. They are practical. They give reality to the expression of principle.

#### **5.0 Summary**

We have discussed co-operative principles, co-operative ideals and co-operative practices. Through our discussions, we have been able to establish what each of these terms are, their relationships as well as their relevance to cooperatives. In our next four units, we shall be taking the principles of cooperatives as handed over to us by Rochdale Equitable Pioneers. We shall discuss the essence of these principles and their relevance to co-operatives.

#### **6.0 Tutor-marked Assignments**

1. Describe what an ideal is. What is the relevance of ideals to co-operatives?
2. What is a principle? Explain the importance of principles to the co-operative.

#### **7.0 References**

Adesina, W. (1993): *Essential Information on Co-operative Credit Societies*. DAC, Printers and Publishers, Ibadan.

Onuoha, E. (1986): *Principles of Co-operative Enterprise*. Express Publishing Co. Ltd., Enugu.

Owojuyigbe S. (1998): *Co-operative Administration and Fieldwork in Nigeria*. Anu-Olu Publishers, Ibadan.

# ALLIANCE

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## 1.0 Introduction

We looked into co-operative principles generally so as to bring out the meaning of what a principle is, role of principles in co-operative management and what principles seek to achieve. We saw that in essence principles are basic truths that guide behaviour. A principle by its very nature explains or describes cooperatives behaviour and in this regard, such principles becomes descriptive. Where a principle says what should be done or the relevant behaviour to put forth in a given circumstances it becomes prescriptive. For a principle to be either prescriptive or descriptive, it must be put into practice, that is to say, it has to be observed. We also saw that there are ideals of co-operation; these are broad aims which are general and can not be achieved. They are like the horizon. As you approach them, they keep on moving back. But they are useful because they remind us of the unfinished business. We need to work harder.

We are postponing for a while the discussion of Rochdale Co-operative Principles. This is because over the years these principles have been modified and some of them have received criticisms and dropped. Others still survive the test of time. A global organization of co-

operatives is responsible for these changes in co-operative principles, it is wise we discuss this organization; the International Co-operative Alliance (ICA).

## **2.0 Objectives**

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

1. Describe the structure of ICA.
2. List the objectives of ICA.
3. Describe the duties of the members of ICA.
4. Mention the duties of the members of ICA.
5. Describe the functions of ICA.

## **3.0 The Structure of ICA**

The I.C.A. was established in 1895 to promote friendly and economic relations between co-operative organizations of all types nationally and internationally. It is to represent the unity of all co-operative movements in the whole world. The alliance has a legislative arm and an executive arm.

### **3.0.1 The legislative arm**

This is the supreme governing body of ICA. It is made up of the congress of all affiliate associations held every four years.

### **3.0.2 The executive arm**

The Executive arm consists of the Central Committee, the Executive Committee and the office of the Director General who is based in Geneva, the present Headquarters of ICA.

While the membership of the Legislative Arm and the Executive Arm is by election, the office of the Director is permanent. Reporting to him are the General Secretary, next to the General Secretary are departmental secretaries, each of whom heads an auxiliary committee with technical functions. These functions concern Banking, Insurance, Workers Productive Societies, Housing, Agricultural Co-operation, Consumer Co-operations among others. It is noteworthy that international co-operative enterprise emerge from these committees. Such examples are: The International Co-operative Petroleum Associations, The International Co-operative Housing development Association, the International co-operative Bank, International Co-Operative Insurance Federation among other enterprises.

### **3.1 Objectives of ICA**

The ICA has defined objectives which are the following:

**3.1.1 To be the universal representative of co-operative organizations of all types which observe ICA principles**

This means that before any organizations can even seek the membership of ICA, such organization must be truly tested to find out not just whether it is a co-operative organization but whether it does observe the principles of ICA. We will be discussing these principles in a subsequent unit.

**3.1.2 To propagate co-operative principles and methods throughout the world**

You will recall that in our last unit, that is unit 4, we discussed co-operative principles and practices. It is the responsibility of the ICA not just to define and re-define co-operative principles and as it considers necessary but also to set the standards through which such principles are to be observed. That the methods or practices of ICA principles are also set forth by the global body.

**3.1.3 To promote co-operation in all countries**

The ICA seeks to promote the spirit of co-operation between and among all nations of the world that are affiliated to it. We have noted in 3.1.2 above some of the economic enterprises that are promoted by ICA for the countries that are affiliated to it. It is not only economic co-operation that is promoted by ICA. Disputes arising between countries relating to co-operative matters are settled by the global association.

**3.1.4 To safeguard the interest of the co-operative movement in all its forms**

This is another object of ICA. It can intervene for example, in dispute existing between a member affiliated to it and the government if such member organization so long as that dispute is with respect to co-operative matters. Also a member having a sour relationship with the government of another country can receive the assistance of ICA to resolve such disputes.

**3.1.5 To foster good relations between co-operative organizations of all types, nationally and internationally**

This object is closely related to 3.1.4 but in addition the ICA promotes and facilitates technical co-operation between and among its affiliated

countries. Such areas include education and training, workshops and seminars among others.

### **3.1.6 To work for the establishment of lasting peace and security**

The ICA is a peaceful organization. Since its inception, the organization has stressed the importance of peace because without peace and security, there cannot be any meaningful development.

#### **Exercise 5.1**

1. List the components that make up the structure of the ICA
2. Enumerate the objects of the ICA

### **3.2 Membership of the International Co-Operative Alliance**

There is an open membership in the I.C.A for all organizations that seek affiliation. The only condition, if one is to be identified is that such an organization must be a genuine co-operative organization. And to show the genuineness of such organization, it has to faithfully practice the principles of the ICA. The organizations include: National Unions of Co-operative Societies or Federation of Co-operative Societies. Recognised Auxiliary organizations of affiliated National Unions Federations, Consumer Co-operatives Credit Cooperatives among other forms of co-operatives.

#### **3.2.1 Rights of members**

Once an organization is admitted into the folds of the ICA, it has the following rights:

- 1. To take part in co-operative congress**  
Any co-operative congress or meeting of the global body can be attended by the affiliated body. There is democracy in the conduct of the business of the Alliance. As a result, a member is free to seek election into any office. Such member can also vote for others and can participate freely in the deliberations of the congress.
- 2. To nominate representatives to the central committee**  
Remember that this is the committee that has both Legislative Arm and Executive Arm. A member is free to nominate anybody that is considered fit and capable to be a member of this important committee.
- 3. To submit proposals for considerations by the executive, the**

### **central committee or the congress**

A qualified member can submit a proposal for the interest of co-operative development to the International body. Such proposal on receipt will be carefully analysed and studied to ascertain its validity, sincerity and authenticity. Once these are established, the proposal is either forwarded to the Executive or the Central Committee or congress for further consideration.

4. To receive all appropriate advice and services from the ICA secretariat

This is an important function which the ICA gives to its members. Such services include feasibility studies for regional or international co-operative enterprise, training and education of staff and members of the organization affiliated to the ICA etc.

### **3.2.2 Duties of members**

Since we have discussed the rights of the members of the ICA; it is also logical we highlight the duties of members to the global organizations. Such duties include:

1. To observe the aims and policy of the ICA as laid down by the congress.
2. To submit annual report concerning the operations of the affiliated organizations to the ICA.
3. To provide the ICA library with a copy of all literary works published as complimentary expression.
4. To appoint a correspondent who will keep the ICA informed of all national co-operative developments, legislations, creation of public authority which affects co-operative development. The ICA will study all these reports and take appropriate action.
5. To pay annual membership subscription to the ICA.

It must be pointed out that those organizations that have not fully fulfilled the condition for admission to the ICA can be accorded Associate Membership and their rights include the following:

1. To receive gratis (that is free of charge) the ICA publications.
2. To nominate an observer to Central Committee Meetings with right to vote.
3. To nominate an observer to the ICA Congress with right to vote but with right to speak, subject to the congress consent.

4. To receive from the ICA secretariat all appropriate service and advice.

### **Exercise 5.2**

1. Mention 5 duties of the ICA members to the global body.
2. From your knowledge of the relationship between government and co-operatives, what do you think government can do to encourage cooperatives organizations in Nigeria to affiliate with the ICA.

### **3.3 Functions of the ICA**

The International Co-operative Alliance performs defined functions to its affiliate members. These functions are:

- (i) **Providing information**  
The global body has sections for this purpose. The statistics section is concerned with compiling data from member countries. The economic section studies trends and developments affecting the co-operative movement.
- (ii) **Library services**  
There is a library stocked with relevant literature consisting of books, journals, reports, photographs, newspapers etc.
- (iii) **Promoting international understanding**  
Every year, an international summer school is held in different countries. The idea is to promote and encourage friendship and mutual understanding.
- (iv) **Publications**  
The ICA has many publications. But one of the most popular one is the "Review of International co-operation". This is a monthly journal published in English, French and German.
- (v) **Wholesale services**  
Its co-operative Marketing Organisation develops into wholesale operations, consumer associations may be asked to establish international wholesale society or international purchasing organisation to be supplied with services in petroleum, banking. Insurance, housing among others.

### **4.0 Conclusion**



We have studied the International Co-operative Organisation a global organization for all genuine co-operative movement in the world. It has its headquarters in Geneva, Switzerland. We looked at the structure of the ICA, the objectives of ICA, membership including the rights and duties of the members. We highlighted the functions of the world body.

## **5.0 Summary**

We have said that the ICA looks at existing principles of co-operatives and determine whether they are still relevant or not depending on the changes in commerce and industries. In our next unit, we will be looking at these modifications of the principles from the original Rochdale principles.

## **6.0 Tutor-marked Assignments**

1. (a) Briefly describe membership of the ICA.  
(b) Explain 8 rights and 2 duties of members of ICA to the world body.
2. Explain 5 functions of the ICA.

## **7.0 References**

Adesina, D. (1998): *Essential Information on Co-operative Credit Societies*. DAC Printers and Publishers. Ibadan.

Onuoha, E. (1986): *Principles of Co-operative Enterprise*. Express Publishing Co. Ltd., Enugu.

## **UNIT 6: REVIEW OF 1937 CO-OPERATIVE PRINCIPLES BY THE ICA**

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### **1.0 Introduction**

In our last unit, we discussed the structure, objectives, membership and functions of the International Co-operative Alliance. The ICA, based in Geneva, Switzerland is the global co-operative body. And we did say that the overriding criterion for admission to the world body for any co-operative association is for such organization to comply with the defined principles of the ICA. These principles are periodically reviewed so as to fit into the demands of modern commerce and industries. Consequently, the original principles of the Rochdale Equitable Pioneers (REP) have been re-examined, re-defined and restated in tune with modern global trends. We shall be discussing these reviews in this unit and the next one which is unit 7. Thereafter, we shall go into specific examination of each of these principles in further units.

### **2.0 Objectives**

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

1. Explain the Rochdale Equitable Pioneers principles.
2. List out of the original Rochdale Pioneer principles, the ones that were selected, the ones modified and the ones that were made optional or dropped
3. Give reasons for the review of the principles.

### **3.0 The Rochdale Equitable Pioneers Principles**

If you will recall, these principles were:

#### **3.0.1 Open membership**

This principle emphasizes the need for co-operative to be open to anybody who has interest in it, which means that there is no restriction whatever the criterion.

#### **3.0.2 Democratic control**

This principle means that the decision making process in a co-operative organization lies with the General Meeting of members. Nobody in spite of his wealth, status or position in the community can single handedly decide for the society. There must be a debate. And the simple majority wins if put to vote. Voting itself which is a principal element of democracy in co-operative is one man one vote; your number of shares notwithstanding.

#### **3.0.3 Limited interest on capital**

Members capital contributions which are mainly shares and savings attract some interests which are limited, at the end of the trading period. The various amounts to be paid to these sources of funds depend on the decision of the general membership.

#### **3.0.4 Patronage refund**

To encourage members to patronize their society, the patronage refund principle recommended bonus for such members. Remember that the co-operative is owned by members who are at the same time the end users of co-operative products/services.

#### **3.0.5 Cash trading**

Every transaction with the society that involves purchase of goods must be paid with cash. This means that there is no room for credit sale.

### **3.0.6 Sale of pure, unadulterated goods**

Goods sold by a co-operative should never be adulterated. Sale of adulterated goods is usually the practice of the middlemen who want to be making abnormal profit. Co-operative should depart from this sharp practice. The management should go to the various sources of goods and buy from there.

### **3.0.7 Political and religious neutrality**

Co-operators are to disassociate themselves from the practice of politics and religion. This is to avoid the evils that are associated with partisan politics and religious fanaticism. As a result, in a co-operative society, all the members should believe that they are of one family and there is no barrier among them or between them. It is under such frame of mind that the spirit of co-operation can grow stronger.

### **3.0.8 Continuous education for members**

This principle emphasises the need for education so that members will know what co-operative stands for and what they stand to gain by joining co-operative. They should also be able to know what should be their very contributions to continuity and survival of co-operative. All this is necessary because a co-operative starts with education, the expansion is done through education and the management of the business is also done through education.

#### **Exercise 6.1**

1. List the Rochdale Principles.
2. In the light of your understanding of units 1 and 2, show why these principles are necessary (you are required to select just two of them).

### **3.1 The ICA Review of the Principles**

In 1895, the International Co-operative Alliance (ICA) was founded in London, though their current headquarters is now in Geneva. In 1930, the ICA congress meeting in Vienna authorized a study of the principles of co-operative. A committee was set up which met for four years. In 1934, the committee recommended that seven principles of Rochdale out of the eight should apply to co-operatives. One principle was consequently omitted. This was the principle of sale of pure,

unadulterated goods.

### **3.1.1 The 1937 congress decisions**

The congress of 1937 held in Paris was unanimous in adopting the first four principles as obligatory. This means that the first four principles must have universal application for any organization that calls itself a co-operative. Also, that the first four principles make for eligibility into the membership of the ICA. These four principles are:

1. Open membership
2. Democratic control; one man, one vote
3. Dividend on purchase
4. Limited interest on capital.

The other three Rochdale principles were held to be only recommendations. This means their adoption and application by a co-operative organization is at the discretion of such organizations. These three principles are (e) Sale of pure and unadulterated goods (f) cash sales at market price, and (f) political and religious neutrality.

