



## **Cooperative Overview**

Prepared by Ghanaian Department of Cooperatives

### **What is a Cooperative?**

A Cooperative is a group of people who:

- build it
- own it
- vote for it
- control it
- benefit from it

Millions of people in many countries around the world today have organized to provide themselves with goods and services in a cooperative way. These organizations are called Cooperative Societies and there are many types in Ghana. These organizations have been classified into four distinct categories:

1. Agricultural cooperatives are engaged in food production, processing and marketing.
2. Industrial cooperatives are involved in rural cottage industries such as local alcohol distillation, handicrafts, Kente weaving, cloth dyeing and manufacturing, etc.
3. Financial cooperatives are engaged in savings mobilization in both rural and suburban areas. For example: micro-loan banks, credit unions and 'susu' collectors.
4. Service cooperatives are involved in the service industry such as transport, consumer societies, etc.

Thus, a cooperative is made up of people who are united with the purpose of mutual self-help and are organized for other economic and social objectives with the intent to be based on equality and equity. They must provide the people with necessary goods and services or make joint use of their available resources to increase their income.

The International cooperative Alliance, i.e. The World Umbrella Cooperative Organization, 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."

### **How Did Cooperatives First Begin?**

Robert Owen was a great pioneer in the field of cooperative enterprises in Britain during the early nineteenth century. However, early Cooperatives did have their problems. The 'Rochdale Pioneers', the name given to a successful cooperative at Toad Lane, Rochdale, England on the 21st of December in 1844. This group of people acted to stop the unethical price-fixing going on in their neighborhood and spearheaded a community effort to stop the exploitation of the majority poor by the minority rich. The success of this agriculturally based cooperative inspired many other Brits to create their own farming cooperatives all over the UK and other parts of the world, particularly in Europe. In 1862, the first financial cooperative was begun in Germany by a man named Friedrich Raiffeisen. He

organized peasant farmers for the purpose of providing them credit and avoiding the greedy fingers of money lenders. In Ghana, cooperatives were first introduced in 1928 in an attempt to improve the quality of cocoa for export. They were so successful that, by 1960, the cooperatives were marketing almost 40% of the entire cocoa crop. The cooperative activity in Ghana spans to almost every economic activity. At the end of 1996, there were as many as 11,154 registered cooperatives in the African Nation.

### **Cooperatives and Human Values:**

Cooperatives believe in the primacy of the individual, that is, that each individual has inborn human values and a right to personal dignity in life. Three main elements can be identified here:

1. **Equality:** The belief that all human beings are important because they are human beings; they may not be equal in ability, intelligence or circumstance, but all humans should have equal access to resources and equal opportunity to control the forces that shape their lives.
2. **Equity:** Humans believe in the principles of fairness and justice; they respect and trust one another in the hopes that a sense of community will emerge.
3. **Mutual Self-Help:** People can be the masters of their own destinies by working together rather than against their fellow man. When people have concern and compassion for others, human values rise above material values. Cooperatives strongly emphasize the importance of the moral values of honesty, openness, social responsibility and caring for others.

### **Cooperatives and Individual Rights:**

Cooperatives recognize the following as fundamental rights of the individual:

- The right to life, liberty and the pursuit of personal development, well-being and happiness.
- The right to employment opportunity and security of livelihood sufficient for each to live in dignity and decency.
- The right to sufficient income in retirement to ensure a life of dignity.
- The right to equal access to public places, activities and assembly.
- The right to be recognized and treated as an individual and not as an instrument of production.

### **Cooperatives and Social Values:**

Cooperatives believe that no part of society should gain at the expense of the human rights and common decency of others. Society is best served when the fruits of its economic, social and cultural accomplishments are widely distributed. They believe that the democratic system requires widespread participation in all important economic, political and cultural processes. Control of these processes is the privilege and responsibility of all people as a whole and not that of a select part of the population.

### **Cooperative Principles:**

These principles are guidelines that enable cooperatives to put their values into practice for the good of the whole. The basic reason for the success of the cooperatives of Western Europe is the set of rules which have become universally accepted as pertinent to the operation of cooperatives all over the world. These rules have become known as the Principles of Cooperatives and they are what give cooperatives their unique set of characteristics.

These are the seven principles which are implemented today:

1. **Voluntary and Open Membership:** cooperatives are volunteer organizations and are open to all people able to use their services and willing to accept the responsibilities associated with membership without prejudice or discrimination toward gender, race, religious, political or sexual preference.

**2. Democratic Member Control:** cooperatives are democratic organizations which are controlled by their members. The members actively participate in the setting and implementation of all policies and decisions. Women and men serving in elected positions are accountable to the members and all members have equal voting rights.

**3. Members Economic Participation:** Members contribute equitably to and democratically control the capital of their cooperative. Members may receive a limited amount of compensation for services and members control the surplus of their capital. They may allocate surplus for any of the following purposes:

- development of their cooperative;
- setting up economic reserves;
- benefiting members in proportion to their contribution to the Cooperative;
- supporting any other activities approved by the members.

**4. Autonomy and Independence:** cooperatives are autonomous, self-help organizations controlled by their members. If they enter into an agreement with another organization, including governments, or raise capital from external sources, they do so on terms set by their members and maintain their cooperative autonomy.

