

## The Role of Cooperative Organizations in Rural Community Development in Nigeria: Prospects and Challenges

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### ABSTRACT

*Cooperative organizations serves as an effective rural community development vehicle by their nature they build economic self reliance and civil society. The paper examined the historical development of cooperative organizations that is how friendly societies emerged among working class group to protect themselves against life hazards through mutual insurance, numbering over a million by 1834, the concepts of cooperative organization and types were also highlighted, cooperative principles were discussed amongst which open and voluntary membership, membership economic participation, autonomy and independence. The paper went ahead to discussed on the roles of cooperative organizations in rural community development. Challenges and prospects were enumerated and discussed. Finally suggestions were proffered on how to improve on the activities of cooperative organization in Nigeria which include amongst others: need to educate members of cooperative organizations for optimum results, there should be proper supervision by government, organize literacy programme for members at grassroots.*

**Keywords:** Cooperative organizations, rural community development, prospects, challenges, Nigeria

### INTRODUCTION

Cooperative organizations/societies emerged as self help entities to combat economic and social inadequacies (Baarda, 2006). Cooperative organizations serves as an effective community development vehicle by their nature they build economic self reliance and civil society. The benefits of cooperative organizations accrue to the larger society because they create local jobs, re invest locally, emphasis on education and skills raises local management capacity, reduce migration and concentration of capital. People come together in cooperative societies to pool their resources together so as to meet individual needs that could not be resolved by individual limited financial capacity (Birchall, 2004). The aim of cooperative societies is to produce goods and deliver services, and to satisfy the legitimate needs of members and also to promote cooperation, relations, participation and consequently to promote interpersonal connections. Cooperative societies provide services that benefit both members and the local community. It was also observed that it is an essential tool for development of less economically developed communities (Ibrahim, 2004).

Naturally, developing sustainable economic cooperation among individuals will be more profitable further than the creation of conflicts. It is only for this strictly pragmatic reason (and not for any other moral reasons as in the case of other social philosophies), that it is justified to found institutions that minimize conflicts and promote cooperation (Fairbairn, 1994).

## **Historical Development of Cooperative Organizations**

Birchall (1997, 1998) traces the birth of modern cooperatives to Britain at the end of the eighteenth century. Friendly societies emerged among working class groups to protect themselves against life hazards through mutual insurance, numbering over a million by 1834. They were seen as a self-help movement, being a response to the insecurities of reliance on wage labour arising with industrial revolution.

In Nigeria the development of cooperative was influenced by government policies. This could be traced back to 1926 when the department of Agriculture started to organize Cocoa farmers around Abeokuta and Ibadan in western Nigeria, to sell their cocoa cooperatively (Ibrahim, 2001).

A cooperative is an organization in which those who transact with (i.e. patronize) the organisations also own and formally control the organization, and derive significant benefits from those of transactions over and above any financial returns they derive from their investment in the organization (Ijere, 1992).

This definition captures the patronage-based returns aspect that appears to distinguish Cooperatives from other forms of organization.

According to International cooperative alliance (1995):

Cooperative organization is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprises.

Another definition provided by Mladentaz (1933) cited by Ibrahim (2001) describes Cooperatives as:

“Association of persons, small producers or consumers, who have come together voluntarily to achieve some of common purpose by a reciprocal exchange of services through a collective economic enterprise working at their common risk and with resources to which all contribute”.

## **Cooperative Principles**

According to Baarda (2006) the cooperative principles are as follows Voluntary and open membership: Cooperative societies are voluntary organisations, 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.

Democratic member control: cooperative organisations are democratic organisations 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 cooperative organisations members have equal voting rights (one member one vote) and cooperatives at other levels are organized in a democratic manner.

Member economic participation: members contribute equitably to and democratically control the capital of their cooperative. At least part of the capital is usually the common property of the cooperative. They usually receive limited compensation if any, on capital subscribed as condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

**Autonomy and Independence:** Cooperative organisations are autonomous self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

**Education, Training and Information:** cooperative organisations provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders about the nature and benefits of cooperation.

