**THE SOURCES AND USES OF FUNDS IN CO-OPERATIVE BUSINESS ENTERPRISES- THE NIGERIA SITUATION (A CASE STUDY OF BUREAU OF CO-OPERATIVE DEVELOPMENT AND FOOD SUFFICIENCY, AKWA IBOM STATE)**

**CHAPTER ONE**

**INTRODUCTION**

* 1. **BACKGROUND OF THE STUDY**

A cooperative society is a voluntary organization in which individuals, businessmen and traders with common interest pool their resources together to promote the economic and welfare interests of their members. Cooperative business enterprises are autonomous associations formed and democratically directed by people who come together to meet common economic, social, and cultural needs (Adeyeye, 1995). Founded on the principle of participatory governance, co-operatives are governed by those who use their services- their members. The history of cooperative movement cannot be complete without mentioning Robert Owen, 1771-1858. He established the first cooperative society at New Lonark, England. But the success of retail co-operative societies is dated back to the one started by Rochdale Pioneers in 1844. The history of cooperatives in Nigeria cannot be traced without linking it to the traditional cooperatives, which resulted in the cooperative society’s ordinance of 1935, which led to the subsequent establishment of cooperative societies of all types.

The cooperative model is as flexible as any organizational structure and may be tied to the social services sector, used to create shared infrastructure, as well as to pursue business ventures (Brown, 2006). Common types of cooperatives include: wholesale cooperatives, retail co-operatives, producer cooperatives, credit unions, consumer cooperatives, housing cooperatives, etc. A wholesale cooperative is formed by small scale wholesalers who purchase goods in bulk from the manufactures at a reasonable price and sell them in small quantities to retail cooperatives whose members are, more often than not, the very patrons of their establishment. They buy shares in the cooperatives as a prerequisite for participating in the dividend. Producer cooperatives are formed by producers of similar products who organize co-operative production and undertake joint marketing of the products on wholesale or retail basis; credit unions, whose members similarly invest in shares in the organization; consumer cooperatives are owned and operated by a group of ultimate consumers who pool their resources together to purchase goods and services in large quantities and distribute them primarily to its members; and housing cooperatives many times, spring up in areas where residential costs are high and offer a method for increasing living standards, one’s sense of community, and safety (Longe, 2007).

Cooperative business enterprises need “funds” for smooth operations. Fund in this context means, cash or credit used in financing business ventures. Since goods and services are expressed in monetary terms, i.e. fund, therefore you cannot run any other business without fund. It could be in form of credit facilities like bank credit, trade credits or discount (Anugwom, 2007). Fund could also be in the form of physical cash like Naira, Dollars, Pound Sterling, among others. Perhaps, one of the key questions that prospective co–operative entrepreneurs ask is how will this business be funded? Fund is at the heart of all business enterprises. Until co-operative business entrepreneurs identify the ways of raising funds for financing the new venture, or the money to keep the existing enterprise alive, their plans may best be described as wishful thinking or a dream (Nwachukwu, 2005). A most important factor that could make or break a business enterprise is fund. It is the money available to spend on business needs. Right from the moment an entrepreneur conceives a business idea, there needs to be cash. As the business grows there are, inevitably, greater calls for more money to finance expansion. The day-to-day running of the cooperative business enterprises need fund not only to get started, but also to grow, expand and meet competition and changing consumer and member needs and tastes (Jim, 2012). In Nigeria, getting the fund to start a cooperative business enterprise has never been easy (Nwachukwu, 2005).

Business enterprises, including cooperative societies, have a number of sources they can tap funds from. The sources from which they obtain funds will depend, to a large extent, on the manner in which the fund is intended to be used (Clifford, 1992). Businesses are generally faced with three types of financial needs-initial capital, working capital (while the firm is in operation), and capital for expansion. Initial capital is necessary to get the business started and enough to keep it on track until returns from operations provide sufficient funds to meet operating expenses; working capital is defined as the difference between current assets and current liabilities. Working capital determines the liquidity position of cooperative business enterprise. It is also known as “circulating capital or revolving capital” because funds invested in such assets are continuously recovered through realization of cash, which is reinvested in current assets (Pandey, 2003). Capital is also needed for expansion as the business grows. During this stage, the business needs higher capacity and new technology to cut unit costs and keep up with competitors.

