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Abstract

Cooperative thrift and credit societies in paid employment organizations admit only members of staff of such organizations. Memberships of such societies elapsed when members retire or leave the organization. Withdrawing members are paid only the balances in their savings and shares. Investments held by the societies are not taken into consideration when these members are paid off. Values of shares in limited liability companies are not based on nominal values of shares held at the time of disposal. Market value is a key factor. This paper assessed the fairness or otherwise of such practices in departmental cooperative societies, in The Polytechnic, Ibadan Oyo State, Nigeria as a case study. An empirical investigation was undertaken, using the chi square analysis and it was found that departmental cooperative society members are not satisfied with the present system relating to withdrawal or disengagement from the societies. Following our findings, we recommend that investments of cooperative societies (or current market values of the shares) should be taken into consideration when members are to be paid their entitlements when withdrawing from these societies.

Keywords: Withdrawal Dividend Shares Investment Retirement Bye laws Departmental cooperative Societies

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1.0 INTRODUCTION

An autonomous association of persons united voluntarily to meet their economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprise is conceptualized as a cooperative society (International Co-operative Alliance, 1995). There had been traditional contribution societies in Nigeria before the advent of modern cooperative movement which began in England in 1844 during the industrial revolution when workers all over Europe lived in great misery. They were variously named by the people (Adejana, 2011). The Yorubas called it "Ajo", Hausas called it "Adashi" while the Igbos called it "Isusu". The first recognized cooperative society, named Rochdale Equitable Pioneer resulted from the coming together of twenty eight factory workers in Manchester (Encarta, 2009).

Modern cooperative societies in Nigeria had their origin following the agitation of Agege Cocoa Planters Union in 1907 (Tar, 2008). A study for the establishment of formal cooperative was commissioned in 1934 by the colonial administration. A colonial administrator, Mr. C .F Strickland of the colonial office in India was to assess the potentials of Cooperative form of business in Nigeria. He suggested a government control of cooperative activities which was followed by the enactment of cooperative legislation in 1935 (Agbo, 2008). These early cooperative societies were those of farmers' societies for cocoa farmers in the West, palm produce farmers in the East and groundnut farmers in the North. The exploitation of agricultural raw materials was enhanced by the form of cooperatives introduced by the colonial administration (Ijere, 1977). These early cooperative associations shifted from agriculture to marketing following the shift in the Nigerian economy from agriculture to crude oil in the early 1970's. Thereafter many types of cooperative associations were introduced and accepted in the country. One of them commonly known as thrift and credit society was popular among traders and artisans. It encourages savings and members enjoy low interest loans. Two types of this thrift and credit cooperative societies are available. The first one can easily be regarded as the "Ifelodun, Iwajowa, Unity". These operate in our communities at large. There is also what is called departmental cooperatives or workers' cooperatives (Orolugbade, 2011). These are found in corporate organizations like IPWA Plc Guinness Plc, Unilever Plc, Vitafoam Plc, Morison Plc, Universities, Polytechnics and other such organizations. A workers' cooperative is owned democratically and controlled by the workers themselves and there are no outsiders. Membership is not always compulsory for employees, but generally only employees can become members. These departmental cooperative societies are structured and their savings and loan repayment are paid promptly because deductions are at source by the wages/ accounts departments of these organizations.

Memberships in these departmental cooperative societies terminate immediately members are relieved/disengaged from the institutions they are working for. They are only paid what is due to them in terms of savings, and amount contributed as shares when they retire from the cooperative societies. Nothing is given to the members from the investments made by the society. What is normally calculated and given to the member who is retiring/withdrawing are his savings and shares. And may be something may be given to him later as dividend if his name appears for a reasonable period of time in the accounting year when the final accounts are prepared. All the investments in shares, fixed deposits, and landed properties belong to existing members of the company/institution. The outgoing member will not get anything.

