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# **The Role of Cooperative Societies in Economic Development**

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## **Abstract**

*This paper examines the role of cooperative societies in economic development. The aim is to investigate the ways in which cooperatives can act as agents towards sustainable community development. The paper is a descriptive survey, which involves the collection of data for the purpose of describing the role of cooperative societies in economic development. The paper posits that for over 160 years now cooperatives have been an effective way for people to exert control over their economic livelihoods as they play an increasingly important role in facilitating job creation, economic growth and social development. The paper concludes that to be effective and successful, cooperatives 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.*

## **Introduction**<sup>1</sup>

Today, in an era when many people feel powerless to change their lives, cooperatives represent a strong, vibrant, and viable economic alternative. Cooperatives are formed to meet peoples' mutual needs. They are based on the powerful idea that together, a group of people can achieve goals that none of them could achieve alone.

For over 160 years now, cooperatives have been an effective way for people to exert control over their economic livelihoods. They provide a unique tool for achieving one or more economic goals in an increasingly competitive global economy. As governments around the world cut services and withdraw from regulating markets, cooperatives are being considered useful mechanisms to manage risk for members in Agricultural or other similar cooperatives, help salary/wage earners save for the future through a soft-felt monthly contribution that is deducted from source, own what might be difficult for individuals to own by their efforts, strengthen the communities in which they operate through job provision and payment of local taxes. Cooperatives generally provide an economic boost to the community as well.

Incidentally, cooperative despite its old age is not very popular in Nigeria. Only recently worker cooperatives started gaining ground among working class citizens, most of who find it difficult to save part of their salaries/wages for the rainy day. Hitherto, cooperative societies were thought to be associations meant only for farmers, small traders and other very low-income earners. This explains why quite a number of cooperative farmers are found, particularly in southern Nigeria

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The problem is that many people do not know much about cooperative, its mechanisms and role in economic development, and how it is considered in the world as a *Third Force*, an alternative and countervailing power to both big business and big government.

Against this background, this paper examines the role of cooperative societies in economic development with a view to throwing some light on the nature and features of cooperatives, the benefits and the formation and management of cooperative societies. The paper investigates the ways in which cooperatives can act as agents towards sustainable community development. The justification of the study precipitates from the fact that although investigating the role of cooperatives on the international scale is not a new phenomenon, in Nigeria, results of such researches are still scanty and incomprehensive.

The paper is a descriptive survey, which involves the collection of data for the purpose of describing the role of cooperative societies in economic development. The remainder of the paper is organised as follows. Section two gives a background on cooperatives, which serves as the theoretical framework. Section three assesses the role and mechanism of cooperative societies. Section four highlights the steps involved in starting a cooperative. Section five discusses the challenges facing cooperatives and section six summarises and concludes the paper.

### **Background on Cooperatives**

The International Cooperative Alliance (ICA) in its Statement on the Cooperative Identity, in 1995, defines a cooperative 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.” It is a business voluntarily owned and controlled by its member patrons and operated for them and by them on a nonprofit or cost basis (UWCC, 2002). It is a business enterprise that aims at complete identity of the component factors of ownership, control and use of service, three distinct features that differentiate cooperatives from other businesses (Laidlaw, 1974).

Although there is no consistency to the exact origin of the co-operative movement, many academics argue the origins lie within Europe (Shaffer, 1999; Holyoake, 1908). The first recorded co-operatives date back to 1750 in France, where local cheese makers in the community of Franche-Comté established a producer cheese co-operative. Within the decade, co-operatives had developed in France, United Kingdom, United States and Greece. In 1844 the Equitable Pioneers of Rochdale Society (EPRS) was formed. With the goal of social improvement, twenty-eight unemployed community members saw the opportunity to pool their limited resources and attempt cooperation for the good of the group. Even though co-operatives appeared in the century previous, Rochdale is seen as the first ‘modern’ cooperative since it was where the co-operative principles were developed (Wikipedia, 2006; Gibson, 2005; and Abell, 2004).

The successful example of cooperative business provided by the Rochdale Society, which also established between 1850 and 1855 a flourmill, a shoe factory, and a textile plant, was quickly emulated throughout the country. By 1863 more than 400 British cooperative associations, modelled after the Rochdale Society, were in operation. Thereafter the English movement grew steadily, becoming the model for similar movements worldwide. Notable among the European countries in which consumer cooperation received early popular support were France, Germany, Belgium, Austria, Italy, Denmark, Finland, Norway, and Sweden (Abell, 2004).