**Cooperation among cooperatives:** cooperatives serve their community most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.

**Concern for the community:** while focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

### **Types of Cooperative Organizations**

The following are some of the types of cooperative organization

1. **Labour cooperative organization:** These organizations are formed by staff of the same organization in order for buying and selling of products at subsidized rates for the members of the organization. It also makes contracts with firms for the provision of services. Example of Usmanu Danfodiyo University Multi-purpose Cooperative society and host of others.
2. **Processing cooperative organizations:** this type of organization is responsible for processing of various products example fish processing, Meat, Poultry and Agricultural products amongst others.
3. **Storage Processing Organization:** this are formed for the provision of storage facilities to its members on perishable and non-perishable goods at a subsidized rates.
4. **Farming cooperative organizations:** these organizations are formed by farmers in orders to help themselves by providing large scale farming tools like tractors, threshers and harvesters etc.
5. **Credit Cooperative organization:** these are formed for the financial assistance of its members. They provide loans to members at subsidized rates for the purchase of either seeds, fertilizer, cattle and other farm implements.
6. **Producer's cooperative organizations:** they are produced by small producers. Members produce goods in their houses or at a common place. The raw material, money and tools are to be provided by members. The produce are sold by the organizations at a whole sale price (Kareem, R. O., Arigbabu, Y. D., Akintaro, J. A. & Badmus, M. A., 2012)

### **The Role of Cooperative Organizations on the Rural Community Development**

Tretcher (2001) stated that “Cooperative organizations has helped reduced costs and improve the quality of Local government services while helping communities maintaining local autonomy. It also provides both purchasing and marketing functions for their affiliates local cooperatives. A unique aspect of cooperative organization that affects their local economic

activities is the distribution of cash patronage refunds to their members, who typically resides in the local area (Baarda, 2004)

Cooperative organization tend to be locally owned and transfer the benefits of that ownership to the local community, this potentially generates a greater economic impact than business that are not locally owned and which distribute the benefits of ownership outside the community where business is conducted.(Crooks,2004).

A cooperative organization reinforces the fact that they contribute to rural economy. Cooperative organizations also provide specific results that can be used to educate the public and policy makers less familiar with cooperatives about their impacts throughout the nation (Folsom, 2003).

Employment opportunities are provided by cooperative organizations to the teeming population of the rural populace which helped greatly towards Socio –Economic development of both urban and rural areas (Ibrahim, 2001).

Cooperative Organizations' created returns on behalf of the members such as better prices than alternatives, valuable services access to markets otherwise not available, increased market power, valuable information. Cooperative organizations have a unique link to member production areas and rely on areas where members are located. The necessity to remain in proximity to member makes it less likely to relocate to location that might have a cheaper raw products or labour. Such economic stability may generate a number of benefits for both members and their communities (Barton, 2004).

Cooperative organisations all over the world are instruments of social and economic transformation (Ijere, 1992).The relevant social aspects of people from Africa. According to Ijere (1992), are those aspects that deal with their attitudes of life and themselves, their modes of behaviour and relationship with one another as well as their modes and customs. These issues should be typified by such norms as honesty, fairness, equity, democracy, and mutual fellow feelings that he further postulated. It can be said that neither capitalism nor a mixed economy enshrines the above standard as does Cooperatives (Ijere, 1992).

Ubani (1980) in a study demonstrated that the NUS Farmers Multi-purpose Cooperative Society have shown that a Cooperative society can be set up and managed as a modern business, and still fulfill its social functions to its members.

However, Patrick (1995) observed that provision of credits is the wide spread activity of the majority (95%) of registered Cooperative societies. According to Eze (1990) Majority of Cooperative members remain in the societies to gain benefit from Government Agricultural assistance. He also added that poor members are not willing to commit their limited resources to Cooperative movement.

Cooperative Organizations serve as useful instruments for Marketing farmers' produce and as avenues for saving and credit facilities as these informal financial institutions are mostly preferred by Farmers due to easy accessibility, smallness of scale, and informal nature of transactions (Baarda,2004).