### **3.1.2 Reasons for the review of the Rochdale principles by the 1937 ICA Congress**

The congress reviewed the original Rochdale principles on several reasons:

- 1. That the principles were based on consumer co-operatives**

In looking at the principles of Rochdale Equitable Pioneers, there are actually some of them that are strictly concerned with consumer co-operations. Take for example cash trading at market price. This principle mainly addresses the issue of trading. But you may know that there are many types of Cooperative: Thrift and Credit Society, Co-operative Credit and Investments Society to mention but a few. Cash trading of whatever form does not fit into the operations of these societies.
- 2. Out of date in certain respects**

This is another criticism levelled against Rochdale Principles. Take for instance the principle of cash trading. Modern business and commerce cannot do but to give credit. In some countries' economies, the idea of carrying cash is de-emphasized. It is credit sales so long as the buyers can make satisfactory arrangements for payment. Among other reasons, carrying cash is not only cumbersome but can attract the attention of thieves, not so much on one carrying the cash but also on the one receiving cash from different customers.

**3. Discrimination against co-operatives in the developing countries and the socialist countries**

Since the ICA is a world body, it seriously frowns at discrimination by whatever form. In the developing and socialist countries, co-operatives are initiated by government. They are also regulated by government and most co-operatives in these countries are mainly agricultural co-operatives. Applying, for example, the political and religious neutrality of the Rochdale principle would undermine the political situation that exists in socialist countries.

**4. The issue of honesty**

On the issue of honesty, the congress was of the opinion that honesty was not only restricted to co-operatives. In other words, business ethics and honesty apply to all other forms of business. Co-operatives cannot, therefore, be seen as "holier than thou". The principle of "sale of pure, unadulterated goods" was deleted as a result. It should not be seen as a rule governing co-operative from other businesses which also observe business ethics, honesty and proper conduct.

**3.1.3 Implications of the review exercise**

- (i) One of the implications of the review of the Rochdale principles in 1937 is that a new element was introduced into the study of the principle of co-operation, this is the element of research/free thinking. From then on, the emphasis shifted from the Rochdale principles to principles of co-operative enterprise. In other words, the emphasis is now on cooperation instead of Rochdale. This is because in fairness to the pioneers, they never sat down to draw a check list of principles binding on every co-operator throughout the world and for all time. What they did was to merely draw up rules of business conduct from common sense and from past experience to govern their small retail shop in Rochdale.
- (ii) The second implication is that a distinction was made between the principles of co-operation and practices of co-operation. The principles of co-operation do not change, they are enduring. The practices of co-operation which can be obeyed are done according to the circumstances and prevailing situation.
- (iii) The third implication is that the old Rochdale principles are imperfect and cannot be considered unchangeable in co-operative wisdom.

**Exercise 6.2**

List Rochdale Principles on the left side of a foolscap sheet. On the right hand list the 1937 Principles. You can see the changes at a glance. Write them out.

#### **4.0 Conclusion**

Throughout this unit we have discussed the original principles of Rochdale Equitable Pioneers and the review of the principles by the International Co-operative Alliance. We saw the essence of the review exercise and the re-statement of the principles was dropped with reason. We also examined the implications of the review exercise.

#### **5.0 Summary**

The International Co-operative Alliance (ICA) carried out their first review exercise on co-operation principles as handed down by the Rochdale Equitable Pioneers; and we saw the reasons for the review exercise in this unit. In unit 7 which follows this one, we shall be looking at the reviews of 1966, 1972 and 1995.

#### **6.0 Tutor-marked Assignment**

How do you justify the ICA review exercise of 1937.

#### **7.0 References**

Adesina, D. (1988): *Essential Information on Co-operative Credit Societies*. DAC Printers and Publishers, Ibadan.

Onuoha, E. (1986): *Principles of Co-operative Enterprise*. Express Publishing Co. Ltd., Enugu.

# THE ICA IN 1995

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### 1.0 Introduction

We looked at the review of the Rochdale Equitable Pioneers Co-operative principles of 1844. The exercise was carried out by the International Cooperative Alliance (ICA) in 1937. We were able to see the reasons why the review was necessary and the essence of the review. There are still other review exercises carried out in 1966, 1972 and rephrased in 1995. We shall be looking at these reviews and the underlining factors behind the exercises in this unit.

### 2.0 Objectives

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

1. List the changes between the co-operative principles of 1937 and 1966.
2. Explain the reasons for the changes.
3. Explain the reason for the rewording of the 1966 principles in 1972.
4. Describe the changes that took place in the 1995 principles.

### 3.0 The 1966 Co-operative Principles

We got some reasons why the Rochdale principles are reviewed in 1937. Among the reasons were that: not all co-operatives are consumer co-operatives, some of the principles lacked universal applications, while



others were out of tune with the demands of modern business and commerce. The revised principles of co-operatives were stated as the following:

- (i) Open membership
- (ii) Democratic control, one man, one vote
- (iii) Dividend on purchases
- (iv) Limited interest on capital
- (v) Cash sales at market place
- (vi) Political and religious neutrality
- (vii) Promotion of education (co-operative education)

In 1963, the ICA Congress in Bournemouth, England, set up another commission to study the relevance of the Rochdale principles in modern condition.

### **3.0.1 Report of the commission in 1966**

The commission set up in 1963 turned in their report in the 1966 Vienna congress. They recommended six (6) principles, which the congress approved. Among the recommended principles, the first and the last were new. The principles recommended were:

- (i) Open and voluntary membership without discrimination of religion or politics;
- (ii) Democratic control;
- (iii) Limited interest on capital, if any;
- (iv) Equitable distribution of surplus, savings or economic results;
- (v) Provision for education of members, officers, employees and the general public;
- (vi) Co-operation among co-operators.

### **3.0.2 Modification of the principles**

- (i) You can easily observe that a new qualification has been added to membership namely, 'voluntary'. What the principle is saying is that co-operation should be voluntary.
- (ii) "Cash sales at market price" was dropped. This was considered a business practice; it is not a general principle. Furthermore, as a general practice, it is already out of date with modern commercial transaction.
- (iii) Political and religious neutrality has been merged with open membership. This leaves the society free to work with any political party.

- (iv) Increased emphasis was given to co-operative education. Areas to be covered were increase from membership to officers, employees and the general public.
- (v) The 6th principle was introduced by the commission itself Co-operative activities involve co-operation. The spirit of co-operation should not be limited to the society alone. The spirit must be seen in all forms of co-operatives. Co-operation should therefore exist between co-operatives and among co-operatives, not only socially but also economically.

### **Exercise 7.1**

List the changes introduced in 1966 by the ICA congress in Bournemouth.

### **3.1 The 1972 ICA Congress**

Further development in the formulation of Co-operative principles occurred in the 1972 Congress of the ICA. It was decided that the principles should be expressed on the form of complete sentences. This is to show clearly what each principle really says as opposed to the short phrases of expressing the principles previously. As a result, while still maintaining the 1966 principles, the 1972 congress merely reformulated the principles.

#### **3.1.1 The 1972 reformulated principles**

- (i) Membership of co-operative society shall be voluntary and available without artificial restriction or any social, political, racial or religious discrimination, to all persons who can make use of its services and are willing to accept responsibility of membership.
- (ii) Co-operative societies are democratic organizations. Their affairs shall be administered by persons elected or appointed in a manner agreed upon by members and accountable to them. Members of primary societies shall enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies.
- (iii) Share capital shall only receive strictly limited rate of interest if any.
- (iv) The economic results arising out of the co-operations of a 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 decision of members as follows:

- (a) by provision for development of the business of the co-operative;
  - (b) by provision of common services; or
  - (c) by distribution among the members in proportion to their transactions with the society.
- (v) All co-operative societies shall make provision for the education of their members, officers and employees, and of the general public in the principles and techniques of co-operation, both economic and democratic.
- (vi) All co-operative organizations, in order to best serve the interest of the members and their communities shall actively co-operate in every practical way with other co-operatives at local, national and international levels, with the aim of unity of action by co-operators throughout the world.

The reason for putting the principles in these expanded form was to provide the bases for universal application.

## **Exercise 7.2**

1. State the relevance of expanding the co-operative principle in sentences by the ICA Congress of 1972.
2. Look again very carefully the expanded principles of co-operation. For each principle, write one word or name against each.

## **3.3 The 1995 ICA Manchester Congress**

The developments of co-operative principles did not terminate with the 1972 congress. The ICA met recently in Manchester; while celebrating its 100 years of existence, it again reformulated what it called the Centennial principles. In addition to the principles, a global definition of a co-operative was given to the value of co-operatives. All these were necessary so as to give the principles more depth and more life.

### **3.2.1 Definition of co-operative by the ICA**

The 1995 definition of co-operative by the ICA says it is "an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspiration through a jointly-owned and democratically controlled enterprise". Obviously, this is the nominalist approach to the definition of a co-operative which we have treated in unit 3 of our first course: Introduction to co-operation.

### Exercise 7.3

Look at the 1995 ICA definition of a co-operative. Analyse it and bring out the elements contained therein.

#### 3.2.2 Co-operative values

Further, the congress brought out values of co-operatives which are the following:

- (i) Self-help;
- (ii) Self-responsibility;
- (iii) Democracy;
- (iv) Equality; and
- (v) Solidarity

The congress again stated that in the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

We have been touching on all these values in one way or the other. Now, however, they have been brought out more clearly and sharply.

### 3.3 The 1995 Principles

The 1995 Congress defined principles as guidelines by which co-operatives put their values into practice. We have just seen the values of co-operatives. Let us now see what the rephrased principles are.

- (i) **1st Principle: Voluntary and open membership**  
Co-operatives are voluntary organizations, 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.
- (ii) **2nd Principle: Democratic member 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 membership. In primary co-operatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.
- (iii) **3rd Principle: Member economic participation**

Members contribute equitably to, and democratically control, the capital of their co-operative. At least, part of the capital is usually the common property of the co-operative. Members usually receive limited compensations, if any on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operatives, possibly by setting up reserves, part of which at least will be invisible; benefiting members in proportion to their transactions with the co-operative, and supporting other activities approved by the membership.

- (iv) **4th Principle: Autonomy and independence** Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.
- (v) **5th Principle: Education, training and information** Co-operatives provide education and training for their members, elected representatives, managers and employees so that they can contribute effectively to the development of their co-operatives. They inform the general public, particularly young people and opinion leaders about the nature and benefits of co-operation.
- (vi) **6th Principle: Co-operation among co-operatives** Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.
- (vii) **7th Principle: Concern for the community** Co-operative work for the sustainable development of their communities through policies approved by their members.

### **3.3.1 Features of the 1995 principles**

- (i) They are more explicitly stated compared to the 1972 principles.
- (ii) Emphasis on membership participation and benefiting from the co-operatives have been stressed throughout the principles.
- (iii) Autonomy and independence was made a principle. This is to bring out the importance of this feature of co-operative.
- (iv) The fifth principle spells out those who receive co-operative

education and training. While the members, elected representatives, managers and employees receive education and training, the general public, two targets were identified: the young and opinion leaders. If these targets are reached, they will boost co-operative membership compared for example with the aged people.

- (v) Gender sensitivity was observed in the framing of the principles such as the second principle, 3rd principle among others.
- (vi) The 7th principle is completely new. This demonstrates the relevance of co-operatives not only for grassroots development but at every level of the national economy.

#### **4.0 Conclusion**

We have looked at all the reviews of the co-operative principles since 1937 to the recent one which took place as recent as 1995. We noted the reasons for the reviews of the principles that emerged after each review exercise.

#### **5.0 Summary**

This unit concluded the reviews of the co-operative principles by the International Co-operative Organization. We saw in the 1995 review exercise, the re-statement of co-operative identity as indicated in the definition of a cooperative, co-operative values and co-operative principles. In the rest of the units of the course, we will be examining these principle one after the other.

#### **6.0 Tutor-marked Assignments**

Give reasons why the 1937 principles were reviewed in 1966.

Explain the features of the 1995 Centennial Principles of Co-operatives.

#### **7.0 References**

Onuoha. E. (1986): *Principles of Co-operative Enterprise*. Express Publishing Co., Enugu.

The ICA (1995): *State of the Co-operative Identity: ICA Centennial*. Manchester, Geneva, Switzerland.

### **UNIT 8: 1ST PRINCIPLE - VOLUNTARY AND OPEN**

# MEMBERSHIP

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### 1.0 Introduction

In our last unit (7) we went through the reviews of the 1966 and 1972 principles of co-operative. We examined the reasons for the reviews. I am sure by now you would have become acquainted with these reasons. They show that co-operative principles are dynamic so as to reflect the changes in the environment, particularly the external environment. We did see in the centennial meeting of the International Co-operative Alliance in Manchester, England, the reformulation of co-operative principles reflecting the values and elements of co-operatives. The combination of the values and the elements, stated in the principles and practised by the co-operators and co-operative administrators bring out the identity of co-operatives; they show the badge which every co-operative must carry.

In this unit and the several ones to come, we shall be examining these principles one after the other. The first principle is the voluntary and open membership. We will be looking at what it means and its relevance to the co-operative and to the members.

### 2.0 Objectives

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

1. Explain the meaning of voluntary membership;
2. Describe what is open membership;
3. Show the relevance of voluntary membership to the survival of a cooperative; and
4. Describe how open membership is practiced in co-operative

management.

### **3.0 Voluntary Membership**

The principle of voluntary membership is based on the idea of liberty which is a distinctive feature of all co-operative societies. The principle means that no person should be forced to join or to withdraw from a society. Consequently the essence of the principle refers to decisions of person to become a member, when they feel that it would be in their own interest to take over rights and obligations of membership. This is necessary because co-operatives as organizations for mutual self-help can only exist in the long run, if individuals voluntarily accept to conform to the rules of conduct, prescribed for their collective action. The force which makes one to voluntarily allow for group discipline is because of a felt need and/or economic reasoning.

You must note that voluntariness does not only mean to join a co-operative but also the decision to use the co-operative facilities and services of the cooperative enterprise. That is why a member of a co-operative is both owner and user of co-operative product and/or services. As a result, once he signs the bye-laws of his society on the event of being admitted into a co-operative fold, he has signed a contract and should abide by it.

Voluntary membership also applies to the co-operative society, both as a legal entity and as a self-help organization. The principle means that a co-operative society that has members, or the elected board, the members are free to decide on whom they want to work together with both now and in the future. This is important because the survival of the co-operatives to a large extent depends on the quality of membership. So the co-operative should decide whom it can admit as new members. The co-operative has to carefully go through the application, check whether or not the entry requirements are met and so on. If the prospective member does not meet the requirements, the co-operative has the right to reject the application. The conditions under which all this can take place are usually stated in 'the co-operative society registered bye-law'. For example, a minor, that is, somebody who is below the age of 18 cannot be admitted as a member of a co-operative society.

#### **Exercise 8.1**

Study the bye-laws of a registered co-operative society. List the conditions for admission as laid down for prospective members.