In 1895, International Cooperative Alliance (ICA), a non-governmental organization was established as umbrella organisation to promote friendly and economic relations between cooperative organizations of all types, nationally and internationally. The major objective of the ICA is to promote and strengthen autonomous cooperative organizations throughout the world. In order to achieve its aims, the ICA organizes international, regional, and sectoral meetings. The ICA also aims to promote exchange of information such as news and statistics between cooperatives through research and reports, directories, international conferences, and two quarterly publications: *ICA*

*News and the Review of International Co-operation*. It represents the cooperative movement generally, for instance through its membership of the UN.

Since its creation, the ICA has been accepted by cooperators throughout the world as the final authority for defining cooperatives and for determining the underlying principles, which give motivation to cooperative enterprise. World membership in ICA gives some idea of the size of the cooperative movement today. In 1895, the founding congress had 194 members; in the mid-1980s the ICA recorded a membership of about 355 million individuals; in 1999, the ICA's organisations represented 750 million people; and since 2002 it was estimated that more than 800 million people are members of worker, agriculture, banking, credit and saving, energy, industry, insurance, fisheries, tourism, housing, building, retailer, utility, social and consumer cooperatives societies (Levin, 2002; Encarta, 2005; and Wikipedia, 2006)

Cooperatives are based on basic values and principles. Cooperative values are general norms that cooperators, cooperative leaders and cooperative staff should share and which should determine their way of thinking and acting (Hoyt, 1996). The values, which are articulated by the ICA in a statement in 1995, include self-help, self-responsibility, democracy, equality, equity and solidarity. The values statement further articulates values of personal and ethical behaviour that cooperators actualize in their enterprises. They describe the kind of people cooperators strive to be and the traits they hope to encourage through cooperation. These are honesty, openness, social responsibility and caring for others.

Cooperative principles on the other hand, are guidelines by which cooperatives put their values into practice. The principles rest on a distinct philosophy and view of society that helps members judge their accomplishments and make decisions (Hoyt, 1996). Before 1995, the ICA has made two formal statements of the cooperative principles, in 1937 and 1966. In 1995, the ICA redefines, restates and expands the cooperative principles from six to seven in order to guide cooperative organisations at the beginning of the 21<sup>st</sup> century. The principles are: Voluntary and Open Membership; Democratic Member Control; Member Economic Participation;

Autonomy and Independence; Education, Training and Information; Cooperation among Cooperatives; and Concern for Community.

The import of the above principles is that cooperatives 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. They 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. Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their 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. Also, cooperatives 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. They 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. They also serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures. Further, cooperatives work for the sustainable development of their communities through policies approved by their members.

Regardless of the type, size, geographical location or purpose, cooperatives provide a unique tool for achieving one or more economic goals in an increasingly competitive global economy. These goals include achieving economy of size, improving bargaining power when dealing with other businesses, purchasing in bulk to achieve lower prices, obtaining products or services otherwise unavailable, obtaining market

access or broadening market opportunities, improving product or service quality, securing credit from financial institutions and increasing income (RBCDS, 1995).

Cooperatives operate very much like other businesses. They must serve a market efficiently and effectively, they must be well managed, and they must survive financially. However, there are important distinctions that make cooperatives unique. Laidlaw (1974) examines the difference between cooperatives and other businesses in relation to three main groups of people responsible for bringing them into existence and keeping them in operation. The three groups are: the persons who own them (the shareholders, the investors), the persons who control them (the effective decision-makers) and the persons who use them (the customers). According to him, in typical capitalist business, especially large enterprise and multinational corporations, these three are separate and distinct groups. In small private business the situation is generally much better because of the close connection between shareholders (investors) and control. In a small retail business, for example, the first two components are often identical. But still the users, the customers, are a separate group. In a cooperative, all three come together to form a unity; those who own, those who control, and those who use are one.

The diagrams below give a picture of the uniqueness of cooperative societies

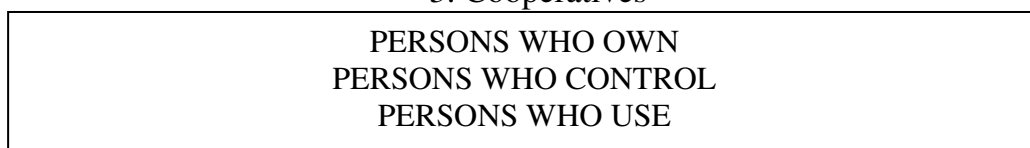
1. Large Business / Multinationals



2. Small Private Business



3. Cooperatives



The points of comparison apply also to public enterprise and cooperatives, though in a different way. In public enterprise, the components of ownership, control and use are separate and disjointed, in contrast to cooperatives, where they are unified. In cooperatives, responsibility and accountability are direct; in public enterprise they are indirect and frequently difficult to trace.