Moreover, the greater the amount of funds/capital held by the cooperatives, the greater its ability to purchase more efficient technology, invest in members’ training and education and make other improvements to the running of the business. According to Bell (2004), funds for the operation and improvement of the cooperative business enterprises can come from three main sources:

1. directly from members themselves
2. from retained surpluses generated by the cooperative business and
3. from outsiders.

This survey was conducted using the Bureau of Cooperative Development and Food Sufficiency, Akwa Ibom State. The Bureau is under the ministry of commerce and industry, and has through its surveillance and supervision stimulated the spirit of cooperatives mostly among agro-based entrepreneurs and industrialists. The Bureau of cooperative has a major role to play in this regard; not only can they help give farmers access to the resources they need for production, but also to markets where they can move their products. In this way, the Bureau of cooperative ultimately helps to reduce poverty, ensure greater food security/sufficiency and eradicate hunger across the state.

* 1. **STATEMENT OF THE PROBLEM**

Cooperative business enterprises have been identified as the catalysts for the rapid economic development of a nation. But it is disheartening to note that in Nigerian perspective, cooperative business enterprises face series of problems which have hampered their smooth operations and distanced them from their stipulated objectives.

Inadequate funds for business expansion and for day-to-day running of the business has hindered the performances, operations and development of cooperative societies. It is noted that procedures of sourcing for funds from the banks and other institutions slow down operations. These make cooperatives rely heavily on members’ contributions which is hardly enough.

The cooperatives sometimes may not be able to recover loans given to members; this gives room to destabilization of the cooperative society. Recovery is difficult and in some instances even impossible.

The committee in charge of administration in cooperative business enterprises usually consists of people who are not specialists and are part-time managers, hence the society is usually not effectively and efficiently managed.

It is noted that low dividend serves as a problem to members’ participation. People prefer to invest their money in other areas because of the low dividend.

Also, the elected officers sometimes misappropriate the funds of the cooperatives, and this is very rampant in the Nigerian cooperative society. They can give large amount of loan to themselves even though they are not qualified.

* 1. **OBJECTIVES OF THE STUDY**

The objectives of this study are to:

1. assess the sources of funds available to cooperative business enterprises in Nigeria.
2. highlight the problems associated with raising funds by cooperative societies
3. examine the business(es) engaged in by cooperators in present day Nigeria.
4. show how these funds are applied by cooperative societies.
5. examine measures adopted by cooperatives in recovery of loans
6. proffer solutions to problems associated with raising funds by cooperative enterprises in Nigeria.
7. identify the problems bedevilling the success of co-operative business enterprises in Nigeria.
   1. **RESEARCH QUESTIONS**
8. What are the sources of funds available to cooperative business enterprises in Nigeria?
9. What are the problems associated with raising funds by cooperative societies?
10. What are the types of businesses engaged in by cooperative societies in Nigeria?
11. What are the areas which cooperatives apply their funds?
12. What are the measures adopted by cooperatives in the recovery of loans?
13. What are the solutions to problems associated with raising funds by cooperative enterprises in Nigeria?
14. What are the problems bedevilling the success of cooperative business enterprises in Nigeria?
    1. **RESEARCH HYPOTHESES**

To guide this research work, the following research hypotheses have been formulated:

Ho: There are no sources of funds available to cooperative business enterprises in Nigeria.

H1: There are many sources of funds available to cooperative business enterprises in Nigeria.

Ho: Co-operative enterprises have no avenues for applying funds needed for their operations

H1: Co-operative enterprises have many avenues for applying funds needed for their operations.