### **3.1 Open Membership**



This principle which is combined with the principle of voluntary membership make up the first principle of co-operatives. The open membership principle states that the co-operative society as an organization is primarily open to all who want to be members and participate in the business of the co-operative. Newly admitted members are free to use all services and facilities of the cooperative enterprise that have been built up through the work and efforts of older members.

A co-operative society as a self-help organization, is built on the solidarity of its members. Consequently, the more people join the society (up to a certain limit) the better are the chances for the individual member and for the group as a whole to achieve better objectives.

### **3.1.1 Limitation to open membership**

Even though we have just noted that the more people come to join a co-operative, the higher the probability that both the co-operative and members will achieve their objectives, there are limitations to this.

- (i) The objectives can only be achieved if the right type of people come together. That is people with the same economic interests and they are willing to make contributions.
- (ii) The co-operative is only open to those persons who can make use of the services and facilities. You cannot claim to be a true member if you only register as a member and you fail to patronize the society.
- (iii) When more people come together to form co-operative, they should do so on their own free will, in their own interest, and for their own benefit. If they are forced to increase the number by external force, say the government, the moment the government backing is no longer there, the co-operative starts to lose membership.
- (iv) People are only admitted to a co-operative when they have fulfilled certain requirements, such as:
  - a. age
  - b. profession or occupation
  - c. residence
  - d. human qualities e.g. hardworking, reliable, etc.
- (v) The ability of the co-operative to render efficient and effective

services is another limitation. If the number is so large, the co-operative may not be able to cope. In such a situation, two things may occur: either the society makes an outright rejection of the application of new members or it can decide to form another co-operative society.

### **3.1.2 Relevance of the principle to co-operative organization**

- (i) The principle of open membership will succeed if the co-operative has a legal identity. This means, it is a corporate body and is perpetually in existence in spite of the fact that people join and people leave in exercise of their freedom. This is one strong reason why a co-operative society must be registered by the Director of Co-operative Services of a Co-operative Department in an appropriate ministry.
- (ii) Also every co-operative society should compile and maintain a register. The register has the list of members of the co-operative.. At any given time, the list can be verified to know who is actually an authentic and active member and those who are not.
- (iii) Earlier, we noted in this unit that the effectiveness of a co-operative to a large extent depends on the quality of membership. This is reflected in the management of the society. Remember that there are two important organs in the management of a co-operative society; the general members and the committee members of the Board of Director (see unit 14 of the Introduction to Co-operation: Course CPM 101). The general members, once a quorum has been formed take decisions which are binding on the others and management must implement.

Similarly, committee members are usually elected from general membership. Their offices have powers and they can take decisions that affect the co-operative society. The only organ that can nullify the decision of the committee is the general membership.

You can see that since management is a question of making decision and ensuring that such decisions are implemented in the overall interest of the business, if the quality of decisions is poor because of the poor quality of membership, the co-operative will suffer. On the other hand, if sound decisions are made as a reflection of the good quality of the members, the co-operative benefits.

- (iv) Another relevance of the principle has to deal with the need for standard bye-law for every co-operative society. This is because it is practically impossible for a co-operative society to supply

on face to face contact prospective members looking for information as to what should constitute their rights and obligations on becoming a member. Similarly, where members are allowed to withdraw in the spirit of the principle, they must also know the consequences of their withdrawal. For a practical way to give answers to these questions and more, calls for model bye-laws that regulate these matters.

- (v) The need for stable reserves arises from this principle. You may remember when we were treating sources of funds for co-operatives (unit 12 of course CPM 101: Introduction to Co-operation) we agreed among other points that reserve funds were more stable than share capital. This has arisen because it has been found that since members can join and withdraw from a co-operative society freely in exercise of this freedom, it might create instability in share capital with the attendant problems. That is why it is now necessary to make provisions in the appropriation account for stable social or floating capital on which the co-operative enterprise can be built. This is done by making it compulsory for every co-operative society to build up and maintain a reserve fund.

## **Exercise 8.2**

Highlight the relevance of voluntary membership to a co-operative organization.

### **4.0 Conclusion**

We have discussed the principle of voluntary and open membership which is the first co-operative principle. This principle is based on the general idea of liberty, and is a characteristic of all co-operative societies. We were able to see what the principle means and the relevance to the co-operatives. For better understanding, we separated principle into two: voluntary principle and open membership principle.

### **5.0 Summary**

We have finished the examination on the first reformulated principle of cooperatives — the voluntary and open membership. There are still other principles, in fact six more to go. We are taking the next one which is on democratic member control.

### **6.0 Tutor-marked Assignments**

1. List the limitations of open membership.
2. Pinpoint the relevance of open membership to a co-operative.

## **7.0 References**

Murkner, D.H. (1981): *Co-operative Principles and Co-operative Law*. Institute for Co-operation in Developing Countries. Philips University, Express Publishing Coy. Ltd. Germany, 4th Edition.

Onuoha, E. (1986): *Principles of Co-operative Enterprise*. Express Publishing Co., Enugu.

# CONTROL

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### 1.0 Introduction

We finished discussing the first principle of the current co-operative principles in unit 8. Remember, we looked at the meaning of the principle as well as the relevance to the co-operative society. For proper understanding we split the principle into two: the Voluntary Principle and the Open Membership Principle.

We are taking up again another principle, this time around, it is the 2nd principle which deals with the basis of co-operative management. This is the principle of Democratic Member Control. Co-operatives by their very nature are democratic organizations controlled by their members. The parties participate in setting their policies and making decisions. All these issues and more will be examined in this unit.

### 2.0 Objectives

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

1. Describe the importance of the principle of democratic member control.
2. List the problems of democratic member control.
3. Explain the relevance of democratic member control in the management of a co-operative.

### 3.0 Importance of the Principles of Democratic Member Control

This principle can be looked at from the point of democratic management and control. And it is important for the structure of co-operative societies. The importance is in three areas:

### **3.0.1 Self-government**

The management and control of a typical co-operative organization means self-government. The members themselves are the supreme and ultimate authority, competent to decide all important matters concerning the co-operative society. This is reasonable on the assumption that the members themselves are the ones that initiated the idea to form the co-operative, they are the ones making financial contributions and other contribution to the society.

But in a large co-operative organization where members join and leave the co-operative, it is not practicable for every individual member to participate directly in decision-making and management. However, this can be done indirectly through expression of views during meetings and through voting, where decisions are taken by the majority of members present.

### **3.0.2 One man-one vote**

In compliance to gender demand, one may call this aspect of democratic member control principle, one member, one vote. In a co-operative society, the members come together as persons who have common needs but not as investors, who are simply looking for returns on their investment through higher profits. In a co-operative consisting of members with their needs, the personal participation of each member, that is, using the services and facilities offered by the co-operative enterprise, is considered more important than his financial contributions. As human beings, there is the equality of all members. And the best way to ensure equal status for all members is to give each member one and only one vote. This is irrespective of the capital contributions, duration of membership or volume of business done with the co-operative enterprise.

### **3.0.3 Control and administration of the co-operative society by members**

This is the third aspect of the principle of democratic member control. We have seen the democratic aspect through the self-governing nature of co-operative and the one member—one vote in the decision making process of co-operative management.

This third aspect of the principle is that the members themselves must be

in control of the administration and management of their own society. This does not mean that members take over the management of the society themselves; there must be a small group to handle this matter. And this small group that handles the matter must be elected by members and enjoy members' confidence. This means that committee members or what is sometimes referred to as board of directors derive their power and authority by the bye-laws and from the members and general meeting. They act on behalf of the general members of the society, they report to the members and they are accountable to the members.

The members on their own part exercise democratic control by informing themselves on all matters concerning the society. They have the power to criticize or even to dismiss their elected representatives and to replace them with other board members whom they can trust.

### **3.0.4 The hired manager and the board of trustees**

Where a co-operative organization enters into a complicated and complex business organization or where a co-operative is competing with other business organizations, there is a tendency to transfer responsibility for the management functions into the hands of employed manager. When this happens, the elected board members perform trustee functions on behalf of the members and assume the task of ensuring that the interest of the members becomes the primary focus of the co-operative.

## **3.1 Problems of Democratic Member Control**

The principle of democratic member control poses problems especially in developing countries like Nigeria. The major problems are the following:

- (i) The educational standard and the professional competence and qualification of members of co-operatives are not such as to enable the members to carry out democratic procedure and to exercise democratic control in an effective way. This is why in many co-operative societies, the same set of faces are seen every year for more than five years at a stretch. Even when some of the officers were accused of corruption, the accusation made little or no impact.
- (ii) Arising from poor educational background of the members is the need to find ways and means to develop members capacity for democratic management and control. This is a slow process of learning. It will require service and guidance from outside and under certain conditions. This is why government participates in

co-operative management thereby mellowing down the effectiveness of this principle. "

### **3.2 Relevance of the Principle to Co-operative Management**

For the principle to work, the general meetings of members must have the real position of supreme authority within the society; this is due to the function usually performed during meetings by members.

#### **3.2.1 Functions of general meeting**

In pursuance of the principle of the democratic member control, the members of the co-operatives in a general meeting should at least carry out the following functions:

- (i) to make and amend the bye-laws of the society. The bye-laws of the society constitute the very live-wire of the society and it is the responsibility of the members to take charge of the very foundation of their society;
- (ii) to elect and to dismiss the committee members or the board of directors on what is sometimes referred to as the office bearers; and
- (iii) to decide on the final distribution of the economic results (surplus/profit) arising out of the operations of their society.

The above functions at least must be vested on members during general meetings.

#### **3.2.2 Conditions under which the democratic member control can work**

Due to the necessity for this principle in the management of co-operatives and the fact that most members of co-operative societies have poor educational background, certain condition must be put in place for this principle to be effective:

- (i) Outsiders of the co-operative society should never be allowed to decide on the matters concerning the functions of members during the general meetings. In fact, there should be a law that provides that outside guidance and advice should, as a rule, be given on request either by the society concerned or the union to which the society is affiliated.
- (ii) The second condition is where government intervention in the management of co-operative societies is indispensable; the level of intervention should be clearly defined. Also, those societies



that have proved that they can manage their own affairs should be excluded from the interventionists power.

- (iii) Where a co-operative society want to use public money (grants or/or loans) for their operations, it has to be stated clearly under what condition this can be done and the consequences for the society's autonomy. For example, it would be stated that where a co-operative society that has received loan from government and fails to pay back the loan completely, government has the right to nominate a representative to serve on the board of such a co-operative society.
- (iv) As a fourth condition, it can be stated that as a pre-requisite for the registration of a new co-operative society, the members of such co-operative society must prove to have acquired some basic Knowledge of co-operative work including the exercise of democratic management and control. It would further be stated that the continuous inability of members of a registered co-operative society to carry out democratic management and control should under the situation lead to withdrawal or cancellation of the registration.
- (v) **Equal status of members**  
We have noted the point earlier that there is equality of every co-operative member. This constitutes a condition which is observed that there should be one member, one vote in cooperative decisions.
- (vi) The rights and obligations of every member of a co-operative must be clearly written in the bye laws of the society and in the language that everyone can read and understand. This is to avoid preferential treatment.
- (vii) Lastly, where decisions binding on the entire membership are taken by majority vote, there should be provisions to protect the minority such as:
  - The right to call for extraordinary meeting if required by a certain percentage of the total membership;
  - The right of every member to inspect the minutes book and other relevant documents; and
  - The right to contest decisions taken at a general meeting under certain situations.

## Exercise 9.1

1. List the importance of democratic member control principle.
2. Identify the problems of democratic member control.

#### **4.0 Conclusion**

We have looked through the principle of Democratic Member Control and tried to identify the importance, which is situated on a tripod - self government, one member - one vote, and control and administration of the co-operative. We went further to examine what each of the tripods stands for. We also saw the problems of Democratic Member Control especially with regard to the educational and professional competence of members. From here we moved on to see the relevance of the principle to a co-operative organization.

#### **5.0 Summary**

Another principle, which is the principle of Democratic Member Control has been examined. This brings to two the co-operative principles so far treated. In unit 10 which is going to be our next unit, we are going to treat the 3rd principle which is on: Member Economic Participation.

#### **6.0 Tutor-marked Assignment**

Discuss the relevance of Democratic Member Control in the management of a co-operative organization.

#### **7.0 Reference**

Munkner, D.H (1981): *Co-Operative Principles and Co-Operative Law*. Institute for Co-operation in Developing countries. Philips University Marburg, Germany.

### **UNIT 10: 3RD PRINCIPLE-MEMBER ECONOMIC**

# **PARTICIPATION (LIMITED INTEREST ON CAPITAL)**

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## **1.0 Introduction**

Unit 9 examined the co-operative principle of member democratic control and we stressed the importance of the principle with regard to self-government by members concerning the affairs of the society. The control and administration of the co-operative society which is put in the hands of the members. All these take place through the democratic process of arriving at a decision, which is, one member, one vote. We also examined the condition under which the practice of this principle can be carried out stressing that there should be no outside interference.

In unit 10, we shall be looking at the principle of member economic participation. Remember that we have been stressing that it is not enough to join a co-operative or form one. The members must actively participate in the affairs of the business. Democratic member control principle only emphasizes the management aspect that concerns the members. Member economic participation principle stresses the rights and obligations towards the economic activities of their co-operative. These activities are many. They contribute equitably to capital, and democratically control the capital of their business. And while sharing the net surplus, members receive limited compensation, if necessary. They also take other vital decisions necessary for the survival of their co-operative society. Because of the numerous activities involved in the observation of this principle, we are going to split it into two: the first part of the principle which involves limited interest on capital arising

from members contribution to capital formation and patronage will be looked into in this unit; thereafter, in unit 11, we shall examine the distribution of surpluses and other issues related to it.

## **2.0 Objectives**

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

1. list the implications of limited interest on capital;
2. analyse the implications; and
3. how the implications affect co-operative business

## **3.0 The Implications**

Limited interest on capital is only one side of the coin. This side is only when members of a co-operative society consider it necessary to give a certain percentage of the surplus to capital. Remember, surplus is the same thing as profit or economic result. The second side is when members on their own freewill decide that no interest whatsoever, for that accounting period should go to capital. All these decisions involve many implications which we must examine. These are:

### **3.0.1 Co-operative organizations are business enterprises.**

- 3.0.2 Co-operative organizations like all business organizations require money to finance their numerous activities.
- 3.0.3 Co-operators should be the owners of their enterprises through equity contributions, that is, shareholding.
- 3.0.4 The management of co-operative should not only be effective but also efficient in order to make profit.
- 3.0.5 The profit so made, unlike limited liability companies, does not belong only to the shareholders but to also those who patronize the cooperative.
- 3.0.6 Co-operative as a business organization should not only limit the sourcing of their funds from co-operators; other sources should be explored.
- 3.0.7 Finally, the issue of payment of interest on capital is not obligatory.