According to Taimni (1997), combating exploitation, reducing disparities, improving social conditions and gender sensitivity, and helping to create a more just society with pronounced concern for environmental protection and sustainable processes of development all tend to make a cooperative a preferred and more socially desirable form of organization.

### **The Role of Cooperatives in Economic Development**

Cooperatives are community-based, rooted in democracy, flexible, and have participatory involvement, which makes them well suited for economic development (Gertler, 2001). The process of developing and sustaining a cooperative involves the processes of developing and promoting community spirit, identity and social organisation as cooperatives play an increasingly important role worldwide in poverty reduction, facilitating job creation, economic growth and social development (Gibson, 2005).

Cooperatives are viewed as important tools for improving the living and working conditions of both women and men. Since the users of the services they provide own them, cooperatives make decisions that balance the need for profitability with the welfare of their members and the community, which they serve. As cooperatives foster economies of scope and scale, they increase the bargaining power of their members providing them, among others benefits, higher income and social protection. Hence, cooperatives accord members opportunity, protection and empowerment - essential elements in uplifting them from degradation and poverty (Somavia, 2002). As governments around the world cut services and withdraw from regulating markets, cooperatives are being considered useful mechanisms to manage risk for members and keep markets efficient (Henehan, 1997).



In a number of ways, cooperatives play important role in global and national economic and social development. With regard to economic and social development, cooperatives promote the “fullest participation of all people” and facilitate a more equitable distribution of the benefits of globalization. They contribute to sustainable human development and have an important role to play in combating social exclusion. Thus the promotion of cooperatives should be considered as one of the pillars of national and international economic and social development (Levin, 2002).

In addition to the direct benefits they provide to members, cooperatives strengthen the communities in which they operate. According to Somavia (2002) cooperatives are specifically seen as significant tools for the creation of decent jobs and for the mobilization of resources for income generation. Many cooperatives provide jobs and pay local taxes because they operate in specific geographical regions. According to Wikipedia (2006) and Levin (2002) it is estimated that cooperatives employ more than 100 million men and women worldwide.

In Nigeria, cooperatives can provide locally needed services, employment, circulate money locally and contribute to a sense of community or social cohesion. They can provide their employees with the opportunities to upgrade their skills through workshops and courses and offer youth in their base communities short and long-term employment positions. Students could also be employed on casual-appointment basis during long vacations. Through these, cooperatives will contribute to economic development.

### **Starting A Cooperative**

Like other businesses, cooperatives start with the recognition of a need or an opportunity. In fact, the economic motivation for starting a cooperative is very much the same as for starting other businesses.

Starting a new cooperative takes energy and resources. By following a planned step-by-step procedure, the process can be completed in an efficient and timely manner.

Because cooperatives are people-driven organizations, the first key to their success is to identify individuals with like needs who want to explore the feasibility of forming a cooperative business. Without this important first step, the chance for a successful cooperative business is slight.

The original group of individuals is usually potential users of the cooperative. They often have leadership and organizational skills. They organize informational meetings for other potential users and discuss topics such as: how the proposed cooperative could meet identified needs, cooperative operational practices, advantages and disadvantages of the cooperative business structure, member investment and financial requirements, and member commitment needed. Use of outside advisors experienced in cooperative development work, legal, tax, and finance issues, and product experts may save the group from making expensive mistakes and losing valuable time. Criteria used for selecting advisors should include: level of cooperative experience, ability to work as a team, understanding of issues related to start-up organizations, and objectivity.

There seem to be absence of consensus as to the steps involved in starting a cooperative society. Various authors, cooperators and cooperative consultants view the steps differently. In this paper, we borrow leave from RBCDS (1995) and UWCC (2002). In an attempt to ensure conciseness, precision and comprehensiveness, we synthesise the various steps developed by these sources.