The questions to ask at this point are these: Why do people join cooperative societies? What are the loans taken used for? Is it proper for cooperative societies to embark on investment activities? If yes, what type(s) of investments should they be involved in? Is it fair to outgoing members to receive only the balances in their savings and shares and dividends when withdrawing from the society without taking into consideration the fair value of the investments made by the society? Hypothetically, if there is a very high labour turnover which results into a heavy resignation/withdrawal of members from the cooperative society in a year leaving only ten members that the cooperative law allows as minimum number of members in a society, would these ten members be the owners of these investments? Is this arrangement fair to the retiring members? Is it proper for government to intervene in the activities of cooperative societies? Finding answers to these and other similar questions is the main thrust of this work.

The rest of the paper is divided into four sections. Section two is on conceptual framework and literature review while section three is on model specification and research methodology. Section four is on findings and discussion. Section five summarizes, concludes and recommends.

2.0 CONCEPTUAL FRAMEWORK AND LITERATUE REVIEW

2.1 Conceptual framework

2.1.1 Investment

Investment is the sacrifice of current consumption in order to obtain increased consumption at a later date (Gareth, 2003). It is committing money or acquiring property for future income. It also involves spending or setting aside money for future financial gains. In economics, investment implies creation of capital or goods capable of producing other goods or services. Expenditure on education and health is recognized

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as an investment in human capital, and research and development in intellectual capital.

2.1.1 Classification of investments

Investments can be classified into either real investment or financial investment. Real investment is the purchase of physical capital such as land and machinery to employ in a production process and earns increased profit while financial investment is the purchase of "paper" securities such as stocks and bonds.

Finance investment occurs when money is being committed to a project with expectation of gain after a thorough appraisal with a high degree of security for the principal amount as well as security of return. But if money is committed into something with expectation of gain without thorough analysis and without security of principal and return, that will be known as gambling. Speculation differs in that the analysis is carried out but there is neither the security of the principal nor that of return (Wikipedia, 2009). Investment is related to saving or deferring consumption.

For an individual, investment might include the purchase of financial assets, such as stocks, bonds, mutual funds, or life insurance. Investment can also include the purchase of durable goods, such as housing or a car. For an economist, investment refers to the increase in real capital in an economy, such as an increase in factories and machinery, or in its human capital

2.2 Share

This is a single unit of ownership that represents an equal proportion of a company's capital. The two major types of shares are ordinary shares and preference shares. The former entitle the shareholder to share in the earnings of the company as and when they occur and to vote at the company's annual general meetings and other official meetings. The later entitle the holder to a fixed income but no voting right. Cooperative societies do not issue preference shares. The income received from shares is known as dividend.

2.3 Savings

Savings refer to the portion of disposable income not spent on consumption of consumer goods but accumulated or invested directly on in capital equipment. In personal finance, the act of saving corresponds to nominal preservation of money for future use.

2.4 Retirement

Retirement, according to Akinade (2008), is termination of one's active working life. It may be voluntary, mandatory or compulsory. Termination of membership in a cooperative society may be by death, permanent insanity or termination of employment or withdrawal of service (Bye-Laws of Federal Inland Revenue Service Staff Multi-Purpose

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Cooperative Society Ltd, Abuja). Plagiarism, selling of marks, examination malpractices and sexual harassments among others may lead to compulsory retirement of academic staff. When an employee chooses to leave a position, it is considered a resignation, as opposed to termination. Therefore when a member of a cooperative society chooses to withdraw from that society, it is deemed to be resignation.

2.5 Literature review

The International Labour Organization (ILO) (1960) viewed a cooperative as an association of persons usually of limited means, who have voluntarily joined together to achieve a common economic end through the formation of a democratically controlled business organization, making equitable contribution to the capital required and accepting fair share of the risks and benefits of the undertaking in which members actively participate. Owojori and Oladejo (2009) described a cooperative as a business owned and controlled by the people who use its service. Onuoha (1986) was of the opinion that cooperatives are businesses of patrons whose motive is to obtain the goods and services they require at cost through their joint undertakings. Lawal (2006) described cooperative society as a kind of business for the mutual benefits of members. Cooperative society satisfies the needs and interests of its members, rather than maximizing profit which may be the target of other forms of business organizations. The cooperative business is to afford members particularly the poor, to come together to promote their socio-economic well-being, a feat which a single individual working alone cannot achieve if it is possible at all for him to do.