These implications of the principles and other related issues will be taken up one after the other.

### **Exercise 10.1**

1. What is limited interest on capital?
2. List the implications of limited interest on capital.

### **3.1 The Analysis of the Implications**

#### **3.1.1 Co-operatives are business organizations**

We have been emphasizing this point right from our first unit in course CPM 101. Co-operatives are philanthropic or humanitarian organizations. A co-operative is a form of business organization which is formed by a group of persons. And these individuals formed the business in order to solve their felt needs which each one of them can do on his own. These felt needs are mostly economic needs even though there are also sociological needs as well. Again we have discussed the reasons why people join or form co-operative societies. You may go back to that unit again if you have forgotten and revised the contents. Co-operative businesses are formed in almost all sectors of the National economy, such as retail and wholesale co-operatives in the distributive sector, others in the production sector line are agricultural cooperatives, housing and banking among others in the service sector. In fact, any field of human endeavour co-operatives can be formed along the line.

#### **3.1.2 Capital is needed to finance co-operatives**

Like other forms of business organizations; capital is needed to finance co-operative business. In fact, it is often said that money is used to finance the wheel of business organization. Without money, a business organization grinds to a halt and fast too. Money is needed to purchase land, erect buildings, buy motor vehicles and other fixed assets. Money is also needed for the short term needs of the co-operatives such as buying supplies, raw materials, oil, lubricants, paying salaries and wages and other short term obligations. This is one reason why cooperatives are organized so that people who cannot provide the money through individual effort can collectively pool their resources together so that the felt needs can be resolved.

#### **3.1.3 Members of a co-operative are the owners**

The members that initiated and successfully formed a co-operative are also the real owners of the business. They held series of meetings before the co-operative was formed. These members are called co-operators, and they should participate actively in co-operative business. We stressed this point in the first and second principles. Co-operatives are therefore not for the money bags who will just pump in their money and expecting streams of income by way of dividends. This is why right

from the Rochdale equitable pioneers, the original system of financing a co-operative is through members' contributions, through the purchase of shares. These shares are personal and cannot be easily transferred from one shareholder to the other. They show two things namely: that the shareholder has demonstrated enough interest on the co-operative and secondly, that the shareholder is entitled to a vote in co-operative decisions during meetings. However, shareholders can withdraw their shares when they withdraw from the co-operative together with their other assets. Shareholding therefore, helps the members to regard the co-operative as their own, and they will actively support their cooperative. It is also a strong force that pulls the members to patronize their co-operative, they adopt an alert stand on their co-operative, particularly the primary co-operatives. They also participate in the affairs of the co-operatives unlike those apex co-operative organizations such as banks and insurance co-operatives. In these organizations, government is the major financier, and as such dictate to these cooperatives. Members just stand by and look and only contented with the little services given to them. These co-operatives are called pseudo-co-operatives.

### **3.1.4 Co-operatives should be managed efficiently**

This implication is important because if members are to receive interest on the capital they have contributed into the co-operative business, then the business must be run efficiently. Efficiency is to use the business resources so well that after all expenses have been subtracted from the total income received, there will still be balance. It will now be left for members to decide how much should be given as interest to capital contributed. But if the resources are wrongly used, embezzled and wasted, there will be nothing to declare as surplus but loss. Under such situation, nothing comes to capital or to other areas.

For efficiency to result, the management of co-operatives which involve the members, committee members or the board of directors as well as the hired manager with his staff members must adopt modern business concepts, techniques and principles in the management of their enterprise. Such principles and techniques include: forecasting, planning, staffing, controlling, directing and leading, break-even point analysis, among others. All these demand that qualified professionals should be employed and well rewarded to carry out co-operative management without violating the sanctity of the self-autonomy nature of co-operatives. This is not to neglect members' education. If co-operatives are to survive intense competition, the members too must be educated, not just along the lines of normal education but also co-operative education so that they can carry out their functions.

### **3.1.5 Profit/surplus made goes to members (patrons)**

In the limited liability companies, in short, in all other forms of business, there is the supremacy of capital in business decisions and the sharing of net profits. It is not so in co-operatives.

In co-operative, business decisions is based on one-member one vote irrespective of the number of shares a member is [holding. Net](#) incomes too do not go to capital alone, because there is limited interest on capital. This capital is seen in co-operative business as a tool to realize the aim of co-operation. Capital is a contribution that is made to enable the co-operative society to get the needed facilities for the production of goods and services. The emphasis is on good services to members in return for their investment and not interest.

### **3.1.6 Sources of funds**

We have treated this issue in CPM 101. However, it is hardly enough to stress in our present unit once again that co-operatives should not limit their search for funds to contributions from members alone. There is the need to look for other sources such as grants and loans. However, loans with exorbitant interest should not be taken. They are burdens capable of killing the co-operative. But loans from such financial institutions like Co-operative Bank, the Nigerian Agricultural, Co-operative and Rural Development Bank or loans directly from governments usually attract low interest rates. Co-operatives would borrow from such banks.

Government grants which do not carry any interest rates are better than loans. Because of the widespread poverty amongst Africans including Nigerians particularly in the rural areas, receiving government grants will go a long way to finance co-operative businesses.

### **3.1.7 Payment of interest is non-obligatory**

Remember when we were treating the ICA 1966 formulation of principles of co-operatives that one of them carried the clause "... if any" check it out. The extra phrase is to emphasize that payment of interest on capital is not obligatory. This is because, and we have emphasized it before, that subscribing capital to co-operative business is for the purpose of building co-operative facilities. These facilities will enable the co-operative to render good services to members thereby enhancing co-operative effect. The capital is never intended as an investment to attract huge interest. As a result, payment of interest on capital is a practice which is not observed every year.

## **4.0 Conclusion**

We have treated one part of our third principle: member economic participation. We have looked at the limited interest on capital which may arise as a result of members participating in their co-operative business. On looking at the principle closely, we saw that there were implications which we listed out. Thereafter, an analysis of each principle was made viz-a-viz co-operative business.

## **5.0 Summary**

We saw the broadness of the 3rd co-operative principle: member economic participation. And we decided to split the principle into two. We handled the first portion under limited interest on capital. We will be taking the second component in Unit 11 under: surpluses should be equitably distributed.

## **6.0 Tutor-marked Assignments**

1. Explain why co-operative business should be efficiently managed.
2. Why is co-operative education necessary in the running of co-operatives?

## **7.0 Reference**

Onuoha, E. (1986): *Principles of Co-operative Enterprise*. Express Publishing Co., Enugu.



## **UNIT 11: EQUITABLE DISTRIBUTION OF SURPLUS**

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- 3.0 Nature of Equitable Distribution of Surplus
- 3.1 Techniques of distributing of Co-operative Surplus
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  - 3.1.2 Setting up a Common Project with the Surplus
  - 3.1.3 Patronage Refund
- 3.2 The Difference between Co-operative Surplus and Profit of Non-co-operative Business.
  - 3.2.1 Service at Cost
  - 3.2.2 Owners of Co-operatives are also the Patrons
- 4.0 Conclusion
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### **1.0 Introduction**

In our last unit, we discussed an aspect of member economic participation in co-operative business. The aspect we discussed was on limited interest on share capital. We explained what it means and we were able to draw out seven implications arising from it. We carefully analyzed the implications particularly as they affect the management of co-operative business. Our present unit which is unit 11 will look into the second side of member economic participation, and it has to do with equitable distribution of surpluses.

Equitable distribution of surpluses must be done with fairness and justice. Already you have seen in our last discussion that share capital contributed by members does receive a fixed rate of interest. The members can decide not to pay anything at all as interest on share capital but to re-invest the money into their business. Equitable distribution of surpluses ensures that if a net surplus is seen declared by a co-operative, the money has to be distributed taking several factors into consideration. We shall be looking at these factors together with the techniques for distributing surpluses.

### **2.0 Objectives**

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

1. Explain the nature of equitable distribution of surpluses
2. Describe the techniques of distributing co-operative surpluses.
3. Know the difference between co-operative surplus and profit of other non-co-operative business.

### **3.0 Nature of Equitable Distribution of Surpluses**

Since the economic result or net surplus arising out of the operation of a society should belong to the co-operative, that is, the members that formed the society, it should be distributed in such a way as to avoid a situation where one member is gaining at the expense of others. If members have decided to remunerate capital by paying a fixed rate on the share capital contributed by each member what remains should then be equitably distributed to patrons of their society.

The underlining force behind this spirit is equity, justice or fair play. Equality governs the relationship existing between two members in the co-operative, while equity looks at the economic relations of each member with the cooperative business. The essence in fact is that before the law, all men are equal irrespective of race or tribe or social standing. But the same cannot be said when it comes to economic matters. This is because all men cannot be equal in their capability to apply their native intelligence either sharpened by education or not in economic pursuits. As a result, in co-operative management, while the concept of equality has been taken care of in one-member, one vote, logic and common sense demands that the concern of equity should be addressed by distributing the economic result in accordance or in proportion to the volume of business each member transacted with the co-operative in the given period. Put clearly, it shows that in co-operative business, members should receive economic results or benefits in proportion to their contributions. It also demands that people should contribute resources in proportion to services received. Differences in contributions from members are taken into consideration so that no one gains at the expense of others. When this is done, it will further motivate the members to contribute the more so that they can also benefit the more.

#### **Exercise 11.1**

Give reasons why you should consider it necessary that the economic result of a co-operative enterprise should be shared proportionally in accordance with members transaction with their co-operative.

### **3.1 Techniques of Distributing Co-operative Surplus**

### **3.1.1 Difference between patronage refund and equitable distribution of surplus**

Before we look at the techniques of distributing the economic result of a co-operative, it is necessary to separate patronage refund from equitable distribution of surplus. Patronage refund is not obligatory but equitable distribution. Again, one way to achieve equitable distribution is through patronage refund. In other words patronage refund is a tool for achieving equitable distribution of surplus.

### **3.1.2 The net result of a co-operative society is considered to have been shared equitably through any of the following techniques**

- (i) The society may decide to retain the net surplus. In other words, the society is capitalizing on the net surplus which will be used to expand the society by installing facilities for common use. The decision will also go a long way to build the resources of the society which can further be used to cover risks or write off some losses which may occur in the course of doing business. Modern equipment can be purchased that will facilitate the work of the co-operatives. There is nothing wrong in a co-operative purchasing computer units for processing transactions, preparing the final accounts and even assisting in the analysis of the final accounts for decision making.
- (ii) The net surplus can be used to set up projects outside the co-operative society. Such projects that can benefit all members of the society only or projects that can benefit not only the members of the society but also the community as a whole. We will be talking more of such co-operative efforts when we are treating the last principle which is on concern for community. Examples of such projects include: the building and stocking a library, constructing access roads for the community, providing clinics among others.
- (iii) The net surplus can be distributed through the patronage refund. We have already said that patronage refund can be one method of distributing net surplus and this is one of the differences between it and net surplus. If patronage refund is used to distribute the net surplus among members, one way to go about it is to share it according to the volume of business each member has transacted with the society over the period.

Some members may prefer to get such refunds as cash

immediately. This means that they will withdraw such money immediately from their co-operatives. Even though they have the right to do this, one effect of such action is that they will be making their society to be short of cash which it would have used to expand its business activities. This makes such society to have depleted services and its ability for self financing is reduced. If such society wants to expand in future, it is likely to borrow money from financial institutions. Such money is usually with interest which the society must pay. Another alternative is for the members to buy additional shares.

Instead of collecting cash from their co-operative as a way of patronage refund, there are other options available to the members and their co-operative society. They may decide in their meetings to collect stock of goods from their society in place of cash, the value of such goods having the same monetary equivalent with the value of their patronage refund. Another way out is for the members to use the patronage refunds to buy more shares. So, instead of collecting cash, the members will have more shares whose value is equivalent to the cash that they ought to have collected.

You will also note that in the same way that part surpluses or profits are distributed to members as patronage refunds, so also losses can be distributed, according to the level of patronage. However, the society may decide that on the event of a loss being declared at the end of the year, such loss may be carried forward. This means that the society will have to work harder to offset the loss in the net financial year. The loss may also be carried backward. This means that the profits made in the previous year which are not part of the reserve funds will be used to offset the loss. If this is done, the value of the reserves would have been reduced.

### **Exercise 11.2**

1. Explain briefly the techniques for distributing net surplus. For each technique, explain one implication associated with it.
2. In a strictly consumer co-operative society, patronage refund is shared among the members according to the volume of purchases each member has made with the society during the trading season. This means that the more goods whose value is high in monetary terms that a member buys from his society, the more money he is going to receive as patronage refund.

Similarly, other co-operative societies that are not consumer co-operatives, such as a marketing co-operative society, refunds are usually made according to the volume of produce delivered to the society. For example, if a marketing co-operative society that deals with the sale and marketing of cocoa has declared a surplus/profit, the management will look at the quantity of cocoa delivered by each member during the year. The member that delivered the highest quantity to the society would receive the corresponding highest refund. Similarly, the member that sold the least quantity of cocoa to his co-operative would receive the least patronage refund. This is sound and reasonable. It is a way of ensuring that as much as possible, members transact their business through their co-operatives and not other channels like the middlemen or the itinerant buying agent.

### **3.2 The Difference between Co-operative Surplus and Profit of Non-Co-operative Business**

You will recall that we have been emphasizing right from our first course, "Introduction to Co-operation", that a co-operative organization is a non-business organization. The major point that brings out this difference is the distribution of patronage refund which we have been discussing now. This is achieved through the following strategies:

#### **3.2.1 Service at a cost**

A co-operative society does its activities through service at a cost. A consumer co-operative, for example, buys from the market at the cheapest source and sells to the members at the prevailing market price. This prevailing market price at which the members buy from their co-operative is temporary. This is because at the end of the trading year, there must be some adjustments. One of such adjustments is the patronage refund where the excess payment made while purchasing the goods from the co-operative society is refunded to the member. Such a practice cannot take place in a non-co-operative business because all profits go to the owners of the business.

#### **3.2.2 Owners of co-operative are also the patrons**

We have said earlier too that the owners of a co-operative business are also the end users of the co-operative service. All co-operators and co-operative managers/administrators must bear this in mind. Consequently, co-operatives make their surplus/profit from their own members. But no one can make a profit out of himself. This is why the principle of profit making separates the owner of the business from the customers. This is why as long as co-operative owners are the end users of the co-operative services and they cannot make profit out of

themselves, the surplus declared must be returned to them at least in part. Again, this is one of the reasons why co-operative surpluses are not usually taxed by the government. If this is not the case, it will amount to taxing the income of owners twice. In non-cooperative business, the surplus or the profit is usually taxed because as we have pointed out earlier, there is a difference between the owners of the business and the customers.