Thus, starting a cooperative involve the following steps:

***1. Hold an organizing meeting; establish steering committee***

A core group of interested individuals should hold an informational meeting of potential cooperative members and others in the community. The primary purpose of the meeting is to explain the identified need and how a cooperative would address it. It is important that the group come to general agreement on the nature and importance of the problem and the potential for a cooperative to address it. Such an agreement will

become the group's shared vision, so it is worth spending as much time as necessary to achieve it.

If sufficient interest is generated, a steering committee is selected from the group. Although these six to eight individuals have no legal authority, they will be responsible for bringing the interests and concerns of the group to outside parties and meeting with resource people. The steering committee meets regularly and reports its activities and findings to the larger group. Leadership skills, sound business judgement, and a desire to reach decisions are valuable qualities for committee members.

Critical questions this step poses include: is there general agreement on the nature of the problem? Does the cooperative form of business meet the group's needs? Is there sufficient interest among potential cooperative members to proceed with a feasibility study? Are there individuals willing to serve in a leadership capacity? Sub-committees on business plan, by-laws and policies, purchasing and construction, and personnel could be formed.

## ***2. Survey on potential members***

Under the guidance of the steering committee and resource persons, potential cooperative members are surveyed. Topics include: need for services, volumes to be purchased or marketed, willingness to join, finance, and use of and familiarity with cooperatives.

## ***3. Feasibility study of the business; then report on the results***

The steering committee can either conduct a feasibility study (using the guidelines provided), or hire a consultant to carry out the study. The purpose of a feasibility study is to examine critical opportunities and obstacles that might make or break the proposed cooperative business. The feasibility study should give the group a good idea of whether the cooperative is likely to be successful as a business. The critical issues that a feasibility study analyzes include the number and interest level of potential members; market issues (can the cooperative get better prices, better quality

or better services than potential members currently get through other means?); operating costs; start-up costs; and availability of financing.

The quality of the feasibility study is critical because it will influence all future decisions on the development of the cooperative. Contributions by potential cooperative members are often used to help cover the cost of a feasibility study. These members will be the primary beneficiaries of the cooperative, so naturally they should assume some responsibility for the financial costs of assessing its feasibility.

The steering committee should hold a follow up meeting with potential cooperative members to report on the results of the feasibility study. A summary of the feasibility report should be distributed to participants, and the full report made available to anyone who wishes to see it. The preliminary financial projections should tell the group how much equity will be required from each member of the cooperative, and whether or not the cooperative is projected to return any patronage refunds (shares of the profits) to members during the first few years of operation. These are key pieces of information that will influence each person's decision about whether to join the cooperative. This should be a major decision point. If the feasibility study indicates that the cooperative is not a viable business, or if sufficient commitment does not exist among the group, the steering committee should not proceed with forming the cooperative.

#### ***4. Develop a business plan***

If the feasibility study results are favorable, the steering committee carries out or hires a consultant firm to develop a detailed business plan. The business plan serves two primary purposes: to provide a blueprint for the development and initial operation of the cooperative and to provide supporting documentation for potential members, financial institutions and other investors.

A typical outline of a business plan includes a description of the company, a market analysis, research and development related to the cooperative's product or service, a marketing and sales plan, capitalisation supplied by members and loans, description of

facilities and equipment, and financial business projections such as fixed and variable operating costs, sources of income, and pro forma statements.

### ***5. Develop legal documents***

Under the guidance of professional advisors, the steering committee should draft legal documents for approval by prospective members. These documents are: articles of incorporation; bylaws and other legal documents. The articles of incorporation declare the cooperative's purpose, kind and scope. The bylaws provide instruction on how the cooperative will conduct its declared purpose and must be approved by the membership. Other legal documents, such as membership applications and marketing agreements, are necessary to meet a cooperative's special needs. The next thing would be to incorporate the association. In Nigeria, incorporation takes place when a cooperative files its articles with the Corporate Affairs Commission. As soon as the cooperative is incorporated and thus exists as a legal entity, two or three members of the steering committee should open a bank account in the cooperative's name. This account will be used to deposit equity contributions from new members.

### ***6. Secure financing for the cooperative***

Cooperative businesses vary greatly in the amount of capital they need to get up and running. The business plan should include the amount and type of financing needed by the cooperative and a strategy for obtaining it. The steering committee and its advisors are responsible for implementing this strategy.