The International Cooperatives Alliance describes co-operative as "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 enterprise". They are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others. There are over 800 million members of co-operatives worldwide embracing these theories of socially responsible investing and co-operative individualism (Wikipedia, 2009).

Modern cooperative movement is relatively young in Nigeria and the belief is that the movement belongs to the rural people or that it is only farmers that are involved in cooperative activities. The early cooperative societies were those of farmers involved in agricultural business (Ijere, 1977). There was no clear difference between development programmes being executed by the government from that of the cooperative societies. Nweze (2001) and Onuoha,

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(2001) were of the opinion that past agricultural programmes in Nigeria including Operation Feed The Nation (OFN), the Green Revolution (GR), the Directorate For Food Roads And Rural Infrastructure (DFRRI), the Better Life Programme (BLP), the Family Support Programme (FSP) and the Family Economic Advancement Programme (FEAP), were linked to cooperative societies. Farmers were required to join or form cooperative societies before they could have access to funds available in these programs. This situation gave rise to the emergency of cooperative societies to satisfy the condition of collecting loans from these programmes. The existing cooperative societies were supplanted ultimately leading to their premature death (Nweze, 2003). This subtle way of controlling cooperative society made many not to be interested in it and apathy set in (Onuoha, 2002). There was then a school of taught that cooperative was an extension of government ministries. However cooperative helps to promote other social changes such as self help, social participation and education. However, the UK Department for International Development is of the opinion that the success of the cooperative sector depends on their operating without government favour or interference.

Cooperative associations involving the farmers in respect of having good bargains for their produce were the first to be introduced in Nigeria. Cooperative associations which were meant to be for farmers and artisans later had new interested class of people in paid employment organizations forming workers cooperative societies. The workers' cooperative societies which later became popular encouraged workers to save regularly for the rainy day Chikaire, Nnadi and Osuagwu (2011). Cooperative society promotes saving consciousness among its members. Pereyrs (2012) said that savings had enabled cooperative societies to extend loans, insurances and health services to members.

3.0 RESEARCH METHODOLOGY AND MODEL SPECIFICATION

3.1 Research Methodology

The study adopted the survey research design. The motivation for this research work stems from the observation on comments made by some retiring members of the cooperative society at The Polytechnic, Ibadan in Oyo State, Nigeria. Six hundred (600) questionnaires were randomly distributed to members of the cooperative society. This represents 50.6% of the 1186 members. 480 of the questionnaires (40.5%) were returned on time.

The model used for this study is chi square analysis combined with descriptive statistics. Chi square analysis was used because it is a non-parametric test that can be employed in analyzing nominal data (Oladiti, 2011). This model is in line with the work of Okpala and Chidi (2010).

3.2 Hypothesis tested

To make the major research objective achievable, the paper tested only one hypothesis. This is stated as:

Ho: Departmental cooperative society members are not dissatisfied with the present method of retirement whereby retirees are not entitled to any investment.

H_1: Departmental cooperative society members are dissatisfied with the present method of retirement whereby retirees are not entitled to any investment.

3.3 Model specification:

$$\chi^2 = \sum_{j=1}^{n} \frac{(Oj - Ej)^2}{Ej}$$

Where:

χ^2 = Chi- square

$\sum$ = Summation of all the quotients.

O_j = Observed values/frequencies.

E_j = Expected values/frequencies.

n = Number of observations.

Decision rule:

Accept Ho if the calculated chi square value is > 0.05

Reject Ho if the calculated chi square value is < 0.05

4.0 FINDINGS AND DISCUSSIONS

Four hundred and eighteen (418), representing 87% of the respondents were above 30 years old (Table 1). This means that they are matured and have assumed social and financial responsibilities in line with African culture. Three hundred and eighty-two (382) or 79.6% of the respondents have been in the cooperative society for more than five years (Table 2). This implies that they are well aware/familiar with the bye laws and activities of the society.

Why did you join the cooperative society? The response is somehow mixed. 54.2% of the respondents joined in order to acquire fixed assets, 19% joined in order to save for the rainy day while the remaining 26.8% joined for other various reasons (Table 3). These reasons include educational (8.3%) and getting essential commodities at reasonable prices (10.4%). 8.3% joined for all the above reasons. The response here is quite expected.

