

CO-OPERATIVE SOCIETIES; A PANACEA TO ECONOMIC MELTDOWN

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Abstract

The place of co-operative societies in the socio-political and economic transformation of developing economies such as ours can not be over-emphasized. The crucial and catalytic roles of co-operative organisations are anchored on their rural spread, focus and general openness to the rural people. In this connection, the societies assist in the mobilization and utilization of savings and credits as well as in the procurement of inputs for agricultural purposes. It is not surprising to note the positive ways in which co-operative societies not only dot the nooks and crannies of the country but are daily on the increase and are steadily contributing their quotas towards the development of the rural and national economies. The objective of this paper therefore is to look into the co-operative societies as a panacea to Economic meltdown based on the meaning of co-operative societies, their types and the advantages and the role that co-operative societies play in solving the problems in the economic societies. Based on these, conclusions and recommendations were made.

In Nigeria, co-operative movement started with the colonial masters when they enacted the co-operative legislation in 1935. During this period, the cocoa farmers in western states formed marketing societies with the sole aim of checking the excesses of middlemen and ensuring the marketing of pure and unadulterated cocoa. The initiative was taken after the submission of Mr. Strickland's report. His positive report which stated that co-operatives will thrive in Nigeria brought about the enactment of the co-operative law in 1935 (Okorie and Ijere, 1986).

There was quite an encouraging progress as it was possible to register about 181 co-operative societies in Nigeria by 1944. Subsequently, the co-operative federation of Nigeria was formed. However, during the regionalisation in 1951, the North, East and West with Lagos as Federal Capital, co-operative matters came under the portfolio of the regional governments. In recent years, with the creation of states, co-operative matters have become the portfolio of the state governments. Presently, thousands of co-operatives have been formed all over Nigeria with diverse interests and in addition co-operative colleges have been established. Today, some higher institutions are awarding degrees and diplomas in co-operative studies.

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Furthermore, co-operative movements also encourage bulk purchases, storage and marketing of agricultural produce and the establishment and running of small scale food processing ventures. In essence, both globally and nationally, co-operative movements have become veritable vehicles for promoting the cause of the rural people. Apart from affording them access to available development services and inputs, equally provides the institutional structures through which they can participate in and influence the direction of socio-economic activities.

Economic Meltdown

Economic meltdown can be seen as the dwindling nature of the rate of economic activities of a country. It is caused by the disorder in the economy of a nation which later causes the GDP (Gross Domestic Products) of a particular nation to decrease. There is a link between this phenomenon and the law of diminishing return.

Broadly defined, a recession is a downturn in a nation's economic activity. The consequences typically include increased unemployment, decreased consumer and business spending and declining stock prices.

Economic meltdown has many effects on the economic situation of any nation in that it helps to destabilize the economic activities of a country. It also makes prices of goods to increase from its normal state.

Okoro (2007) views

“it as a situation of poverty, of hardship where the evidence can be seen when people of the society have many beggars unable to pay their NEPA bills etc. Family cannot have their basic needs. Decline in multi-international interest from the affairs of the nation. Nigeria losing grip from international relationship they have with other nations of the world. It is also when the output does not commensurate with the input. It also surfaces when a country is experiencing an unfavourable balance of trade and payment”.

The Meaning of Co-operative Societies

The word co-operation comes from a Latin verb “operare” (meaning to work) and a prefix “co” (meaning together). Literally, co-operation means working together to the same end. Plunket (2007) defined it as a form of organisation wherein persons voluntarily associate together as human being on the basis of equality for the promotion of the economic interest of themselves.

It is also a form of organisation wherein people of like minds voluntarily pool their resources together for the promotion of socio-economic interest of members who are owners, employers and customers of the business i.e. it is organised so that it is owned, controlled and patronized by members.

Co-operative means association of persons faced by the same economic problems who voluntarily pooled their resources on the basis of equality, through joint effort and mutual participation to remedy their plight (Osuji, 2009). It also means a

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society or a group of persons who pool their resources to produce, buy or sell goods among themselves for mutual benefit.

Coady International Institute (1990) however defined cooperative as a free association of persons legally constituted for the purpose of conducting an economic enterprise or business which they control and administer democratically according to established principles and techniques.

Okereke (1996), defined co-operative society as

a group of persons, with variable membership, who have pooled themselves and their resources on self help, mutual, equitable and democratic basis to form a business enterprise which seeks to solve the socio-economic problems of its members by directly providing them with goods and services in their double capacity as either owners/customers or owners/workers of the co-operative enterprises.

In most countries of the world today, co-operatives have been used to; create wealth, redistribute incomes, improve upon their standard of living, raise agricultural and industrial output, etc.

Each of the definitions of co-operative highlights three points. The first is the voluntary nature of the association. In other words, people agree on their own to form co-operative societies. No authority or body legislates or orders that a co-operative society must exist in a particular area.

Secondly, collective efforts are identified in co-operatives meaning that people's endeavours are geared towards the success and betterment of the co-operators. Lastly, collective control is emphasized, by implication if there is any benefit which accrues to the co-operative society, this belongs to all members. By the same token in case of any problem that arises, the society bears such a problem collectively or jointly.

No matter whichever way it is considered co-operative society is an association of persons having the same economic problems and who voluntarily agree to pool their resources on the basis of equality, through joint effort and mutual participation to enable them achieve their common aims and objectives.