Virtually all cooperatives require some level of member financing, usually in the form of stock purchases or membership fees. Member financing not only provides equity for the cooperative, it also provides a financial base that helps other investors, particularly banks, feel more secure in investing in the cooperative. The steering committee should prepare a membership application for new members to fill out and sign. It should identify the member's name, address, and phone number; the number of shares of stock being purchased (or the amount of the membership fee if it is a non-stock cooperative); and a stated agreement that the new member agrees to belong to and abide by the bylaws and contracts of the cooperative. Each member's initial

financial contribution should be collected at the time the membership application is submitted.

### ***7. Recruit members for the cooperative***

During their organizational phase, many cooperatives hold meetings for potential members, conduct surveys and mail organizing updates to them, and collect initial down payments on membership fees. All of these activities provide a good indication of the level of interest in, and commitment to, the cooperative. Thus, when the time comes to actually “ante-up” and join, potential members are more primed to act. Even so, the steering committee may need to recruit new members in addition to those who have attended one or more of the organizational meetings. This should be a major decision point. If the cooperative is unable to obtain the necessary debt financing, or if sufficient commitment does not exist among potential members to provide sufficient equity capital, the steering committee should not proceed with developing the cooperative at this time.

### ***8. Hold Cooperative’s First Membership Meeting, Hire management and staff***

After financing has been secured and sufficient members have signed up, the first general membership meeting is convened. There are two major pieces of business that must be conducted at this meeting: the members adopt the cooperative’s bylaws; and the members elect a board of directors for the cooperative. *This meeting marks the transition from a steering committee and interim leadership group to a formally elected board and legally approved bylaws.*

In their capacity as owners, members elect the board of directors to function as their representatives in overseeing the administration of the cooperative. *It is this mechanism through which a cooperative is member-controlled.* As the members’ representatives, the board’s primary responsibilities are to develop policies, conduct long-range planning, hire and supervise the cooperative manager, and guide the cooperative in pursuing its mission and goals.

Some new cooperatives identify management personnel early in their organizing process, especially if members of the steering committee already know one or more key individuals. However, recruiting staff personnel is listed as a later step in the cooperative formation process because the cooperative is not a definite “go” until the necessary financing has been secured. One or more of the key individuals can be hired as consultants at an early stage with the mutual intent that they will work for the cooperative once it is formally established. This approach also has the effect of making investors feel more comfortable about financing the cooperative because proposed management staff have been identified. For some lenders, competent management is the most important thing they look for in making a loan decision.

### **9. Start Cooperatives**

The directors must acquire the necessary facilities for business operations. Actual operations may begin after all facility transactions are completed and the manager has hired the needed complement of employees.

It is important to note, however, that forming a cooperative is not a guarantee for success. Cooperatives are subject to the same marketplace demands and planning requirements as any business, including careful market analysis; sound business planning; competent management; and adequate capital to start-up and grow. A good cooperative is the one, which is viable, efficient, self-reliant and project-oriented. A cooperative must not only meet its members’ needs, but also survive in the marketplace while doing so.

### **Challenges of Cooperative Societies**

Cooperatives the world over are in a state of flux. In almost all parts of the world, cooperatives face one or more of the following crises: crisis of ideology, crisis of capital, crisis of credibility and crisis of management (Taimni, 1997).

Cheney (1995) identified five challenges facing cooperatives. These are cultural transformation, competition and expansion, wage solidarity, centralization and reorganization, and programmes to increase productivity and participation. Groves

(1985) on the other hand, posits that one of the major problems of cooperatives is how to keep balance in the two parts of cooperative business, efficiency and democracy since those who are charged with the operation of a cooperative chiefly the board and manager must serve two masters: the imperatives of good business practice and the social purpose of a community of people. Hence, to maintain their special character, cooperatives must be two things in one: a business organization and a social movement. This is what makes a cooperative a business enterprise with a human face and so, very difficult to manage. In striving for efficiency, cooperatives often tend to imitate other business, but in pursuing a social purpose they bring out the features, which make them different (Laidlaw, 1974).

Educating, training and retraining of members in general and officers in particular is always a challenge to cooperatives especially in developing countries. A cooperative without a strong component of education is in danger of losing its essential character, that is, the human and personal characteristics which distinguish it as a cooperative. Education is of paramount importance to the cooperative sector. Unless all those responsible for cooperatives (directors, officers, members, staff) are well informed and knowledgeable, cooperatives are likely, in some countries, to become much like capitalist, profit-seeking business, or in other countries to become handmaids of the State. Education makes people easy to lead, but difficult to drive; easy to govern but impossible to enslave.