#### **4.0 Conclusion**

We have looked into the second component of members economic participation, which is another principle of co-operative as handed over by the International Co-operative Alliance (ICA). You will recall that the first component was discussed in our unit 10. Revise that unit again and bring it in line with what you are presently studying. This unit 11 looks at the equitable distribution of surplus. We did examine how the surplus should be distributed among the members and the techniques for its distribution. We again gave reasons why there should be patronage refunds to members.

#### **5.0 Summary**

This unit complements unit 10. Together, they conclude our discussion on the members economic participation which is the principle of co-operative that we have been examining. We still have other principles to treat. And in Unit 12, we are taking another principle which is on: Autonomy and Independence.

#### **6.0 Tutor-marked Assignment**

Explain the techniques of equitable distribution of surplus in a co-operative society. How does the equitable distribution of surplus separates a co-operative society from other non-co-operative business organizations?

#### **7.0 Reference**

Onuoha, E. (1988): *Principles of Co-operative Enterprise*. Express Publishing Co. Ltd., Enugu.

### **UNIT 12: AUTONOMY AND INDEPENDENCE**

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### **1.0 Introduction**

You may recall when we were treating the definitions of a co-operative society, we highlighted the key elements that make up a co-operative society. The point was also emphasized in the definition given by the International Co-operative Alliance (ICA). Can you still recollect the definition? If you cannot give the definition verbatim, you can at least enumerate these elements that form a co-operative society. They include: autonomy, association, voluntary, economic, social, and cultural needs among others.

In this unit, we are going to treat the autonomy of a co-operative society which is in fact a principle of co-operative as provided by the ICA. It is in fact the fourth principle.

In our last unit, we stressed the importance of equitable distribution of surplus which together with limited interest on share capital constitute the third principle of co-operative. We looked at the relevance of the principle as well as the techniques for distributing net surplus. All these techniques are usually based on members decisions; there is no outside interference. This is because a co-operative society is an independent association and the success or failure of the co-operative rests squarely on the shoulders of the members.

Our present unit that is unit 12 will look into the nature of co-operative

autonomy and how autonomy is exercised in the day to day management of a co-operative society. Again, the principle of autonomy and independence will be split. This unit will examine the nature of co-operative autonomy and independence, while unit 13 will look into how the principle is applied in the management and administration of a co-operative society.

## **2.0 Objectives**

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

1. Explain the nature of co-operative autonomy
2. Describe the various ways co-operative autonomy is restricted.

## **3.0 Meaning of Co-operative Autonomy**

In our first unit of our first course: Introduction to Co-operation (CPM 101), we emphasized that co-operation involves self-help, self-reliance, independence and liberty. Consequently, all what we have been saying concerning the spirit of co-operation can be summarized in one word: autonomy. That is why before people decide to come together and form a co-operative society, the spirit of autonomy should be rooted in their minds and hearts. This is because the planning of the co-operative as well as the general management and administration of the co-operative rest with them. There is no outside interference from any quarter whatsoever.

### **3.0.1 Co-operative autonomy and government**

There is always the fear that the autonomy of co-operatives cannot be meaningful in a country where the government does not tolerate or favours or protects the development of autonomous self-help organizations of its citizens. But this fear is an extreme one because hardly there is a country where the government will not encourage the citizens to strive for self-reliance. The degree of government intervention in the development of co-operative, however, varies from one country to the other. In Nigeria, we have already examined the relationship existing between co-operatives and government. Can you still recollect the roles government plays in co-operative development?

If you have forgotten, you are advised to reread the last two units of our course, Introduction to Co-operation (CPM 101).

### **Exercise 12.1**



List the various roles that government plays in Nigeria in order to ensure cooperative development.

Co-operative autonomy, therefore, strongly emphasizes democratic control, which should not be violated. Even when a co-operative society enters into an agreement with other organizations or raises capital from other sources such as a commercial bank, it does so on terms that ensure this democratic control by members so as to maintain its co-operative autonomy. The moment there are outside persons in the management of a co-operative, then the autonomy is diluted especially in the planning and decision making. And when this starts to happen in a co-operative society, the development of self-reliant co-operative is adversely affected.

Government in its policy statement should emphasise their interest in the development of strong co-operative societies. Whatever assistance they are giving to the co-operatives should not be to weaken the autonomy of co-operatives but on the other hand to strengthen them. Also the provisions of the laws and regulations governing co-operatives should be to strengthen the autonomy of co-operative organizations.

### **3.1 Limitations of Co-operative Autonomy**

Autonomy does not exist without limitation. That is to say that there is no absolute autonomy. There is always relative autonomy, relative self-reliance and relative independence for individuals, groups and accordingly for the co-operatives as well. The autonomy for co-operatives is limited in several ways such as:

#### **3.1.1 Social limitation**

In a community there are definite patterns that the members organize themselves in social activities. Some do it through the age grade system, which means that individuals of an age range usually interact in carrying out some activities. It would be frowned at if a person outside the age grade should be a member or interfere in the activities of the age grade of which he is not a member. Some communities allow their members to associate on the basis of sex; this means that men come together to form their own association while the women also associate along similar lines.

From the above, it is clear that if co-operatives are going to be formed in such communities as indicated above, the mode of association should also be similar to the patterns that are already in existence, the self-autonomy of the co-operative notwithstanding.

#### **3.1.2 Economic limitation**

Members of co-operative societies cannot embark on any economic activities that are beyond the scope and strength of them. For example, a bricklayer co-operative society cannot wake up one morning and decide that because they have the freedom and liberty, start making pharmaceutical products. The demands for manufacturing pharmaceutical products are technically and economically beyond their means. Also, a co-operative society especially in the rural areas is usually an association of individuals of modest means. In the distribution of income, members occupy the lower groups. This means that their disposable income, that is, the amount of money they can spend after paying their taxes and savings for the rainy day is usually small. For a co-operative to call on such members to finance a project that needs huge amount of money is certainly beyond their reach.

Again, in countries where the state plans for the economy such as Cuba, the autonomy of a co-operative is weakened. This is because at every point in time, the state or government has already mapped out what will be the nature and level of economic activities, including the ones for the co-operatives. For a capitalist economy like the United States of America, the degree of freedom is much for individuals to pursue economic activities. But again, the ability to embark on such economic activities depends on the skills available, the resources that can be utilized and the laws and regulations regulating economic activities.

### **3.1.3 Political limitation**

The government that is in power and the type of the political party pose some limitations to co-operative autonomy. A socialist party as we have discussed taking Cuba as an example will dictate the type and level of business activities of the co-operatives. If the government says education is free and wants to give exercise books free of charge to the school children, it may ask a co-operative organization that can undertake it to print such exercise books, even though it may like to do other businesses.

In a capitalist economy, there is freedom to embark on different economic activities and competition is stiff and keen. Co-operatives in such economies may not be able to compete on equal terms with the big organizations even though the liberty is there.

### **3.1.4 Cultural limitation**

The patterns of doing things, the norms, values, belief system and generally the ways of life of a community can pose a limitation to co-operative autonomy. The way of life is something that has been handed

over from generation to generation as a legacy through formal and informal education. Co-operative cannot change all these overnight. As a result the business activities that will be embarked on should comply with the cultural values of the community. As an example, in a place where the eating of pork meat is forbidden, a co-operative society cannot embark on the production of pork meat for sale to the general public simply because it has autonomy.

### **3.1.5 Legal environment**

A co-operative society cannot do business outside the provisions of the appropriate laws. In Nigeria, we have the Co-operative Societies Decrees of 1993 and the various States Co-operative Laws and Regulations. All these laws contain important provisions that deal with the registration of co-operative societies, business practices of co-operatives, setting disputes in co-operatives among other provisions. A co-operative cannot go outside what has been provided in these laws and regulations. At a lower level each co-operative society also has its own bye-laws which again govern its activities. The provisions of the bye-laws must not go contrary to what has been provided for in the Co-operative Decree or the appropriate State Co-operative Laws and Regulations. In fact, the co-operative bye-laws are derived from the State Co-operative Laws and Regulations, which in turn, are derived from the Federal Co-operative Decree.

### **3.1.6 Technological limitation**

Technology is simply the manner of doing things. It can be an advanced technology or a crude one. Because of researches, technology is always undergoing changes. As a result, what was the best technology some years ago may become out of date today as a result of improvement and better ways of doing things. Technology affects all business organizations including the co-operatives and there is nothing co-operative autonomy can do about it. On the contrary, the co-operatives should seek ways of adapting to current technology such as the use of computer system so that they can be more efficient and competent with their competitors.

### **3.1.7 Physical limitation**

The physical limitation relates to the land areas, topography, climate, drainage, vegetation, soil types as they affect the sources of inputs, the conversion of inputs to outputs, the location of business and the location of customers. Consequently, to determine the type of economic activities by a co-operative is influenced by the physical environment. We have also earlier discussed that a necessary condition for the formation of a

co-operative society is the physical environment. This is because where the environment is harsh, no good roads and the inhabitants are scattered, bringing them together to form a co-operative society is an uphill task.

### **3.1.8 Demographic limitation**

Demography concerns the population of a given area, its distribution according to sex and the level of concentration. We have already noted that where the population is sparsely distributed, to bring the inhabitants of the area to form a co-operative is a problem. Also in a community where most of the inhabitants are old, asking them to form a cooperative that demands physical labour such as group farming might prove difficult; they may not be able to exert themselves.

### **Exercise 12.2**

How do the rules of government in Nigeria affect co-operative autonomy?

## **4.0 Conclusion**

We are examining the principle of co-operative autonomy and independence. We looked into the meaning of co-operative autonomy and the essence of the autonomy to a co-operative organization as a self-reliant business organization. We also discussed that even though co-operative autonomy is important, it is never absolute. That is, co-operative is relative to some environmental factors.

There was a discussion on these environmental factors which limit the autonomy of co-operatives.

## **5.0 Summary**

Our discussions on this unit which centres on the meaning and limitations of co-operative autonomy constitute the first segment of the subject matter. In our next unit, we shall be completing the second segment by looking at how cooperative autonomy is exercised. We will also look at some legal provisions that will facilitate the exercise of co-operative autonomy.

## **6.0 Tutor-marked Assignment**

Co-operative autonomy is relative to environmental constraints. Mention eight of these environmental constraints and explain any two of them.

## **7.0 References**

Ama, E.O (1988): *Co-operative Principles and Methods*. Centre for Rural Development & Co-operatives, University of Nigeria, Nsukka. Unpublished.

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# **UNIT 13: CO-OPERATIVE AUTONOMY (THE PRACTICE**

## **AND NECESSARY CONDITIONS)**

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  - 3.0.4 To Execute Co-operative Policy
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- 3.1 Conditions Under which Co-operative Autonomy is Exercised
  - 3.1.1 Stressing Autonomy in Co-operative Societies Act.
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### **1.0 Introduction**

We had discussions on co-operative autonomy and independence last week. We stressed the importance of the principle with the emphasis that co-operative management and administration rest squarely on its autonomy as a self-help organization. We reiterated the fact that a co-operative is owned by members who are also the end users of co-operative services. As a result, the members initiated the formation of the co-operative, the management is carried out by the members, the financing and control should also be done by members without outside interference. When for whatever reason there is going to be an outside intervention in the affairs of a co-operative, the level of the interference must be determined. Once the condition that necessitate such interference no longer exist, the linkage must be cut off immediately so that the sanctity of the autonomy will be maintained.

But we looked only on the aspects of the meaning of co-operative autonomy and independence. In this unit, we are going to examine the various ways that co-operative autonomy is exercised in the affairs of a co-operative society. We will also be looking at the necessary and sufficient conditions especially in respect of legal provisions that will

enhance co-operative autonomy and its sanctity.

## **2.0 Objectives**

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

1. Describe the various ways that a co-operative society exercises its autonomy.
2. Explain the necessary condition through which co-operative autonomy can be exercised and made meaningful.

## **3.0 The Principal Ways by which Co-operative Autonomy is Exercised**

Co-operative autonomy is the right of members in determining how their cooperative is going to be managed. In doing this, they have to take into consideration the prevailing social as well as economic conditions. This should be done by also taking into consideration the provisions of the co-operative laws and regulations and in addition government policies concerning cooperative development.

### **3.0.1 To make and to amend bye-laws**

The bye-laws of a co-operative society should be regarded as the live-wire of the society. Business transactions as well as other activities of a co-operative society cannot be done in the absence of the bye-laws. The bye-laws consequently provide the framework under which cooperative activities are carried out. The popular provisions that are usually contained in the bye-laws included the conditions for the admission of new members, the share capital to be contributed by each member, liability of each member in the event of the society being liquidated (folding up), the manner of distributing net surplus among other provisions.

### **3.0.2 To formulate co-operative goals**

Members of a co-operative society exercise their autonomy by setting the broad goals that they want their society to accomplish. From the goals, the management derive their objectives. The objectives are more targeted and specific. They are ends in view and preferably should be quantified so that periodically, the members can measure whether they are attaining the objectives or not by comparing actual performance with the set targets. All these are carefully done by the members and nobody else. As a result, objectives must be set after analyzing the felt needs of the members. The needs are unfulfilled desires which the members want to address. So when they are making sacrifices by way of contributions

to the society, they are doing so because they want to solve their felt needs and not the needs of outsiders.

### **3.0.3 To elect committee members and officers**

You will recall that in an earlier discussion in respect of the management of co-operative, we did say that the organs of management are mainly three: the members, the committee members (elected officers) and the manager with his paid members of staff.

Concerning the committee members, it is not everybody in the general membership that should serve in the committee. As a result, some members after careful scrutiny are elected by the general members from the general members to represent them at the committee level. In other words they have delegated their rights to the elected members to act on their behalf This is an important decision and no committee member should be imposed on the society by an outside force.

### **3.0.4 To execute policy**

Once the board members or the committed members have been elected by the general members. Automatically, they have the confidence and trust of the members to execute the laid down policy of the cooperatives. The board members can also initiate policy for the overall growth and development of the co-operative. In addition, they manage the affairs of the co-operative enterprise. All these you have to note, must be done in line with the bye-laws of the society.