Hardly can we find a functional establishment without one type of cooperative society or the other. Many households in the country today live below poverty line and investigations had shown that the highest percentage of Nigeria's workforce are in the public sector and earn their monthly salary of below one dollar per day. Deductions of savings and loans are carried out by the employers at source from the staff salaries (Shekari 2012). This method ensures that deductions are received promptly and loans are disbursed to members without hitches. Through cooperatives, it is easier for people to save providing money available for lending to members. Loans and other credits are provided to members at much more easier conditions than the methods adopted by commercial banks and other financial institutions. Chikaire et al (2011) had earlier observed that cooperative societies encourage members to save for the rainy day. Otto and Ukpere (2011) are of the opinion that capital formation for investment purposes can easily be formed through co-operative credits and thrift associations.

The impacts of cooperatives in Nigeria are social and economic. Employments are created while people are empowered to own their business (Tar, 2008). Cooperatives were found to be effective in credit delivery (Izekor & Alufohai, 2010). But a school of taught emphasizes that cooperative societies should move from mere contribution and lending of money to members to that of creating returns through engagement in business activities Oki, (2008).

Most of the respondents (75.8%) were of the view that cooperative societies should not be involved in any investment at all (Table 4). This negates the opinion of Oki, (2008) earlier cited. Is the amount of dividends received from the cooperative society enough? Most of the respondents ((58.8%) believed that it was not enough, 25.4% were of the opinion that it was average while the remaining 15.8% considered it enough. The responses to this question surprisingly may not positively correlate with the earlier one on whether cooperative societies should engage in investment activities (from which income to be paid out as dividends may be derived) where as many as 75.8% of the respondents were of the view that cooperative societies should not get involved in investment activities (Table 4). 79.2% of the respondents did not support the idea that interest rate on loans to members be increased in order to increase annual dividends. One then wonders from where dividends will come if outside investments are not made as interest charged on loans to members are extremely low. When asked which type of investments they would want their cooperative society to be involved in, 58.3% preferred investments in land and buildings (real property), 18.8% in shares, 8.3% preferred investments in short-term deposits while the remaining 14.6% maintained their stand that cooperative societies should never be involved in any form of investment (Table 6). The finding is in line with a 'priori' expectation.

Apart from loans being given to members, some societies are involved in buying consumer goods to be sold to members, and payments are deducted installmentally. Procurement of large plots of lands to be shared among interested members make cooperative societies to be involved in housing programme at a small scale compared to that of government. They directly deal with the sellers of the property. The rigours of dealing with the middlemen or *omo onile* (in local language) who inflate prices solely for the purpose of gaining profits for themselves even when the seller may have paid them fully are avoided. Loans from mortgage banks and other financial institutions may attract higher interest rates than those from cooperative societies. In order to avoid extra charges with less or no strings attached on the properties purchased, getting a cooperative loan is better.

The objectives of cooperative thrift and credit societies are mainly to: encourage regular savings among members and to provide credit to members for provident and productive purposes, create special funds for investment purposes, including procurement of essential commodities aimed at enhancing the economic and social well-being of members, promote among members the spirit and practice of thrift, mutual and self-help based on co-operative principles, supply members with consumer goods at reasonable prices and to carry out regular major projects and investments for the benefit of members. These are very important and the executives of any society should strive to fulfill them (FIRS Staff Multi-purpose Cooperative Society Limited, Abuja). Adekunle and Henson (2007) were of the opinion that entrepreneurial alertness is imbibed in the consciousness of members as soon as they become members. The agricultural produce of western region made cooperative activities to thrive very well in the region and organized cooperative activities started around 1935 in Ibadan. The Awolowo regime of 1950s encouraged farmers to form societies that would impact positively on their economy. The edifice called cooperative building is a testimony to this fact.

