

Challenges and Prospects of Agricultural Cooperative Societies in Nigeria

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ABSTRACT

This paper looked at the challenges and prospects of Agricultural Cooperatives in Nigeria. The objective of the study is to find out the explanation of cooperative societies, types, importance, advantages, disadvantages of cooperative, and the roles played by co operative society in the economic development of Nigeria. Farmers who belong to cooperative society can often get inputs against liens over produce for sale through the society. The marginal savings rate of the poor, when viewed from a holistic perspective are not small; this high volume of savings from the poor who usually constitute the target group of credit co-operatives can be encouraged and efficiently mobilized for the benefit of the individuals by encouraging agricultural expansion, the co-operative and the entire economy.

Keywords: Cooperative, enterprises, challenges, consumers, association

INTRODUCTION

A Cooperative society represents a form of private business organization. These are formed to meet the needs of the populace. This is based on the self-helped organization of people who solely decide to come together in other to achieve a set goal that none of them could achieve as an individual. The cooperative society is a taxable entity under the income tax Act 1960. And to be treated as an association of persons (AOP) which is included in the definition of person under the income tax Act 1960 (Ezewe S.E.2016).

Agricultural cooperatives have been formed for production of food and cash crops. Of course, cooperatives like any other enterprise will need funds to finance their operations. Whether or not innovations in

cooperatives can be undertaken and financed; will largely depend on the capability of the leadership and management to mobilize members' resources.

Over the past 140 years, Cooperative has changed the lives of people providing a unique method for meeting the needs of those who willingly belongs to such groups.

According to Osoba C.O. (2008) Cooperative society is the association of individuals who voluntarily come together as a unit to achieve a common economic goal. This is made possible by the formulation of a democratically controlled business organization, making equitable contributions to the required capital and accepting a fair share of the risks and benefits of the undertaking. Agriculture and Non Agricultural cooperatives help salary earners to save for the future, through a soft deduction from the worker's salary which is usually on a monthly basis. There is usually a reduction of prices by getting rid of the middlemen thereby maximizing the welfare of members, more also profit are shared in the form of dividend among others. In the time past majority of the salary earners find it difficult to save their money, having the notion that the cooperative association is meant for the low income earners.

Ahmed (1985) opined that banks see agricultural enterprises as a very risky enterprise in which depositors fund should not be committed. All the members bearing the risk on the business making sure that the control and management is a democratic, member having equal right in decision making.

TYPES OF COOPERATIVE ASSOCIATIONS

There are different types of cooperative societies. These include;

Producers Cooperative

This is an association of people producing similar commodities. They often come together either to market their product or to produce their commodities. They elect their members to carry out the managerial function, the profit realized from the business is shared among the cooperative producers and their fund is raised through their members, banks, Government etc.

Taking a look at the agricultural cooperative society today, you find that farmers come together, gather their resources in order to produce on a larger scale which will go a long way to yield more profit for them. When these farm produce are harvested, it gives the farmers more favourable bargaining power. Higher profit is maximized by selling in bulk.

Consumers Cooperative

This is referred to as the coming together as consumers. They are formed for the main purpose of purchasing goods in whole sale prices from the producers and dispose them at retail prices to their members and non members of the association at cheaper prices. They do not partake in producing commodities unlike the producer's cooperative. Each member in consumers cooperative is obliged to pay a registration fees before they are allowed to join the association and are also entitled to share of the profits in the form of dividends to all members of the cooperative and equal access is given to all members of the cooperative.

Credit and Thrift Cooperative

Similar interest which are usually from the low income earners. They proceed to contribute and save money together. Members are given room to borrow as long as they meet the criteria of the cooperative association which is usually minimal interest rate. Non members may also be considered to borrow at a higher rate compared to the non members.

People also come together for the interest of obtaining loan. For example farmers that produce a particular type of crop such as rice or cassava could form a cooperative in order to raise loans. This goes a long way, by encouraging the saving habit of its members and enjoying low interest rate.

Advantages of Cooperatives Association

- ❖ Easy to form. It is a voluntary association and does not require living the complicated legal preliminary during formulation.
- ❖ It assists in raising loans for agricultural practices on other form of production.
- ❖ Profit incurred by the cooperative is shared among members of the organization.
- ❖ Organizing adult literacy classes for its members.
- ❖ They contribute in the development of the area in which they are operating by issuing grants to the community.
- ❖ Credit thrift cooperatives society encourages the deliberate act of saving money. This is mostly practiced in West Africa where most people have no inclination to save.
- ❖ Loyalty of cooperative members bring about trade stability
- ❖ Agricultural cooperatives grant loans to farmers for agricultural expansion from Agricultural cooperative banks such as Bank of Agriculture which makes it easier than the individual producers.
- ❖ Members of the cooperative have equal voice in the management and each member has only one vote.
- ❖ The essence of forming the consumers cooperative is to raise the standard of living of its members to support their direct marketing. This combines the function of all other forms of cooperative association. They may combine the features of credit thrift cooperative, producers and consumer's cooperative, purchasing, saving and granting loans.