### **3.0.5 To ensure autonomy of a primary society that is affiliated to a union or apex organization**

Again, you have to recall that we discussed in course CPM 101 that one way of classifying co-operatives is to look at their structure in terms of primary, secondary and tertiary: the primary societies coming together to form a union or secondary co-operative while a group of secondary co-operatives or union can come together at their level to form a tertiary co-operative or an apex organization. But when a group of primary societies form a union, it does not mean that the primary societies have lost their autonomy in all cases. Their individual identity and autonomy can still be maintained-while they are still affiliated to the union.

## **Exercise 13.1**



The time has come again to visit any of the co-operative societies that you have (seen working with for some time now). Observe their activities and record how they exercise their autonomy.

### **3.1 Conditions Under which Co-operative Autonomy is Exercised**

In many countries especially those affiliated to the United Nations Organisations (UNO), there is freedom of associations and the right of every association to enjoy some degree of freedom, the co-operative organizations are not exempted. But in some other countries especially those countries that gained political independence not too long ago, co-operatives are being used by the governments primarily as instruments for the implementation of their development programmes. Since this is the case, special measures or condition should be put in place to safeguard co-operative autonomy and independence as self-reliant and self-help organizations.

#### **3.1.1 Stressing autonomy in co-operative societies act**

There is need to stress in clear terms the autonomy of co-operatives in the co-operative act or law either at the Federal or State level. Similarly, the registered bye-laws of a co-operative society should also emphasize its autonomy and independence. This will serve as a constant reminder to the policy makers, co-operative administrators and personnel as well as the co-operators themselves of the importance of co-operative autonomy and the need to respect it. Even when co-operative role is being seen by government as an instrument for the implementation of policy development, the character of a co-operative organization as a self-help one should not be overlooked. Government may encourage the formation of more co-operatives with the understanding that there should be corresponding attention being paid to their economic viability, member education and staff training with the defined goals of these co-operatives being set by members themselves and not from outside.

#### **3.1.2 Reviewing existing co-operative laws**

If government accepts the fact that there is the need for co-operatives to have autonomy, then there is the need to review all existing cooperative laws. This is with the view of removing all provisions which restrict unduly the autonomy of co-operatives.

#### **3.1.3 Making new provisions that can safeguard co-operative autonomy**

After reviewing and detecting the provisions that limit co-operative autonomy and independence, these provisions should be eliminated, replaced with new ones. These new ones should enhance the ability of co-operatives to take decisions on their own without outside approval.

Such provisions may include:

- (a) Making strict rules for the formulation and registration of co-operatives including the educational standards of members particularly the committee members/board of directors, the conduct of economic survey to find out their viability.
- (b) Granting provisional registration to co-operatives which need outside assistance and guidance before they can be fully registered. To qualify for full registration, the learner period should not be more than four years.

#### **3.1.4 Making bye-laws to suit each co-operative society**

There should be no common bye-laws for all co-operative societies. Each society should strive to make its own bye-laws to suit the felt needs of the members. The bye-laws should correspond to the particular situation of each society. However, to avoid a situation where inexperienced people start drafting bye-laws, the co-operative laws should spell out clearly the relevant matters for which the societies have to make bye-laws, leaving the society free to draft the bye-laws themselves. It must be pointed out that this situation suits those co-operatives whose members are educated.

Another alternative is to list in the co-operative law all matters which have to be dealt with in the bye-laws and in addition include provisions which will be best suited to most co-operatives. These provisions can be modified by each society to reflect its particular situation.

#### **3.1.5 Finding a compromise between interest of government and interests of co-operatives**

In many countries where governments sponsor co-operatives and are given important roles to play in the social and economic development of their countries, co-operative autonomy is eroded compared to those countries where co-operatives are seen as purely private businesses. In those countries where governments sponsor co-operatives, there is the growing interest by government to control the economic performance of co-operatives and to supervise the way in which co-operatives fulfill the role allotted to them. But co-operative autonomy can still be emphasized. This can be done by finding a compromise between the interests of government to exercise some control and the interest of co-

operatives to enjoy autonomy necessary for them to function as democratic self help organizations. This would necessitate reconsidering the whole set of statutory and non-statutory powers to find out whether they are compatible with the principle of co-operative autonomy.

### **Exercise 13.2**

Get the bye-laws of a registered society, find out from the manager or the members whether:

1. The provisions of the bye-laws were made, by the members, and
2. Whether it was the Director of Co-operative Services in the relevant Ministry that made the bye-laws which the society simply adopted.

### **4.0 Conclusion**

We have examined the second principle of co-operative autonomy in this unit. We have examined the principal ways that co-operative autonomy can be exercised, which are carried out by the members of the co-operative society. Outside interference as much as possible should be discouraged. For this to happen, we again looked at the conditions which should be put in place to enhance co-operative autonomy.

### **5.0 Summary**

This unit completes the co-operative principles on autonomy and independence of co-operatives. You will remember that in Unit 12 we treated the first component of the principle. In this unit, we have discussed the second component. We are going to treat the next principle which is on: education, training and information, which will commence in Unit 14.

### **6.0 Tutor-marked Assignments**

1. Explain ways through which members of a co-operative society can exercise autonomy.
2. Describe two conditions necessary for co-operative autonomy.

### **7.0 Reference**

Murkner, D.H. (1981): *Co-operative Principles and Law*. Institute for Cooperation. Marburg University; Germany.

## **UNIT 14: CO-OPERATIVE EDUCATION, TRAINING AND**

# INFORMATION

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3.0.3	To Create Favourable Public Opinion
3.1	Target Groups of Co-operative Education
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## 1.0 Introduction

In this unit we are going to look into another principle of Co-operative; Education, Training and Information. Since the beginning of this course, we have so far discussed four principles, these are:

- (a) Voluntary and open membership
- (b) Democratic member control
- (c) Member economic participation
- (d) Autonomy and independence

The above principles and the remaining ones which we will be discussing in our subsequent units cannot be put into practice without co-operative education, co-operative training and spreading of information concerning cooperatives through publicity and publication.

Co-operative education is important because before a co-operative enterprise takes off it is usually through education. This is sometimes referred to as pre-member education. The running of the co-operative when it eventually takes off is again done through education. The expansion of the co-operative business cannot be done except through proper member education. You can see that cooperative education is the blood that runs through the veins and arteries of cooperative enterprise. Without it the co-operative soon becomes anaemic and eventually dies.

Because of the importance of co-operative education, training and

information, this unit will treat the relevance of co-operative education as well as the target groups for co-operative education and training. The following unit which is Unit 15 will discuss the principal channels of co-operative education and the contexts of co-operative education and training.

## **2.0 Objectives**

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

1. List the importance of co-operative education.
2. Describe the target groups of co-operative education.

## **3.0 The Importance of Co-operative Education**

Co-operative societies are groups of persons who have voluntarily decided to pool their resources together to solve their felt needs. These needs are in variety of forms. While some are economic, others are social and others are cultural. The strength of the societies is derived from the voluntary support, the self discipline and the loyalty of members. The importance of co-operative education can therefore be seen from the following perspectives:

### **3.0.1 To produce enlightened and responsible members**

We have earlier noted that the management of a co-operative society is in the hands of the members. When we were treating the organs of management of co-operatives, the general members constitute one of the organs. We discussed the roles they play. Such roles include: making bye-laws, electing the committee members, formulating general policy for their society among others. All these functions and more cannot be meaningfully carried out without enlightened and responsible members. Again, it is from the general members that are elected, those who will be members of the committee. We have also discussed the functions of the committee members which cannot be satisfactorily carried out unless they are educated in the general matters of cooperation which in turn depends on basic functional general education. If the committee members are performing below standard, the members have the right to vote them out of office. This can only happen when the members are enlightened. The enlightenment will enable them to compare the standard set for the committee members against actual performance: From here, it will be clear whether or not the committee have performed. Consequently, each member must be able to understand his rights, responsibilities and duties within his society and to exercise them in a purposeful way. This is of fundamental importance.

### **3.0.2 To produce efficient staff**

The staff members of a co-operative must not only be effective but also efficient. Effectiveness demands that they are working towards the attainment of co-operative objectives and in fact realizing the targets at the scheduled time. Efficiency is important in the process of attaining the defined targets. It ensures that while the targets are being attained, it is done with the least inputs that is to say, the resources are being used in a careful and prudent manner in the process of realizing the objectives. This is necessary bearing in mind that co-operatives in most cases are associations of persons whose resources are modest. Therefore, the paid staff whose responsibility it is to manage these resources must do it in such a manner that waste is minimized.

Another way of looking at the efficiency of staff is to compare the co-operative effect on the members. Remember, we have discussed co-operative effect in course CPM 101. You are advised to go back to it in unit 8 of the course. But briefly, the co-operative effect is the total satisfaction that a member has before joining a co-operative society compared to the total satisfaction that a member has on the event of being a member of a co-operative society. If the total effect is higher after becoming a member, then the co-operative effect is positive. If on the other hand the total effect is higher before joining the co-operative then the co-operative effect is negative. To have positive co-operative effect demands sound and logical application of skills by the paid staff which must be blended with a great deal of foresight and human relations. It is only education and training that can produce the result.

### **Exercise 14.1**

You are going to perform a little experiment. Just take twenty persons around your home. Ask them if they are:

- (a) aware of what a co-operative is
- (b) if the answer is "yes", Further ask them by what means, and the roles of co-operatives. The outcome of your experiment will show you the level of awareness of co-operatives and the roles people expect the cooperatives to perform.

## **3.1 The Target Groups of Co-operative Education**

Co-operative education is usually formulated to reach various target groups. These target groups include the following:

### **3.1.1 The member**

Co-operative education for the members is not a blanket one. It is further divided into three; pre-members, members and leaders which include the committee members, directors and officers.

**(a) The pre members**

Pre-member education is for those who are about to organize themselves into a co-operative society. They need to be told what a co-operative is, the rights and responsibilities. Right from the on set they have to understand that the success or failure of the co-operative that they are about to form rests squarely on them and not on any third or outside person. They must be loyal to their prospective society as they will be both the owners as well as the customers of the society. Consequently, the cooperative that they are about to form must be based on their felt needs. The need would have been identified by themselves during this period of pre-member education. The pre-membership education usually end up with them drawing up the contents of their bye-laws.

**(b) Member education**

The member education is a continuous one. This is why the co-operative legislation which you will learn in subsequent courses as you make progress in the B.Sc. programme in Co-operative Management states that a percentage of the surplus declared by the co-operative society should be used for the education of members, officers and the general public. Member education is to enlighten the members on what they should do and what are the things they should avoid in order that their co-operative will continue to be successful. The democratic control of cooperative business cannot be possible if members do not know how to carry out the democratic process. Member education must therefore be at par with the role they are expected to play as owners, managers/controllers and customers of the co-operative enterprise.

**(c) Leaders: Committee members, directors and officers**

The education of these personnel is more detailed and we shall be looking at the contents of their education in the next unit. However, it is necessary to point out that their education is more technical so that they can be able to match the skills of the paid staff, and exercise constructive leadership. If this is not the case, the paid staff will take them for granted and use the co-operative for their selfish ends. Once this sets in, the co-operative effect starts waning and members continuous dissatisfaction will eventually prompt them to abandon the society or be disloyal to their society. The leaders must therefore keep abreast of the

developments in their co-operative business.

### **3.1.2 Staff training**

Staff training is important so that they can get the required skills necessary for them to implement the policy and decisions of the members. Their education should also be continuous by way of regularly updating their knowledge and skills. This is because the environment is always undergoing changes. Ideas and innovations keep on pouring out. Co-operative staff, for them to be creative in problem-solving, must be conversant with these trends and developments.

Staff training, you have to further understand, should not be restricted to co-operative society staff members only. The government co-operative officers, trainers and propagandists should also be trained. They all constitute the staff in the co-operative movement. They must be acquainted with the latest techniques and principles necessary to sharpen their skills. All this, hopefully, will be brought to bear on their various duties toward the growth and development of co-operative.

### **3.1.3 The general public**

The general public must also be informed of the activities of co-operatives. Even though, we are mentioning here the general public, we must realize that there are specific groups within the general public. These groups include the policy makers such as the legislators and government executive; community leaders such as teachers, pastors, imams, mass media practitioners (journalist), opinion leaders, potential community leaders in schools, colleges and universities, and potential members from the farmers, workers, youths, clubs and other groups.

### **Exercise 14.2**

List broadly the target group for co-operative education, training and information. For each group, give one reason why it should receive co-operative learning.

## **4.0 Conclusion**

Let us recapitulate what we have said so far. We examined the importance of co-operative education, training and information taking the members, staff and general public into consideration. We emphasize the fact that co-operative principles cannot be observed in the absence of co-operative education and training. We also stressed the relevance of education to the general public so that they can be favourably disposed to co-operative development.



## **5.0 Summary**

We have emphasized the relevance of co-operative education, training and information as a principle of co-operative. We did identify the various target groups through which this principle can be applied. Remember, we suggested splitting the discussion in one aspect which has been completed in this unit. In unit 15, we will be treating the remaining aspect which deals with the contents of co-operative education and the channels through which co-operative education can be effected.

## **6.0 Tutor-Marked Assignments**

1. Give specific reasons why members of a co-operative society should be given co-operative education.
2. Why is co-operative publicity necessary in Nigeria?

## **7.0 References**

1. Murkner, H.H. (1981): *Co-operative Principles and Law*. Institute for Co-operation. Marburg University, Germany.
2. Onuoha, E. (1988): *Principles of Co-operative Enterprise*. Express Publishing Co. Ltd., Enugu.

## **INFORMATION (CONTENTS AND CHANNELS)**

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- 3.0 Content of Co-operative Education
  - 3.0.1 Co-operative Studies
  - 3.0.2 Professional or Technical Studies
  - 3.0.3 General Studies
- 3.1 Channels of Co-operative Education
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- 5.0 Summary
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### **1.0 Introduction**

In this unit we are going to continue our discussion on co-operative education, training and information which we started discussing in our last unit. Remember we discussed the relevance of co-operative education and the specific target audience of co-operative education. In our present discussion we shall be looking at the contents of co-operative education for the various target groups which we have previously identified. It is necessary that while making the decision to give co-operative education, what is to be given and how it is going to be given must be well addressed. In other words, it is vital that adequate planning should be made in respect of co-operative education so that it will not be too high or too low for the defined audience. It is by so doing that the relevance of co-operative education could be seen. In the same vein, in planning co-operative education, the channels through which it is to be given must again be determined well in advance. Appropriate channels or a combination of them should be selected that will convincingly convey the contents of co-operative education to the receiver. The flow has to be established. If this is not the case, it would soon be found out that while the contents have been well structured and arranged, the desired impact on the audience will not be felt.