When asked what their entitlements should be on resigning/withdrawal from the cooperative society, 58.8% of the respondents settled for the balances in their savings, shares and dividends in line with the existing bye laws while the remaining 41.2% opted for both the balances in their savings, shares and dividends and also part of the investments (Table 7). 75.4% of the respondents were of the opinion that the present system is not fair to retiring members while the remaining 24.6% were indifferent (Table 8). This particular finding when analyzed further using chi-square statistical method gives 12.4033 as its chi-square test statistic (Figure 10) which being significant at 0.000 significant level is statistically significant at 0.05 statistical level. This means that members were generally dissatisfied with the present system. This finding did not come as a surprise. The regulatory framework in respect of registration of cooperative societies is guided by Nigerian Co-operative Societies Act of 1993. Section 4 provides that for a cooperative society to be registered, the

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application must be signed by at least ten individual members qualified for membership of the society. Section 38 further provides that a primary society (e.g. a thrift and credit society) may have its registration cancelled if membership is below ten. Therefore a cooperative society that has its membership reduced to say ten from three hundred due to a very high withdrawal or resignation by members is qualified to continue as a cooperative society. The remaining ten members will now become the 'owners' of the investments that were made when the membership was at three hundred. The act does not provide any provision for withdrawing members to share in the assets of the investments made by the societies. Membership of departmental cooperative societies ceases when a member's appointment is terminated or a member withdraws his services from the employment where he is a member of the cooperative society (S.9 (c) Bye laws of FIRS Staff Multi-purpose Cooperative Society Limited, Abuja).

Should government still control (though indirectly) the activities of cooperative societies? 79.4% of the respondents agreed because of the huge amount of money and investments involved most especially in institutionally based cooperative societies (Table 9). Government has some control and influence in the activities of cooperative societies. The recommendation of Strickland of total government control is still in operation. Government officials still register, supervise and audit cooperative societies in Nigeria which is at variance with International Labour Organisation resolution 193 of 2000 that recommends full autonomy for cooperative societies (Okonkwo, 1978). This control is manifest in the development programmes of the government. In empowering the people to be independent, the Niger Delta Development Commission (NDDC) in Edo state channelled funds through the cooperative societies (Omorodion, 2011). This was not new as past governments had done similar things. Past agricultural development programmes including the Operation Feed The Nation (OFN), The Green Revolution (GR), The Directorate For Food Roads And Rural Infrastructure (DFRRI), The Better Life Programme (BLP), The Family Support Programme (FSP) and The Family Economic Advancement Programme (FEAP) all required farmers to join cooperatives controlled by the government to be able to access services provided by these programmes (Nweze, 2001; Onuoha, 2001). Government is less hostile to cooperative but supportive to its operation. Stringent tax measures and adverse operational policies that are inimical to the operations are unavailable in order to emphasis poverty eradication.

Generally, cooperatives are significant economic players that contribute to sustained growth process. The top 300 global co-operatives have a combined turnover of $1 trillion. The employment is over 100

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million people making a significant contribution to the GDP in many countries (Imbsen, 2008). Cooperatives in Switzerland contribute 60% to the economy of the country. Though none of the 300 biggest cooperatives is in Africa, this does not mean that the impacts in developing countries are not there. CIC (Cooperative Insurance Company) Kenya has proved that cooperative offers services to people than other conventional insurance companies. It was the only insurance company that has lived up to expectation by paying to the poor people. Other conventional insurance companies failed to pay (Kuria, 2008).

Conflict resolution, peace-building and social cohesion are fostered through cooperatives when people of different religious, ethnic and political ideologies build trust and solidarity leading to greater social stability. Cooperatives have been found to reconcile erstwhile enemies in Rwanda, Lebanon, Macedonia and Bosnia (DFI, 2010).

The cooperative principle stipulates that a member is only entitled to only one vote whatever the amount of shares a member has. This leads many members to subscribe to the minimum number of shares as additional increase in shares would not bring any additional returns. Members are paid dividend not on the number of shares being held but on the balances at the end of the accounting year.