**5. Education, Training and Information:** cooperatives serve their members most effectively and strengthen the cooperative community by working together through local, national and international structures.

**6. Cooperation among Cooperatives:** cooperatives serve their members most effectively and strengthen the cooperative movement by working together through already in place organizations and structures on the local, national and international level.

**7. Concern for the Community:** cooperatives work for the sustainable development of their communities through policies focused on community growth and development through long-lasting programs approved by their members.

#### **Different Kinds of Cooperatives:**

- Consumer
- Wholesale
- Credit
- Marketing
- Insurance
- Supply
- Housing
- Manufacturing
- Food Production

#### **How Does the Cooperative Support the Members?**

A cooperative is another type of business enterprise and it supplies the members' basic needs. It also gives the member a good chance to become a more complete human being as there are opportunities for the individual to experience the values of teamwork and to know, understand and accept the responsibilities of working as part of a group.

#### **How does the Member Support the Cooperative?**

The member supports the cooperative with:

- patronage

- participation
- communication

The member uses society to satisfy the needs for which the cooperative was organized. The member acts responsibly in elections and helps to influence the operations of the cooperative. The member explains and/or discusses the cooperative with members and non-members alike.

### **How do cooperatives differ from private businesses?**

- The nature of the cooperative organization is different from that of a private enterprise. The cooperative is a union of people not a union of capital.
- The purpose of a cooperative is to provide service and a sense of community accomplishment to its members. Other businesses organize themselves solely for the profit of investors. Cooperatives create savings on the things that they use but never on the things that they do not use. In a private enterprise an investor may make a profit off of a product that they may never have used or even seen. This is not the case in a cooperative.
- The cooperative is owned by those in the community who use the services provided. Other businesses are owned by investors.
- The cooperative is controlled by the members regardless of the number of shares held or the involvement within the cooperative itself. In other enterprises, control is not equal but proportional to the number of shares held or the power of the investor.
- In a cooperative, the surplus is returned to the members or set aside for future projects to benefit the community. In a private business, the surplus goes directly into the hands of the investors and does not benefit the organization as a whole.
- In a cooperative, shares remain at face value and cannot be traded. When a member leaves, his shares are sold back to the cooperative. In other businesses, shares rise and fall in value and are traded freely on the stock market.

### **Cooperative Internal Structure:**

The highest decision making body of a cooperative is the General Meeting of members. The General Meeting decides on the policies that should guide the cooperative's service and receives reviews and makes decisions upon reports of the Board and its auditors. It also elects new members to the board.

Below the General Meeting is the Board of Directors. The Board employs and/or discharges the Manager or Secretary and sees that the organization's policies are clearly defined and are followed in all operations. It also reviews business operations and sees that they are being done efficiently and follow a defined policy.

The Manager and her supporting staff operate the business as efficiently as possible within the policies laid down by the Board. She reports regularly as required to the Board about the business.

### **Cooperative External Structure:**

At the village, community, city or workplace level, the society formed by at least ten people is known as a Primary Society. The society formed by the district or region by at least 2 cooperatives is known as a Secondary Society or Union. The society formed by a consortium of cooperatives on a national level is referred to as a Tertiary Society or an Association. In some cases, the village level societies may affiliate directly with a national association. The cooperative body formed by various national cooperative societies and associations is called an international Cooperative Alliance.

### **The International Influence of Cooperatives:**

Cooperatives play a unique socio-economic role because of four distinctive features: they are organized for mutual self-help; they apply democratic practices to business; they are organized to solve social and economic problems; and respect human values and the rights of individuals.

These characteristics make them particularly effective in developing countries and between countries. Cooperatives span the world and their common interest in mankind has enabled them to work toward common goals in spite of cold wars and political ideologies. Cooperatives in Ghana are brought together at the national level under the Ghana Cooperatives Council and at the international level under the International Cooperative Alliance based in Geneva.

### **How is a Cooperative Formed?**

The initiative for forming a cooperative society usually emanates from two main sources: a group of people may voluntarily decide to form a cooperative; or an outsider group might act as an animator and talk to a group about the virtues of a cooperative.

In order to determine whether there is a need to form a cooperative one must examine whether there is an expressed need from the population for a cooperative in the area. After an expressed need is made public, one must ask the following questions:

1. Are present needs met satisfactorily?
2. Can they be improved upon?
3. Are these services not being catered as they should?
4. Are people concerned about the present lack of service?
5. Would they be prepared to do something about their felt need?

After answering these questions, the cooperative can begin to assess the situation and apply needed principles to better implement a lasting organization with a positive effect on the community.

### **How do Cooperative Businesses Run?**

The amount of money or capital required to start the operation is estimated. Then it is raised among the members of the cooperative by sale of shares and/or by money that is loaned to the cooperative by members. The surplus belongs to the members and should be distributed equally so to avoid the situation of one member benefiting more than another.

This may be done as follows: by provision for development of the society; by provision of common services to the community in which the society is operating; or by distribution among the members in proportion to their transactions with the society.

### **How is a Cooperative Managed?**

A Cooperative is managed by the following:

- General Meeting
- Committee
- Secretary

If you are interested in the formation of a cooperative to promote your economic wellbeing, then quickly get in touch with the nearest office of the Department of Cooperatives for free counseling services.

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