### **2.0 Objectives**

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

1. List the contents of co-operative education, training, and information for each target group.
2. Describe the channels of co-operative education training and information.

### **3.0 Content of Co-operative Education**

A comprehensive content of co-operative education will involve the inclusion of the following: Co-operative studies, business studies and general studies. These areas must be carefully blended so that the recipient can get the best. The co-operative aspect of principles and theory of co-operation, the business covers all the relevant knowledge and skills that will enhance the efficiency and effectiveness of management while the general studies will further broaden the mind of the receiver which will all in turn enable the manager to take a matured and balanced decision. The content of the programme for co-operative education can be split into the following:

#### **3.0.1 Co-operative studies**

Here the trainees and students need to learn the principles and theories of co-operation and the philosophy behind the establishment of co-operative business. They will know those principles of co-operatives that separate co-operatives from other forms of business enterprises. Some of these principles and theories you are already aware of as we have been discussing them since you commenced your studies. The principles and theories consequently define the boundaries of co-operatives and any organization that calls itself a co-operative should possess the features and characteristics of co-operatives. These principles and theories are usually from co-operative scholars and students, the International Co-operative Alliance (ICA), the founding fathers of co-operation particularly the Rochdale Equitable Pioneers (REP), Co-operative thinkers and writers, state governments and the federal government that pass laws in respect of co-operative business. These co-operative laws usually adapt and/or adopt the co-operative principles.

The second aspect of the co-operative studies, concerns the co-operative practice. The practice of co-operation involves the application of co-operative principles and theories. For the receiver to get a detailed knowledge which he needs to practice successfully in co-operative principles, he needs to know the origin and history of co-operation, particularly the formal modern co-operation. He has to appreciate the circumstances and conditions that led to the birth of modern cooperative.

He examines critically the factors that contributed to the success of the first co-operative society which is the Rochdale Equitable Pioneers so that he can compare them with the factors surrounding cooperatives in his own country. This is necessary so as to be able to determine if something could be borrowed that will contribute to the success of co-operatives in his own community.

Beyond the history and origin of co-operatives, the trainees should also be exposed to co-operative methods, the structure of co-operatives, types, co-operative laws/registration and co-operative bye-laws, successful completion of all these would have equipped the students with the fundamentals of co-operatives.

### **Exercise 15.1**

List the contents of co-operative studies.

### **3.0.2 Professional or technical studies**

Under the professional or technical studies are subjects which have to be covered not only to broaden students mind but also necessary for balanced decisions. These subject contain principles which must be applied in order to get the desired result. Let us stress again the fact that a co-operative organization is a business organization. As such those principles and theories that apply in the running of a business organization equally apply to co-operatives. In addition, because of the peculiarities of co-operatives which we have stressed before, the modest means available in co-operative must be carefully managed. This calls for astute management of the resources. The subjects commonly covered are:

**(a) Accounting**

The accounting elements of financial accounting which enable trainees to post entries of financial transactions into the books of accounts, the ledgers where the ledger balances are extracted for the preparation of the final accounts. The final accounts are analysed for the purpose of management decisions. Beyond financial accounting, financial management is also taught which enables trainees the techniques of investment decisions, ratio analyses among others, all of which will give the techniques and skills on how to invest the scarce funds of co-operatives into viable and profitable businesses. Costing and management accounting are other courses which are usually covered.

**(b) Business management**

This is a course which have much relevance to co-operatives. In business management, the concepts, principles and theories are taught to the trainees. Such topics as function of management, management objectives, delegation, span of control, decision making process, authority and power, etc., are usually treated.

**(c) Personnel management**

Since the resources of the co-operatives are very limited, they have to be managed in such a way that they will contribute to the attainment of organizational objectives, it has to be through the efforts and commitment of the employees; staff members have to be motivated. Other areas treated in personnel management include recruitment, selection, training, placement, promotion, training, welfare, discipline, etc.

**(d) Secretaryship**

This is another component of the training. The office has to be kept tidy, and the files arranged properly so that their retrievals will be easy. Beyond keeping and arranging of files, secretaryship involves taking minutes of meetings. Co-operatives generally are managed through meetings. We discussed in the recent past all these forms of meetings and their roles in management of co-operatives.

**(e) Sales management**

This course is emphasized particularly in co-operative multi-purpose society, marketing co-operative society, consumer co-operative among others. It takes care of market analysis, market communication, valuation, exchange process, guarantees and warranties, buying and selling among other issues that are involved in marketing.

**(f) Agricultural co-operatives**

This is another course that is relevant to the Nigerian Cooperative Movement. This is because, essentially, Nigeria is an agricultural country. That is why there are many agricultural cooperatives existing in the country. Studies need to be exposed to these forms of agricultural co-operatives so as to appreciate their contributions to national development and the need to sustain their viability.

**(g) Insurance**

One advantage of being a member of a co-operative society is that risk is usually shared among members. There is no one that bears the loss of a co-operative alone. This is why insurance is considered as a course in co-operative studies. The essence is to

expose students to the various forms of insurance and their relative advantages to the co-operative organization.

**(h) Auditing**

We have been emphasizing the need for judicious spending of co-operative funds. One way to achieve this is through auditing. Auditing, even though it is oriented to the past, it shows that within the accounting period which is usually one year, the transactions recorded were genuine. In other words, auditing seeks to show a true and fair view of the accounts of a co-operative society. If there was an error in the preparation of the accounts such errors are usually detected and corrected in the process of auditing.

**(i) Statistics**

Co-operative activities involve a lot of statistics and calculations. These involve: membership and their composition, their shares, savings and deposits in the society, the level of liability and the ways loans received are being paid. All these and more demand accurate records and analysis. This is why co-operative personnel and administrators are usually exposed to statistical techniques.

**(j) Communication**

This involves the transfer of ideas, feelings, intentions etc through identified channels to an audience for the purpose of modifying the behaviour of the audience. A lot of co-operative work involves communication such as promoting new co-operative societies or extension work which involves selling new ideas to co-operative members. To achieve all these, the correct principles and techniques are usually applied.

**Exercise 15.2**

Give a specific reason why it is necessary that persons studying co-operative management should be exposed to professional/ technical courses.

**3.0.3 General studies**

The general studies courses are varied and they are designed in a way to further broaden the minds of the students and sharpen their analytical skills. They include:

- (a) Economics
- (b) Basic law
- (c) Citizenship education

- (d) Sociology
- (e) Psychology among others

### **3.1 Channels of Co-operative Education**

We have stressed the importance of correct selection of channels in the process of imparting co-operative education. In other words the various activities of cooperatives can be discussed through relevant channels or a combination of the relevant channels. Briefly, these channels can be classified into: Personal contact, print media and audio-visual facilities.

#### **3.1.1 Personal contact**

Personal contact is a form of face to face form of communication. One major advantage of this form of contact is that the sender of the message can regularly monitor how well his message is being received. This will enable him to know whether or not to change his message. By looking at the reaction of the audience which can be verbal and non verbal, he can be able to determine the feelings of the audience. Clapping of the hand, smiles on the faces of the audience, nodding of heads etc., indicate that the message is being well received. On the contrary, yawning, shuffling the feet on the floor, fidgeting, and boos etc., are indications that the sender of the message has not been successful. Personal contact can take different forms.

**(a) Individual/informal group contact**

The individual and informal group contact can take place in: demonstration, field tours, role playing, management game, exhibitions, society's founders day, international co-operative day, rallies among others.

**(b) Adult education procedures**

The adult education procedures include: speeches, meetings, group discussion, symposiums, workshop, study groups, study circle, question time, committees, conference among others.

**(c) Teaching/formal instructional methods**

These methods involve: lectures, short courses, long courses, certificates, diplomas and degrees in co-operative studies among others.

#### **3.1.2 Print media**

The print media involve a variety of channels such as: Posters, charts, billboards, post cards, adverts, leaflets, newsletters, bulletins, annual reports, co-operative newspapers, feature articles, magazines, books,

journals, case studies, survey and research works, distant learning such as the National Open University of Nigeria (NOUN) among others.

### **3.1.3 Audio-visual facilities**

These facilities are: Signs, symbols, drawings, models, blackboards, flannel boards, films, tapes, projectors, slides, motion pictures, telephone calls, radio and television broadcast, electronic media including the use of computer system.

In talking about computer system, we have to point out that the computer is not only used as a facility but is one of the latest courses being studied. It has wide applications in decision making, accounting, keeping of records, retrieval of records among other uses.

## **4.0 Conclusion**

This brings to an end our discussion on co-operative education, training and information. In this unit, we have looked into the contents of a sound cooperative programme. We divided the contents into three — the co-operative studies, the professional/technical courses and the general studies courses. We also saw the channels of co-operative education. And we did say that they fell into: Personal contact, print media and audio-visual facilities.

## **5.0 Summary**

This unit which has covered the contents of a reasonable co-operative education as well as the channels through which co-operative education training and information can be imparted completes the fifth principle of cooperative. We shall be treating the sixth principle which is co-operation among co-operatives in Unit 16.

## **6.0 Tutor-marked Assignments**

1. Discuss the relevance of personal contact in co-operative training.
2. Mention two advantages and two disadvantages of using print media, radio and television in co-operative education.

## **7.0 References**

Murkner, D.H. (1981): *Co-operative Principles and Law*. Institute for Cooperation for Developing Countries, Marburg University, Germany.

Onuoha E. (1988): *Principles of Co-operative Enterprise*. Express Publishing Co. Ltd., Enugu.

## **MODULE 4**



## **UNIT 16: CO-OPERATION AMONG CO-OPERATIVES**

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### **1.0 Introduction**

Co-operation by its very nature requires contributions from the individual members that constitute it. In forming a co-operative or in joining one, it is the expectation of the group that members would work harmoniously together. Each member contributing constructively to the attainment of group goals. All the principles of co-operatives demand that in their application and observation, co-operation among the members is the watchword. Consequently, the cooperative spirit which we treated in our first course: Introduction to Co-operation (course CPM 101), must be high in the heart and mind of every cooperative member; this is because it has been verified that co-operatives serve their members most effectively by working together through recognized structures right from the local, regional and international levels. Also by working, co-operative members are strengthened and encouraged. They identify the more with these structures because they know and have been receiving the benefits arising from such co-operation through these structures.

This unit which is our second to the last will look into these structures,

whose foundation is rooted in co-operative spirit and the edifice erected in group harmony and group togetherness which have been made possible through the co-operative effect that members are enjoying. It is not the interest of members that co-operation among co-operatives is emphasized. Co-operatives are also noted as agents for community development. In fact, many a co-operator is a leader in his community. As a result, to fulfill the leadership roles expected from co-operators through their co-operative structures a great deal of cooperation and community spirit is needed. We will be discussing more of the roles of co-operatives in community development in our next principle, which is on: Concern for the community. This will be treated in Unit 17, our last unit.

## **2.0 Objectives**

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

1. Explain forms of co-operation among co-operatives.
2. Mention conditions for integration (i.e. co-operatives coming together)

## **3.0 Forms of Integration**

We have noted that co-operatives serve their members most effectively as well as strengthen the co-operative movement by working together through local, national and international structures. These structures are created by cooperatives pooling their resources together. This is referred to as integration. We are going to discuss forms of co-operation or integration among co-operatives.

### **3.0.1 Horizontal integration in co-operatives**

In horizontal integration in co-operatives, there are different types; and they arose through the process where co-operative activities are concentrated at the level of primary society. Remember when we were treating classification of co-operative societies (course 101, unit 5), we discussed as a base the classification of co-operatives according to functions performed. And we had: primary level, secondary level and tertiary level. Co-operation among co-operatives can start at primary level and progress upward.

Forms of horizontal integration in co-operatives are of three types:

- (a) Coming together of many co-operatives carrying out the same type of activities decides to merge their activities. The reason for this is to enable them to become a bigger society with more

members and covering a wider area of operation.

- (b) Coming together of single purpose societies into a multi-purpose society. Sometimes, it happens that instead of many single purpose co-operatives coming together to form a multi-purpose society, only one single purpose society can decide to cover more activities and thereby transform into a multi-purpose society.
- (c) Link up system: This occurs when single purpose societies involved in different but complementary activities link their activities through formal or informal agreement. This is to enable them to get more benefits for their members and their co-operative. Such arrangement is common between credit and marketing co-operatives; producers and consumer co-operatives and so on.

### **3.0.2 Advantages and disadvantages of horizontal integration**

The main advantage is in the economy of scale such as discounts from bulk purchases. Also there is efficiency in the use of resources.

The major disadvantage is that as the members of the society get increased and the activities becoming bigger, members will lose solidarity which co-operatives generally emphasized.

## **3.1 Vertical Integration**

Vertical integration arises when co-operatives decide to form secondary, tertiary or apex organizations at regional, national or international levels. It arises through two main methods: Affiliation and federation.

### **3.1.1 Affiliation**

This happens when a member of primary societies come together to form a secondary society. The secondary society will perform functions which are beyond the primary societies. The primary societies are called affiliate-members of the secondary society which they have created. The secondary societies can also be referred to as unions. When you get to see these terms do not be confused. Sometimes they can be used interchangeably. In similar manner that secondary societies or unions are created, so also are other co-operative bodies formed by the coming together of the secondary societies or unions. When this happens, a form of an apex organization is born. Secondary societies or unions of consumer co-operatives for example can decide to come together to form an apex consumer co-operatives. Consumer Supply Association based in Ibadan is an example.

### **3.1.2 Federation**

In this type of vertical integration, all co-operatives in a region or in a country no matter what activities they are carrying out will join to form a secondary or apex co-operative organization. In almost all the states of the federation, there are such co-operative bodies popularly referred to as the States Co-operative Federation. In Oyo State, we have the Oyo State Co-operative Federation Limited and so on in each state of the federation.

The objectives of such integration is aimed at providing an organization whose role is to stimulate co-operative development at the various levels and also to carry out educational activities.

Also in Nigeria, the co-operative federations from a number of states in the spirit of co-operation can again pool their resources to form what is called inter-states co-operative apex organization. We have already mentioned the Co-operative Supply Association Limited. We also have other ones such as the Worldwide Insurance Limited, The Co-operative Bank, Rainbow Travelling Agency, all based in Ibadan.

At the national level, there is a similar co-operative spirit. This has given rise to national co-operative organizations such as the Cooperative Federation of Nigeria Limited, Ibadan, National Co-operative Insurance Society Kano among others.

At the international level, of course we have the International Co-operative Alliance (ICA), Geneva. We have treated this global body extensively in our previous discussion.