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The paper examined the fairness of returns being given to cooperative members on withdrawing from the society. A review of literature and contributions from past academic papers on cooperative societies was done. It was found out that though people joined institutional cooperative societies (and possibly other cooperative societies) for various reasons, the desire to get cheap loans for the acquisition of fixed assets and save for the rainy day were the most paramount. Cooperative societies distribute dividends to members at the end of the financial year. Most to the members were of the opinion that the amount of dividend is not enough. They do not want their cooperative society to engage in investment activities. They do not want the rate of interest charged on loans increased. How a cooperative society can improve on its dividend payment without any outside investment and without increasing the interest rate on loans to members remains a major challenge. It is clear that cooperative societies can hardly survive without investments. The chi-square statistic was used to analyze responses on the fairness or otherwise of the present system whereby retiring members are paid only the book values of the balances in their savings, shares and dividends without considering the investments made by the cooperative society. Findings showed that the system is not fair at all.

In conventional companies, shareholders dispose their investments (shares) at market values. The nominal amounts of shares are only for accounting purposes. This was not the case with departmental (and indeed other) cooperative societies. Shares at cost and savings are the only entitlements paid to the withdrawing members.

Regular dividends given to shareholders make many members not to be interested in what the executives do with their resources in respect of investments. Cooperative societies are subject to the same 'problems' as any business, but have additional problems arising from being owned by all and each member is entitled to only one vote whatever the amount of shares he had subscribed to. Some of their members have little realistic knowledge about investment portfolios.

This paper therefore recommends that withdrawing members of departmental (and other) cooperative societies should be paid their entitlements taking into consideration the investments of the societies. The Cooperative Act as well as the bye laws may have to be reviewed for this purpose. A method should be evolved where shares in cooperative societies can be transferred or sold. For any cooperative society to be effective and successful, it must continuously achieve two inter-related goals: enhance viability and improve ability to service its members; and remain an economically viable, innovative and competitive enterprise (Dogarawa, 2005).

One of the limitations to this research work is that it is restricted to a cooperative society in just one institution in Nigeria. It may not therefore be possible to generalize the findings in this work. The work had relied on the responses from current members as against retired members. This is due to the fact that the population of the retired members over the years was difficult to determine as well as the sample size. The review of related literature on retirement benefits of members from cooperative societies had not been robust enough to the satisfaction of the researchers. None available of relevant research works on this topic was responsible for it.

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APPENDIX

TABLE 1: Age of Respondents

		%
< 30 years	62	13
>33 years	418	87
	480	100

Source: Field Survey, 2012.

TABLE 2: No of years in Cooperative Society.

		%
<5years	98	20.4
>5 years	382	79.6
	480	100.0

Source: Field Survey, 2012.

TABLE 3: Purpose of joining Cooperative society.

		%
To acquire fixed assets	260	54.2
To save for the rainy day	90	18.8
Educational	40	8.3
For essential commodities at Reduced prices	50	10.4
All the above	40	8.3
	480	100.0

Source: Field Survey, 2012.

TABLE 4: Involvement of Cooperative Society in investments.

		%
No to investments	364	75.8
Yes to investments	116	24.2
	480	100.0

TABLE 5: Is the dividend paid by the Cooperative Society enough?

		%
Enough	76	15.8
Average	122	25.4
Not Enough	282	58.8
	480	100.0

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TABLE 6: Types of investment the Cooperative Society should engage in.

		%
Land and Buildings	280	58.3
Shares	90	18.8
Short-term deposits	40	8.3
No investment at all	70	14.6
	480	100.0

Source: Field Survey, 2012.

TABLE 7: Entitlements after retirement/ disengagement should be:

		%
Savings, shares and dividends	282	58.8
Savings, shares, dividends and Part of the investments	198	41.2
	480	100.0

Source: Field Survey, 2012.

TABLE 8: Satisfied with the present system of being given only the balances in savings, shares and dividends on retirement?

		%
Satisfied	118	24.6
Not satisfied	362	75.4
	480	100.0

Source: Field Survey, 2012.

TABLE 9: Should government be involved in Cooperative Societies?

		%
Yes	381	79.4
No	99	20.6
	480	100.0

Source: Field Survey, 2012.

Table 10: Chi-Square Test

Frequencies

DISENGAGEMENT

	Observed N	Expected N	Residual
FAIR	118	240.0	-122.0
NOT FAIR	362	240.0	122.0
Total	480		

Test Statistics

	DISENGAGEMENT
Chi-Square	12.4033[a]
Df	1
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 240.0.

Source: Computations from SPSS

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