The investment pattern of cooperatives are influenced by age, income, farming experience, amount of borrowed funds, family size, and loan repayment amongst others (Crooks, 2004)

Among the government programmes involved in loan schemes for farming are the National Agricultural Rural and Community Development Bank all over the country. For example, by the end of August 2007, loans approved to farmers in Kano states, under this scheme were about N145 million. These therefore had impacted positively through these loans on income and increments in income, if any, while considering gender differentials of the farmers.

The technical contribution which capital saving can bring about in the agricultural sector especially in a capital deficient system is not in dispute.

Barron (1992) reported that members of societies performed better in terms of gross margins than individuals who were non-members. This had been largely due to the Involvement of the government through cooperatives in terms of financial and technical' assistance'. According to Birchall (2004) most farmers join organizations to obtain needed inputs for their farm work, especially credit; while loan assurance had made women co-operators to patronize their organizations. Bamire (2000) claimed that the saving behaviour of farmers in developing countries is less dependent on the absolute level of aggregate income and more dependent among other factors on the relationship between current and expected income, the nature of business, household size, wealth and demographic variables like age.

Amburgey (1992) carried out an in-depth analysis of the financial behaviour of fishermen in Ondo State, and showed that the marginal propensity to save among fishermen was greater than unity (1.95), indicating that there is a high degree of responsiveness of saving to changes in income. According to UN (1981), capital accumulation is a major prerequisite of economic development and if the volume of savings was inadequate to meet requirements, major bottlenecks were likely to develop in the process of capital formation and the drive for development.

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According to Baarda (2004), cooperative organizations activities takes the following patterns economic growth patterns/approach; basic needs patterns/approach and rural development pattern.

**Economic:** This focuses on capital formation as it relates to capital stock, and human capital. Human capital formation has to do with education; health, insurance and housing, cooperative organization involved in poverty alleviation invest in these sources of economic growth.

**Basic needs pattern:** In this pattern, cooperative organizations working on poverty-alleviation make provisions of basic needs to their target. These needs include food, shelter, water, sanitation, health care, basic education and transportations.

**Rural development/urban renewal pattern:** This pattern of cooperative organisations activities sees rural/urban sector as unique sector in term of poverty reduction. This is because majority of the poor in developing countries in either of these sector. Emphasis in this approach to poverty alleviation has focused on integrated development approach. This approach recognizes that poverty is multi-dimensional and therefore, requires a multi-pronged approach. The approach aims at the provision of basic necessities of life such as food, shelter, save drinking water, education, health care, employment and income generation opportunities to the rural/urban dwellers in general and poor in particular.

Community participation is significant to the success of Cooperative societies in rural community development (Friedman, 1992). Women Associations at the Grass root level have facilitated access for the rural poor, particularly women, to available services and inputs for rural development. Community participation in rural areas has emerged as key elements and strategies for effective and sustainable rural development (Dalton, 1998). The Cooperatives

life style of people especially in rural areas enhances their participation in the development activities of their communities by affording them the opportunities to pull their resources together for substantial community development projects, which is significant to the success and sustainability of such projects (Deji, 2005).

Several factors influence community participation in Cooperative activities, the factors varies significantly on gender basis. The underpinning factor persistent gender variation is the nature of the community socio –cultural factors.

The traditional culture of self-groupings that is more commonly found among the women in rural areas encourages their participation in the development projects of their communities (Ubani, 1980). The views of the average member of a community about what cooperative organizations signify determine the level of the commitment of the people towards the development of that community (Macpherson, 1995).

### **Prospects of Cooperative Organizations in Nigeria**

Cooperative Organizations play a significant role in provision of services that enhances agricultural development. Flannery (1994) described Cooperative Organizations as a medium through which services like provision of farm inputs, farm implements, farm mechanization, agricultural loans, agricultural extension, member's education, marketing of members farm produce, and other economic activities and services rendered to members.