* 1. **SIGNIFICANCE OF THE STUDY**

The study will be significant in the following ways:

* The findings will help to provide a practical mechanism and a cutting-edge for assisting cooperative business entrepreneurs to perform their duties efficiently.
* It would help the co-operators to know how to source for funds for their businesses.
* It will shade light on efficient utilization of the funds of the cooperatives.
* It will help the entrepreneurs to accurately forecast their financial needs.
* This study would serve as a research material for other researchers in this or allied field of study.

**1.7 SCOPE OF THE STUDY**

The study is on the sources and uses of funds in co-operative business enterprises-the Nigerian experience. The study is limited to selected cooperative business enterprises in Uyo metropolis.

**1.8 LIMITATIONS OF THE STUDY**

In the course of conducting this research, the following constraints placed some impediments on the extent of work carried out:

* Slow response by the respondents which could be attributed to lack of interest.
* Time constraints – Time was inadequate for this study. For instance, given the time frame within which to submit this work.
* Inadequate financial resources to move around for data collection, typing and photocopying.
* Material paucity- In the course of this study, the researcher was confronted with challenges of adequate blue-print of materials needed or wanted to fast-track the work. The dearth of reference materials invariably delayed the research.

**1.9 ORGANIZATION OF THE STUDY**

This research is made up of five (5) chapters which are arranged according to a research project format.

Chapter one is the introduction which explores the background of the study, statement of the problems of the research, the objectives of the study , research questions, hypotheses, significance of the study, the scope, limitations of the study, organization of the study and definition of terms. Chapter two contains the review of related literature, which presents the views of other authors about the subject matter under study.

Chapter three gives information on the techniques and the methods the researcher used in gathering the required data for the study. It comprises the research design, the sources and methods of data collection, sampling techniques and method of data analysis.

Chapter four has data presentation, data analysis, hypotheses testing and discussion of findings.

Chapter five draws conclusions from the study. In this part, a summary of finding is given and some useful recommendations necessary to finding out solutions to some problems of the research study aligned with suggestions for further studies.

**1.10 DEFINITION OF TERMS**

**Fund**: Fund means any cash or credit used in financing personal or business venture. It involves financial resources of a firm, such as cash in hand, bank balance, accounts receivable (Anugwom, 2007).

**Short-term funds:** They are funds, which are needed for short periods say less than one year. This can be used as working capital of the business. At least, for day-to-day running of the business (Anugwom, 2007).

**Medium term funds:** They are funds that are needed for intermediate purposes. It could be a period of above one year to 3 years (Anugwom, 2007).

**Long-term funds:** They are those funds that are needed for long term. This type of fund can be used for executing major projects and purchase of fixed assets (Anugwom, 2007)

**Cooperative society:** Cooperative is a legal entity owned and democratically controlled by its members (Onwuliri, 2009).

**Entrepreneurship:** Is the art of starting a new organization or revitalizing mature organizations, particularly a new business as a response to identified opportunities (Onwuliri, 2009).

**Business:** An organization or enterprising entity engaged in commercial, industrial or professional activities (Ejiofor, 1999).

**Organization:** A conscious, co-ordinated social unit created by groups in the society to achieve specific purposes, common aims and objectives by means of planned and co-ordinated activities (Mullins, 2007).

**Management:** Management is the co-ordination of all the resources of an organization through the process of planning, organizing, directing and controlling in order to attain organizational objectives (Nwachukwu, 2007).

**FAO:** Food and Agricultural Organization

**ICA:** The International Co-operative Alliance

**Communication:** Communication is an instrument of social interaction which touches every sphere of human and organizational activity (Okechukwu, O, 2009).

**Training:** Training is organizational effort aimed at helping an employee to acquire skills required for the efficient execution of the activities or functions for which he is hired (Nwachukwu, 2007).

**Development:** Development deals with the activities undertaken to expose an employee to perform additional duties and assume positions of importance in the organizational hierarchy (Nwachukwu, 2007).

**Equity**: Equity is defined as funds that do not have to be repaid. Equity is permanent capital, in contrast to debt that has to be repaid and therefore has a limited life.

**Grants**: Grants are a source of traditional cooperative equity held collectively, that is not allocated to members’ accounts.