Types of Co-operative Societies

In a developing economy like ours, different forms of co-operatives exist and could broadly be grouped into five:

- 1) **Farmers Multi-Purpose Co-operative Societies (FMCS)**
This group includes farmers who are involved in the production and marketing of agricultural commodities. A variant of this group is the co-operative Produce Marketing Society (PMS). The members are involved mainly in the marketing of agricultural products.
- 2) **Multi-Purpose Co-operative Society (MCS)**
The members in this group engage in many kinds of co-operative activities ranging from sale of agricultural commodities to distribution of "essential

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commodities” like salts, stock fish and beer. They also engage in the sale of building materials such as cement, rods of different size, shovels, etc.

3) **Co-operative Thrift and Credit Society (CTCS)**

The group functions by encouraging members to save regularly part of their earnings. Needy members are provided with credit facilities at a reasonable interest rate. The participants agree to make regular contribution of an agreed amount, which is given wholly or in part to each contributor in rotation. The thrift and credit society originated in Germany in the 19th century and was first formed by the Mayor of Flammers field in the Southern part of Germany.

4) **Consumer Co-operative Society**

Consumers co-operatives are those through which members buy what they need. A lot of retailing and wholesaling is performed and very often services are extended to non-members.

5) **Industrial Co-operatives**

Included in this group are those involved in crafts and black-smithery and are found in those areas where crafts work forms the main occupation of the inhabitants. They are found in Awka areas of Anambra State, Awaete area of Imo State and Ogbomosho of Oyo State.

The Advantages of Co-operative Societies

The advantages of co-operative societies include the following:

- a) Encouragement of Thrift/Savings: Once people make available amount of money for interested members to borrow with interest there is bound to be money for savings if need be.
- b) Democracy is encouraged: If there is need to elect leaders to oversee the venture, members are entitled to one vote each.
- c) Membership is open to everybody on payment of nominal fee: The registration with a payment of the nominal fee automatically qualifies one to be a member.
- d) They get loan easily at a reasonable rate of interest. Once money is available, all the members that need the loan are given without any restriction. It is common that the more the loan is given, the more the interest that will be collected.
- e) Educational opportunities are provided for members and their children: The members of the venture have where to lay hand when the need arises to supplement one educational expense for members or their children or the other. Unregistered members with similar problem may wait until he or she is able to afford the bill since he or she did not plan for the raining time.
- f) No extensive advertising to let people know about its existence: The money that would have been used for such advertising is ploughed back into the business for more expansion to be possible.
- g) Members are devoted to its success: Every member of the business who works for the success of the venture, has a price in the business. The price so to say is that the more the interest that will be collected, the more money each of the members will receive at the end of the year.

The Roles of Co-operative Societies in A Developing Economy

Arua (1990), outlined some of the roles played by co-operative societies in developing a depressed economy which include:

1. Increased food production: Co-operatives (agriculture) have to ensure that food output is increased to reduce domestic high food prices. Food within the reach of most individuals will ensure that people feed well, have sufficient energy to work and resist most diseases.
2. Provision of raw materials: A developing economy needs more of locally sourced raw materials as substitutes for imported ones. This will boost local industries and also reduce foreign exchange spent on importing them.
3. Co-operatives provide employment opportunities for the idle individuals.
4. Income can be generated for members and even for non-members; more foreign exchange is also earned.
5. As co-operatives boost farm and industrial outputs inflation is checked.
6. Activities of co-operatives enhance rural development and a higher standard of living is attained by the rural population.

Conclusion

We have seen so far that co-operative organisations have helped a lot in solving the economic problems of the nation if properly organised and managed in accordance with the provisions of the co-operative principles, practice, law regulations and by-laws for maximum benefit to all the stake holders. The contributions of co-operative societies to socio-economic development cannot be over-emphasized with the present economic realities biting hard on every side of the economy. Indeed, co-operative societies cushion the effect of economic meltdown and reduce it drastically. It had been used by various governments in the world in solving socio-economic, political and educational problems at one time or the other. There is no doubt that co-operative societies in Nigeria is a solution to economic challenges and issues and it should be a welcome development in our economic life.

The inculcation of saving habit into members as a result of continuous savings will lead to increase in the availability of credit. This will make credit available for investment opportunities. The multiple effect will then be more fund, more production, more income and more surplus/profit which will lead to increase in the standard of living of members.

Recommendations

In the course of solving the problems faced by co-operative societies in order to tackle the economic meltdown in the society, certain issues have to be recommended which include:

1. Owners of co-operative societies should try as much as possible to appoint those people or members that have the technical know-how or those that are conversant with management to manage the affairs of their cooperative societies so that they

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can record a meaningful progress. This can be achieved by making sure that those appointed are scholars of management.

2. Government should make policies and legislations that will give clear guideline on how cooperative societies should operate effectively.
3. Government should make it mandatory that any group that wants to embark on co-operative society must go through a seminar/workshop on what co-operative society is all about. They should also make it mandatory that co-operative societies should organize trainings for their members at least once in every year.
4. Adequate financial muscle should be provided to co-operative societies to function effectively. This can be achieved by investing in them by government, business organizations, financial institutions and individuals.
5. Finally, government at all levels should try as much as possible to provide infrastructural facilities that will enhance the smooth running and operations of cooperative societies.

All these issues recommended if properly adhered to will enhance the growth and effective operation of co-operative societies in helping to curb economic meltdown in the nation.

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