

# 4 Ways Cooperative Society Can Help You Achieve Your Financial Goals

While many people have tried and are enjoying the benefits of joining a cooperative society in Nigeria, some are just not interested.

We all love to save from the income we make, but expenses and bills here and there, makes it difficult for some people to achieve this.

Cooperative societies are almost everywhere in Nigeria and have been a backbone for more than enough people when it comes to finances.

## What Is a Cooperative Society? H2

A cooperative society is simply a voluntary business organization where a group of people (family and friends) come together, pool resources, and promote the economic well-being of one another.

Did you know that Cooperative societies are one of the oldest forms of business organizations in Nigeria?

As far back as 1808, Robert Owen established the first producer co-cooperative society in Nie Lanark, England.

Also, the first producer cooperative society was established in 1922 by a group of cocoa farmers, and their objective was to get reasonable price for their products.

So, how can cooperative societies in Nigeria help you achieve your personal or business financial goals?

It would be best if you know the features or characteristics of every cooperative society in Nigeria.

### Features of Cooperative Society H3

First of all, the setup elements or characteristics of any cooperative society is tailored towards helping you develop a **saving habit** and also achieve financial success in your business.

Some of the elements include:

- **Formation:** 2 or more people can set a cooperative society up and interestingly, there's no maximum number of members.

- **Dominion:** Any cooperative society in Nigeria is owned by members of the cooperative as they share a common interest.
- **Democracy:** Activities of the cooperative society is democratic. As a member, you're entitled to your opinion and it counts.
- **Profit shared:** Profit at the end of the year is shared based on your savings and patronage.

At this point, you may ask; who manages the cooperative society?

- **Management:** The control and management of the society is vested in an elected committee and these elected individuals must be members of the **cooperative**.

## How Cooperative Societies in Nigeria Can Help You Achieve Your Financial Goals H2

So, the following points explains how cooperative societies helps achieve one's financial goals.

### 1. It Encourages Savings

One of the major reasons for setting up a cooperative society is to encourage savings among members.

The question is, what will your savings be used for?

Once you have a clear sense of direction on what you're saving for, you'll be automatically encouraged to handle things with seriousness in any cooperative society you belong to.

### 2. You Get Financial Assistance

There's one great idea that successful business people have employed on their way to the top. It is called Other People's Money (OPM).

Other People's Money (OPM) according to [Business dictionary](#) is the money that you borrow as an unsecured loan or money contributed by smaller stockholders (shareholders).

The OPM idea can be exploited in cooperative society settings. Instead of getting **quick online loans from loan companies** or banks that may charge an interest rate, cooperative societies helps you get money in form of a loan with a relatively low-interest rate attached.

### 3. You Enjoy Lower Prices

If you're business person, one of your business goals will definitely be to reduce cost and maximize profit, isn't it?

If you belong to a wholesale cooperative society, other wholesalers and yourself can purchase goods in bulk from manufacturers at lower prices.

With this, you have a better bargaining power and can now sell your products and services at higher prices to ensure reasonable profit margin.

#### 4. Strong Interpersonal Relationship Could Pave Ways

You may not need the huge capital you've always said you need to kick off your venture or **small business idea**; all you need may only be what I call social capital.

Social capital according to [Investopedia](#) is consists of the economic resources garnered from human interactions. The resources include those of tangible and non-tangible assets, such as information, innovative ideas, and financial support.

Simply put, social capital as valuable as financial capital. But how?

In one of my articles on the **5 statements of regret made by Nigerian university graduates**, I said that your friends are your best network.

Take, for instance, you want to start a business and you're in a cooperative society of about 200 members, besides being able to grab reasonable financial assistance from huge contributions of these members, they can be your first set of customers.

## Classification and Types of Cooperative Societies In Nigeria

So, how many types of cooperative societies did you know? I've got some for you.

### Producers Co-operative Society

This type of cooperative society is formed by producers of similar products who organize cooperative production and undertake joint marketing of their products on a wholesale or retail basis.

For example, in agriculture, farmers can purchase farm tools such as cutlasses, fertilizers, etc. in large volumes and sell to their members at very low prices.