Problems of Cooperative Societies

Cooperatives are found in every nook and crannies of the world. In almost all parts of the world, cooperatives face one challenge or more. Anyanwuocha (2011) identified five major problems for cooperative societies in Nigeria. These are as follows; Difficulty in searching for an experienced person to manage the business, inadequate capital in the cooperative association, fraud and embezzlement of fund by corrupt leaders, misuse of fund for political purposes, and profit of the cooperatives are not subjected for taxation.

Managing the Cooperative Society

There are several instances where the people that mandated or voted for to run the affairs of the association and have no adequate knowledge and experience in the human resource management which is aimed at organizing and coordinating the requirements of the availability of different kind of employees who are self-motivated and target oriented. This makes them find it difficult to carry out their task effectively well so as to arrive at the landmark of the cooperative goals, by focusing on the demand and supply of labour involving the acquisition and development of the members of the association and foreseeing the need to groom young entrepreneur from the agricultural sector in enhancing the growth and development of the economy (Brai M.A, 2016). Based on the method used to appoint such a sensitive position, the right person may not be chosen.

More also, there arises the problem of Inadequate training and lackadaisical attitude to work in the cooperative which thereby results in inefficiency of both the management and other workers may lead to low profit margin. For instance when the Federal Government of Nigeria encourages the production of rice but goes other way to import foreign rice thereby endangering the fortune of local producers. Many part of the world grant preferential treatment to local producers including agricultural cooperative society by way of subsidies and grant.

Agricultural cooperatives are now found all over the world being it institutions, organizations, colleges etc.

- ✚ Inadequate capital has been a major challenge a cooperative organization. This is essentially true when cooperatives are managed by people with low incomes. On this ground, it therefore becomes arduous to raise capital from members. An inadequate capital base tends to prevent the free movement of the business operations.
- ✚ Report of cases of fraud and embezzlement of funds by corrupt officials. Corrupt and misuse of fund is quite glaring, if the cooperative is owned by people who have no knowledge of cash accounting.
- ✚ The misuse of cooperative funds for political purposes has become the order of the day in most cooperative associations. There have been reported cases whereby the executives of the association team up without the consent of their members to invest the association funds in political campaigns and patiently expecting returns when the party contestants eventually emerges as the winner of the election. This tends to create room for frustration and jeopardy on the members of the cooperatives.
- ✚ The profits of the cooperatives are not subjected to taxation which may lead to an unhealthy competition between the competitive and other forms of business organizations whose profits are subjected to taxation.
- ✚ Another major challenge that hampers agricultural cooperative societies in Nigeria are loan repayment to financial institutions. The problem of nonpayment of loan given to farmers is brought about by loan diversification to other uses than for agricultural purposes. Despite policies put in place by the Government to assist agricultural cooperatives their impact is not noticeable because of improper management of funds by Non-Governmental Organization and Government delegates to the detriment of the processors and poor farmers in the country. This need to be

properly addressed as a drastic step to take the country from the shell of recession and make life worth living for the citizens of Nigeria.

Prospects of Cooperative Society In Nigeria

The prospect of the cooperative business that will assist to alleviate the suffering of the less privilege is some of vital importance to the growth and development of the citizens living in the country. The education of cooperative farmers would go a long way to eradicate the problem of agricultural development.

According to Todaro and Smith (2003), the marginal savings rate of the poor , when viewed from a holistic perspective are not small; this high volume of savings from the poor who usually constitute the target group of credit co-operatives can be encouraged and efficiently mobilized for the benefit of the individuals , the co-operative and the entire economy. Besides the needs and problems of the poor including emergencies such as unanticipated deaths of those relatives, school fees, rents, among others, are not likely to cease in the near future. These needs will constantly require attention whenever and wherever they occur. Having in mind that Cooperative can thrive anywhere in respective of the region; be it in the rural or urban settlement. It is does not grow by lack of infrastructure as power supply as other establishment depend on for their day to day running of their organizations being it a manufacturing firm, servicing companies, telecommunication firms etc.(Claycon G.E.1999).

CONCLUSION

Regardless of its purpose or membership, starting a cooperative requires considerable time, energy, commitment and technical resources. Recognition of a common need is fundamental to the formation and successful operation of cooperative. Potential members must devote much time and energy to developing their new business. Selecting

knowledgeable directors and competent managers should be put in place to manage the finance which will steer the members to be more committed to the association.

RECOMMENDATION

A strategic business plan is important to harmonize all the ingredients for cooperative's progress by encouraging farming in large scale, such as cooperative farming.

In order to achieve their maximum strength and effectiveness there is a need for the Government to purchase more of the necessary agricultural inputs such as machinery and establish agencies that will hire out farm machineries to cooperative farmers who are zealous to go into large scale farming which will serve as a step towards having surplus produce for sale during the cropping season.

Payments should be made to members to stabilize their income as at when due to enable they actualize their set plans for the year.

As business organizations, cooperatives are partly private, partly public, but essentially different from both private enterprise and public enterprise. They are a middle way, an economic sector in their own right.

Government should provide a workable supportive policy, legal and institutional framework, provide support measures based on activities, provide oversight on terms equivalent to other forms of enterprise, and adopt measures to improve access to finance for less privileged groups. Such as the peasant farmers who are tied in the arms of selfless organizations who solely decide to prank on the farmers in order not to disburse their Agricultural loan to them.

Government can contribute significantly to improving cooperative performance by facilitating access of cooperatives to support services and setting up monitoring agencies to ensure high quality output.

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