Cooperative organizations combine the two approaches for increasing their efficacy to reduce poverty. In essence, Cooperative organizations function on both the supply and the demand sides and even forge the linkages between the two sides. The latter is emphasized by Ibrahim (2001) by arguing that it is necessary for Cooperative organizations to make a linkage between micro-tasks consisting of provision of goods, of social and of financial services, capacity building, process facilitation, and fostering linkages, and macro-tasks consisting of policy advocacy, lobbying, public education and mobilization, monitoring compliance, and reconciliation and mediation (Crooks,2004).

Cooperative organizations are a significant tool for the creation of decent jobs and mobilization of resources for income generation and also provide opportunities for their employees to upgrade their skills through workshops and courses. According to Levin (2002) cooperatives employed more than 100 million men and women worldwide. However, in Nigeria cooperatives provide locally needed services, employment and contribute a sense of community and social cohesion.

### **The Challenges of Cooperative Organizations in Nigeria**

The challenges facing effective performance of Cooperative organizations were in consonance with those observed by Flannery (1994) as:

- I. Inadequate government support to the Cooperative Organizations it has been observed that the support the government is given the Cooperative societies is not enough to cater for the ever increasing number of the societies. It is more of rhetoric's than actual action, these greatly affects the activities of the societies.
- II. Lack of member's commitment- some of the members shown I don't care attitude on the activities of Cooperative societies; they are much more interested on sharing the benefits of the produce. The activities are given a secondary look and therefore much more attention was not given to it.

- III. Lack of capital- people wants to engage in cooperative activities but due to lack of capital they cannot do so, these affects the activities of Cooperative organizations especially in rural areas and it hampers economic growth.
- IV. Politicization of Cooperative activities –Despite the elements of democracy in Cooperative activities but sometimes Cooperative Organizations are been carried away by partisan politics. In some instances where by the organizations are seen as belonging to one political party or the other as such full support would not be given by the authorities if they are considered as part of the opposition.

According to Deji (2005), the problems of Cooperative organisations revolve around the following:

**Corruption:** Corruption has remained the bane of developmental efforts in the third worlds. Where poverty alleviation programmes are put in place by Cooperative organisations, in this regard the members of cooperative organisations were short changed.

**Coordination of the Programme:** Baarda (2006), rightly points out that the problem of coordination has been a bane for effective cooperative organisations programmes in Nigeria, thereby resulting in role overlap and confusion.

**Conception of the programme:** This has to do with primary intention of the Cooperative organization on the programme was conceived (Harbor 2002). In most cases, this programmes were conceived primarily to address poverty issues but mainly score cheap political point i.e. recognition of these cooperative organisations by the government of the day.

**Lack of clear guide:** According (Harbor, 2002) cooperative organisations programmes in developing countries have always suffered from content deficiency. For instance, due considerations have never been given to Adult and Non-formal Education by these Cooperative societies, as a tool for empowering people against poverty (Baarda, 2006).

## **SUGGESTIONS**

Based on the foregoing the following suggestions were made:

1. There is the need to educate the members of Cooperative organisations in order to enhance their capacity for optimum result and sustainability.
2. Government should devise a strategy that would be supervising the activities of cooperative organisations for quality assurance and control.
3. Government support to Cooperative organisations in terms of enabling policy environment and assistance needs to be provided to enhance the activities of cooperative organisations in the state.
4. To reduce the level of illiteracy and to educate its members, the cooperative organizations should organize Adult literacy classes for their members at primary cooperative level, further more; training of leaders is also very vital. It should involve exchange of experience with other leaders and taking part in meetings to compare their ideas and common problems.
5. Cooperative organisations can be used as a pressure group to check the activities of people in the Government because it has no any political undertone or affiliations.

## CONCLUSION

Poverty is seen as a rural phenomenon and where majority of the people in the developing nations lived. Many rural areas have benefitted in one way or the other with various projects executed by cooperative organizations in communities. In Nigeria cooperatives provide locally needed services, employment and contribute a sense of community and social cohesion. People come together in cooperative societies to pool their resources together so as to meet individual needs that could not be resolved by individual limited financial capacity

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