According to stats from NationMasters, farm workers in Nigeria is about 12.29 million and the production index is 105.9%

With farmers focusing on cocoa production, peanut, cotton, palm oil, cassava, yam, cows, pigs, etc., cooperative societies the development of farmers cooperative societies has largely benefited farmers.

### **Consumers Co-operative Society**

Consumers cooperative society is owned and operated by a group of unique customers who pool their resources together.

They do this for the sole purpose of purchasing goods and services in large quantities and distribute mainly to members.

Here, the policies through which consumer cooperatives operate are open membership, democratic control, proportionate dividend based on members level of purchase or patronage and limited interest paid on capital invested.

### **Credit and Thrift Cooperative Society**

Credit and thrift society is one type of cooperative whose members are low income earners who jointly pull large resources or funds together by making weekly or monthly contributions.

Salary earners are mostly found in this type of cooperative as it encourages saving habit among members.

Members are granted loans out of the accumulated fund and this loan attracts interest.

At the end of the year, surplus or accrued profits are distributed to all members as dividend.

### **Wholesale Co-operative Societies**

This is formed by small scale business owners who are wholesalers. They purchase goods in bulk from the manufacturers at reasonable prices and sell in small quantities to retail cooperatives.

Obviously, they are able to raise huge amount of money to finance their wholesale purchases when they come together.

As an entity, they have a better bargaining power to purchase in bulk from manufacturers.

### **Retail Cooperative Society**

Retail cooperatives are contractual and formed by many small and independent retailers.

They put resources together to enable them buy in bulk and then sell their goods at lower prices to members who receive some form of patronage returns based on the amount of goods purchased.

### **Multipurpose Co-operative Society**

This is another type of cooperative society that is formed by existing cooperative societies. Simply put, it is regarded as a movement.

Multipurpose cooperative societies undertake any form of cooperative activity that is profitable to its members.

## Advantages and Disadvantages of Co-operative Society

In this section, I've got for you the advantages and disadvantages of cooperative societies. First, let's take the advantages.

- **Encouragement of Savings:** Cooperative societies encourage saving habits among their members.
- **Financial assistance:** They can mobilize funds needed for business investment and expansion, and render financial assistance or give loans to members.
- **Improve member's standard of living:** This is achieved by providing goods when they cannot buy on their own, e.g. electronics, lands, etc.
- **Loan facilities from banks or government:** Cooperative societies can loan from a bank. Also, they can get financial assistance from the government.
- **Democratic nature:** Each member of the society has equal say in the organization. Members are entitled to one-man-one-vote right, irrespective of shares held.
- **Marketing of member's products:** They assist their members in marketing their products, and thereby ensuring fair prices for the products.
- **Education of their members:** Co-operative societies do train their members in the area of production, distribution, buying and selling of goods and services, etc.

But what are the downsides to being in a cooperative society in Nigeria? Now, let's talk about the disadvantages.

**Insufficient Capital:** There's a lack of adequate capital to run the cooperative. Why? Members' contributions are heavily relied on and this may not be enough.

**Inefficient Management:** The committee in charge of administration usually consists of people who are not specialists in the managerial aspect, hence the society may not be run effectively.

**Embezzlement of funds:** Most leaders are highly corrupt; some often embark on misuse of funds belonging to the society.

**Loan recovery problems:** The society may find it difficult to recover loans given to members and this may destabilize the society.

**Lack of Initiative:** There is usually a lack of individual initiative as the society confers on everyone equal rights and opportunities.

**Lack of discipline:** Most members are not disciplined as they are often involved in activities capable of causing disunity among members.

## *Summary Notes on Cooperative Societies in Nigeria*

Shreds of evidence have shown that cooperative societies are one form of business organization that can help individuals achieve financial success.

As it encourages savings and hard work, it has its problems.

For example, inefficient management is a core problem as these cooperatives are managed by unqualified and incompetent personnel. This may lead to failure.

Also, high level of corruption in an unregistered cooperative society may lead to embezzlement, since members are elected, and this usually leads to closure.

Still, many cooperatives have succeeded in helping tens of thousands of its members and has stood the test of time.

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