Assuming the validity of the sector concept (the "mixed economy", as it is often called), cooperators face such questions as what type of business activity is most suitable for each of the three sectors, public, private and cooperative? Are there certain kinds of business that rightfully belong to the public sector? Are there others, which are best left to private enterprise? What kinds, ideally, are most suitable for the cooperative way of business? Are there some fields in which all three may engage and compete? Hence, one other challenge that cooperative societies face is the choice of business most suitable for the enterprise.



Another challenge facing cooperatives is adaptation. No business in a national economic system is completely independent and self-sufficient but operates in conditions of dependence and interdependence. Both capitalist business and cooperatives depend to some extent on the State and services provided by the State (highways, water supply, the postal system, etc.). Similarly the State and public enterprise depend greatly on private enterprise, or on cooperatives. Sometimes private-profit business depends on cooperatives. And, of course, the reverse, cooperatives depending on private business in some way or other, is quite common. Thus, cooperatives cannot be thought of as an exclusive economic system but rather as one section of the total economy. They constantly operate in co-existence with other forms of business and sometimes in conjunction with them. Co-operatives therefore, have to adapt themselves by struggle in one place, by agreement in another - to the elements of a complex environment, partly free and partly organized. It must now decide what place it means to claim for itself in the new economy, either organized or in process of organization.

In addition, the cooperative sector suffers from an internal handicap of its own making: the frequent failure of various types of cooperatives to work closely together as a sector. Because of their voluntary and democratic nature, cooperatives have been reluctant to impose strict disciplines on themselves - they much prefer to act by common consent and persuasion. Often, management of cooperatives relies on relationship or is moved by sympathy to act against even the societies' bylaws. This indeed has a lot of repercussion particularly in the developing economies and is against the 6<sup>th</sup> principle of cooperatives: Cooperation among Cooperatives.

The different needs of customers, members, patrons, and owners challenges the cooperative's board of directors and manager to make good business decisions. Business earnings of the cooperative must be great enough to systematically rotate the investment of members, pay patronage, and offer goods and services at reasonable prices or pay fair market value for customer's products. This unique business structure dictates that the manager, board of directors, and members understand the business and cooperative structure.

To better tackle the above problems, Taimni (1997) suggested, in addition to fore mentioned, that cooperatives should make optimum use of all resources and strive continuously to enhance productivity of resources; ensure highest efficiency while providing services to members; improve management capabilities and competencies through effective organizational designs and structures; mobilize capital and lay greater stress on internal capital formation and accumulation; develop and retain human resources - members, leaders, staff and managers; forge strategic alliance with key institutional actors in the new environments; evolve and sustain integrated, vertical structures; increasingly focus on directly enhancing socio-economic conditions of their members by undertaking value-added operations; encourage members' participation through improved, diversified services; and strictly adhere to the values of honesty, openness, caring and concern for community and environments.

Once this is done, it is hoped that cooperatives would be able to overcome the problems and challenges facing them. It however, calls for maintaining balance between economic and social purposes, emphasizing differences, relating with other cooperatives both at national and international levels, and maintaining a favourable public image.

### **Summary and Conclusion**

A cooperative is a unique form of business used by people and businesses for their mutual benefit. 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 a cooperative. Potential members must devote much time and energy to developing their new business. A cooperative requires member commitment to finance and use the business and select knowledgeable directors who hire a competent manager. A strategic business plan is important to harmonize all of the elements for the cooperative's success.

In order to achieve their maximum strength and effectiveness, cooperatives of various kinds must regard themselves and, as far as possible, act as a distinct sector within the national economy of any country. 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.

Cooperatives must play the role of a *Third Force*, an alternative and countervailing power to both Big Business and Big Government. A cooperative is a business enterprise in which the elements of ownership, control and use of service are united in one group of persons. The distinguishing feature of cooperative business is its dual nature as economic enterprise and social organization.

An economy based on one form of business organization alone is neither desirable nor possible in modern times. The best economic order is achieved through a mixed economy. To justify their existence and fulfill their purpose, cooperatives must make a significant and unique contribution to solving some of the massive problems facing mankind today.

Governments are expected to provide a supportive policy, legal and institutional framework, provide support measures based on activities, provide oversight on terms equivalent to other forms of enterprise and social organization, adopt measures to improve access to finance for disadvantaged groups, and topically, to promote the formalization of the informal economy. Government can contribute significantly to improving cooperative performance by facilitating access of cooperatives to support services, particularly support to cooperative human resource development.

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