## **3.2 The Extent of Vertical Integration**

Vertical integration in co-operatives takes two extremes. First, there is what is referred to as partial integration where the primary societies and the secondary societies have only a kind of business membership. This means that the primary societies will still be carrying out their normal business activities different from the secondary society that they have created. What the secondary society does is to provide services. Such services include the education and training of members and officials of the primary societies, auditing the books of accounts of the primary societies among other desired functions.

Secondly, there is total integration where the primary societies that make up the secondary or apex organization are wholly dependent on the secondary. In this situation, the primary societies function as agents of

the secondary society. The secondary, consequently make all the economic and legal decisions.

### **Exercise 16.1**

Mention the different forms of integration. Also list the advantages and disadvantages associated with each form of integration.

### **3.3 Conditions for Integration**

There are situations and circumstances that will make co-operative organizations to decide to come together and pool their resources together. These conditions are:

#### **3.3.1 Viability and competition**

Viability is one of the conditions that necessitates co-operatives coming together to form secondary association or apex organization. It means that improved services can come their way which will in turn enhance their operations. These services have been highlighted earlier. They include education and training, business ideas, auditing the books of accounts etc. Viability factor relates too to competition. A weak organization can never compete. Co-operative as a form of business organization is in constant competition with other business organization. To be able to do this, it has to be viable through affiliation with the secondary union and/or apex organizations.

#### **3.3.2 For financial dependence**

A primary society that is financially weak can affiliate to a secondary co-operative whose financial strength is better. The relationship ensures that assistance by way of finance can come to the primary society which it uses to strengthen its operations until it is back to its feet. Credit co-operative societies do receive such assistance from time to time from their secondary or apex organizations.

#### **3.3.3 To operate efficiently**

We have been stressing the self-reliant nature of co-operatives. To be self-reliant indicates among other things that a co-operative is efficient in the utilization of the limited resources at its disposal. Associating with other co-operatives and through such association creating a secondary co-operative can achieve a lot. This is because, the secondary co-operative can be able to render technical assistance that can guarantee efficiency to its affiliate members.

#### **3.3.4 Management strength of the secondary union/apex**

## **organizations**

For an already existing union or apex organization, its ability to accept new members depends to a large extent on the management capability. If management is of the opinion that it has not got the wherewithal to accommodate new members, two things are likely going to happen. The first is to reject the application from new members, and the second, is to assist the new applicants to form a new secondary co-operative.

### **3.3.5 Advantages offered by affiliation**

Societies come together because there is strength in unity, through improved services and solidarity. It is when the primary societies sense these advantages and more that the urge to affiliate become intense.

### **3.3.6 Laws and regulations in force**

Some provisions of the co-operative laws and regulations are there to create enabling environment through which affiliation is possible. In other words there are facilitating laws that induce co-operatives to affiliate. Such provisions include the services that the secondary co-operative has to render to its affiliated members. The requirements for affiliation are also clearly spelt out so that the process cannot be cumbersome and frustrating.

### **Exercise 16.2**

The time has come for you to again visit those co-operatives that by now you are well acquainted with. For the present assignment, you are to find out if any of them is affiliated to a secondary society. If yes, find out:

- (a) the name of the secondary society, and
- (b) the reasons (conditions) why the affiliation was necessary.

## **4.0 Conclusion**

We have examined the various forms of integration by the co-operatives in their efforts to work together. These forms of integration are mainly horizontal and vertical. We also saw the advantages of co-operatives integrating, which is the need to serve the members better and also serve their communities effectively. Finally, we examined the conditions for integration and cooperation by co-operatives.

## **5.0 Summary**

This unit has treated the co-operation among co-operatives which is second to the last of co-operative principles. We have seen the different forms of cooperation through co-operative integration and the conditions for integration. We concluded that integration is necessary so that co-operatives can serve the members and community at the very best. In our last unit we will be looking at the final principle which is on: Concern for the Community.

## **6.0 Tutor-marked Assignments**

1. Discuss the vertical and horizontal integration of co-operatives.
2. List and explain the conditions for co-operative integration.

## **7.0 Reference**

Ebunu, F.C. (1999): "Co-operative Development." Federal Co-operative College, Ibadan. Unpublished.

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### **1.0 Introduction**

We are now in the 17th unit of this course. It is our last unit. Hopefully you will make steady progress as you have done in the last semester so that you can move to the first semester of the second year where you will take more courses on co-operative management. All these courses together with the technical courses as well as the general studies courses would have provided enough education and training you need to be a good co-operative manager or a manager in other related areas.

We have been examining principles of co-operative as recommended by the International Co-operative Alliance (ICA). The current principles are the set of principles approved by the global body in 1995. We treated so far six of the principles and we are starting now to discuss the seventh and the last principle which is: Concern for Community.

In our last principle which is the 6th one that stresses co-operation among cooperatives, we did say that this is important for two important reasons; that cooperatives serve their members most effectively through co-operation among themselves. And secondly, that co-operatives are of the most benefit to the community if they operate among themselves. Consequently, co-operation among co-operatives through integration bring out the best from these organized business entities. The best is in turn passed to the members of the community in which the co-operatives do exist. We are going to see how all this is done especially when it is noted that co-operative provide the basis for people participation in development.

### **2.0 Objectives**



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

1. Identify aims of community development
2. Describe various ways co-operatives assist in community developments.

### **3.0 Aims of Community Development Projects**

The broad aim of community development is the improvement of the whole person as an individual created by God, the community and the living conditions through the transformation of the community and the environment.

For this to occur certain fundamental activities are essential. These are the following:

- (a) Creation of job opportunities in the community.
- (b) Making modern technology, farm inputs and credits available to the people.
- (c) Provision of infrastructures along with social services.
- (d) Improvement in the management of resources in such areas as water and soil conservation.
- (e) Ensuring equitable distribution of income.
- (f) Improvement of participation by community members in decision-making

Right from our first course on Introduction to Co-operation (i.e. CPM 101) and the present one, Co-operative Principles (CPM 104), the above activities necessary for community development are continuously handled by cooperatives. We are going to re-examine their organ as specific cases.

### **3.1 Ways Co-operatives Assist in Community Development**

#### **3.1.1 The dual nature of co-operatives**

The co-operative, you will recall, as an institution shows itself in dual form. This form is demonstrated through the philosophy of cooperation, that is, the attitude of mind of those who have organized themselves to form some co-operative society. It is also demonstrated by the co-operative activities themselves.

##### **(a) Owners of co-operatives**

Co-operative as an economic institution is created by a group of persons based on felt need, self interest, initiative, active participation, member business undertakings, managed and financed by the members. Consequently, the members use the co-operative to promote their individual enterprises; which are guided by co-operative principles. Each of these principles you may remember, has influence on participation, that is, collective decision making as opposed to an individual or a few persons taking decisions in private businesses. Democratic member control, for example, trains members to act democratically in decision-making which encourages people to participate. Translated to community development, this means that as more community members are members of co-operatives, because they have already internalized the principle of democratic member control, they will be able to participate in community projects. They will be able to initiate it and see to its completion because it will be regarded as their own baby. This is the whole idea of bottom-top approach of community development as against the top-bottom approach which is alienating, out of date and out of reality.

**(b) Co-operative as an institution stresses education, training and information**

Again, co-operative as an institution for evolution stresses education, training and information. We have also stressed this point in one of our recent units. As a result, co-operatives seek to mobilize members to patronize their society to improve through actions, to change from being passive to being active and to change from dependence to self-reliance. The aim is to change the community from being stagnant and static to a dynamic one in tune with current trends of development. All this is done through education and training and the application of principles. In fact in co-operatives, we say, knowledge is power but only when such knowledge is constructively applied. It is well known that lack of knowledge is an obstacle to participation in projects. This is why co-operatives make effort to make people, particularly, the members to be knowledgeable through continuous education which in turn will make the number of people that participate in community projects to increase.

**Exercise 17.1**

Take any two of the first six principles of co-operative and show how their application will enhance community development.

**3.1.2 Development activities through co-operatives**

In 3.0 above, we have pointed out the necessary activities that should be performed for the broad aim of development to be realized. Some of these activities are:

- Provision of production resources
- Provision of higher income
- Creation of job opportunities and
- Developing local leadership

Let us briefly see how co-operatives can be used to carry out the above activities.

**(a) Provision of production resources**

Production resources can come in a variety of ways, the principal ones being capital (credit), farm inputs such as fertilizer, improved seeds and seedlings, fungicides, herbicides among others. It is generally acknowledged that co-operative loans attract very minimal interest, a part of which would still be given back to members as patronage refunds. The loan so received can be invested by members in their private businesses and getting more revenue. Similarly, for those co-operatives that are engaged in agricultural activities, farm inputs can be supplied to members even on credit. After harvest, members can pay back the loan.

**(b) Provision of higher income**

By being a member of a co-operative, the possibility of higher income does exist. This is because improved techniques on how to improve members economies/businesses are regularly passed to them. We have just mentioned the ease of getting cheap loans which can be used to expand the business. Expansion of business enhances productivity which lowers the unit cost. This makes the member to sell competitively, makes higher sales and more revenue.

**(c) Creation of job opportunities**

Through business expansion, job opportunities are created at the individual member level. At the co-operative society level, persons are employed as secretaries/managers, auditors, extension personnel among others.

**(d) Developing local leadership**

This point has been emphasized but we can again re-emphasize it because of its importance. Co-operative meetings, formal co-operative education either in school or seminars, conferences and symposia are fertile ground for the moulding and training of

community leaders. We have just talked about participation in decision-making arising from the application of democratic member control principle and other principles of co-operatives. All these make members to be committed to projects because right from the beginning they are carried along. This is unlike the situation when project idea is sent to them from outside. The level of enthusiasm, commitment and dedication would be low.

The above activities and more which are components of development are integrated into the activities of co-operatives.

### **3.1.3 Co-operatives providing basis for packaged programmes**

In integrated development community projects, there are instances when a development project objective can be achieved more effectively when a number of related programmes and activities are carried together. Take for an example, an agricultural project whose objective is to increase production and as a result the income of the farmers. For increase production to happen, the farmers may need inputs e.g. farming tools, fertilizer, improved planting materials, credit and market to sell the agricultural produce. These can be constituted into specific programmes such as: supply of production resources as one, supply of credit as another, and market for the sale of the agricultural produce as another programme. But it is possible to bring them together under one source instead of allowing different agencies to handle them. This can effectively be done through agricultural co-operatives as a packaged programme. Members of the co-operatives accepting to participate in all the three programmes packaged together.

### **3.1.4 Participation of women in development projects through co-operatives**

There is no gainsaying the fact that women play positive roles in economic development of any country. But there are still problems that exist which prevent women from taking full active participation in economic and social problems. Some of these problems include:

- Social and traditional constraints which prevent women from appearing in public by themselves.
- Exclusion of women from cash crop production which deprive them of source of income.
- Land tenure system which prevents women from owning land.
- Time constraint which is sometimes referred to as triple burden

i.e. they have to cope with their productive activities associated with food, the household work of caring for the family and reproduction role of bearing and rearing children.

- Lack of awareness due to low literacy level.

Through organized groups some of the above problems can be solved. Such organized form of co-operative societies can afford the women the much needed capital to do business. Women farmers through their co-operatives can own land after all a co-operative society is a legal entity of its own. Husband can lessen the demands of wives when they notice that by associating with other women, improved methods are being taught them thereby enhancing their income. With enhanced income they contribute more to the upkeep of the family. Also by being members of co-operative societies, the level of their awareness increases because in co-operative, education, training and information are emphasized.

### **3.1.5 Conditions for community development**

- (a) There should be favourable political and economic environments where co-operatives are encouraged to develop as private initiative and not as appendages of ministries.
- (b) Official support where the government provides the minimum requirement for co-operatives to develop and compete with other forms of business organizations. This can be done through appropriate legislation.
- (c) There should be support institutions. Such institutions are necessary in the following areas: education, extension services, co-operative development, audit, marketing and price stabilization.

## **4.0 Conclusion**

This last unit of the course: Co-operative Principles, has taken us to several areas relating to concern for community. Creating concern for the community, emphasizes community development. We have highlighted aims of community development and various ways through which co-operatives assist in community development, including women empowerment.

## **5.0 Summary**

This unit completes our discussion on Co-operative Principles. It is also the last unit for this course. By now you have adequately been provided with enough knowledge to establish yourself firmly on a solid foundation. Subsequently, courses in your second year and subsequent

years will be built on this foundation. I look forward to seeing you and interacting with you through correspondence.

## **6.0 Tutor-marked Assignments**

1. How do the co-operatives assist in community development?
2. List the conditions for community development.

## **7.0 Reference**

Ebunu, F.C. (1999): "Co-operative Development." Federal Co-operative College, Ibadan. Unpublished.



**NATIONAL OPEN UNIVERSITY OF NIGERIA**

Form QST1

Questionnaire

Dear Student,

While studying the units of this course, you may have found certain portions of the text difficult to comprehend. We wish to know your difficulties and suggestions, in order to improve the course. Therefore, we request you to fill out and send us the following questionnaire, which pertains to this course. If you find the space provided insufficient, kindly use additional sheet.

Course Code: \_\_\_\_\_ Course Title: \_\_\_\_\_

1. How many hours did you need for studying each of these units?

Unit	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
No. of hours															
Unit	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
No. of hours															

2. Which of these units do you find most difficult to understand?

3. Please give specific problem you find difficult with the unit

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4. How would you like the unit improved?

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Please Mail to  
The Course Coordinator..... THROUGH the Study Centre Manager  
National Open University of Nigeria  
Victoria Island  
Lagos.



# NATIONAL OPEN UNIVERSITY OF NIGERIA

## Form QST2 Questionnaire

In the questions below, we ask you to reflect on your experience of the course as a whole.

1	Course Code and Title.....					
2	Mother tongue .....					
3	I am registered for a ..... Degree/Programme					
4	Why did I choose to take this course? .....					
5	Which study unit did I enjoy the most and why?.....					
6	Which study unit did I enjoy the least and why?.....					
7	Was the course material easy to understand or difficult?.....					
8	Which particular topic do I understand better than before and how?.....					
9	Does the course have any practical applications in the real world, e.g. for the work I currently do?... YES/NO? EXPLAIN.....					
10	What aspects would I like to know more about or study further?.....					
11	How could the course be improved?.....					
12	Other comments about the course ( <i>Please Tick</i> ).....					
	<b>Items</b>	<b>Excellent</b>	<b>Very Good</b>	<b>Good</b>	<b>Poor</b>	<b>Give specific examples, if poor</b>
	Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
	Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
	Illustrations Used (diagrams, tables, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
	Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
	Self Assessment Questions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
	Facilitators response to TMA Questions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____