

MOUNT OF OLIVES COLLEGE KAKIRI

S3 COMMERCE

JOINT STOCK COMAPANIES.

Defn: Is a corporate association of person formed to carry out certain specific functions. Its corporate body because it created under law and has an entity of its own quite separate from the members that comprise it.

It's a legal person that can enter into contact, own properties, incur liabilities, sue others and be sued by others.

FORMATION OF COMPANIES

The first move in the formation of a company is to bring it into separate legal entity a part from the individuals who comprise it i.e. registering it to the registry of joint stock companies under the companies of 1988 and 1989 respectively.

That incorporates all forms I of undertaking from the largest to smallest business.

TYPES OF COMPANIES.

Companies classified into:

Statutory companies and registered companies.

1. Statutory companies

These are formed by the power or laws passed by the parliament but do not work for ordinary companies formed this way are Uganda railways co-operation, (URC), National water and sewage co-operation (NW&SC) e.t.c.

2. Registered companies

Are those formed and registered under the companies act of 1985 and 1989 and are the most common type of companies found in East Africa e.g. Kakira sugar works 1985 (u) limited (Ltd) e.t.c.

TYPES OF REGISTERED COMPANIES.

Registered companies are classified into

- (i) Public or private companies i.e. according to the number of members.
- (ii) According to liability of members as limited or unlimited companies.
- (iii) Limited companies may be limited by shares or limited by guarantee.

PRIVATE LIMITED COMPANIES.

Is developed form of partnership business. They are formed when there is no intention of going to the public for funds. And it may consist of between (2-50) share holders. And has the status of a private company only if its articles of association contain the following three restrictions.

1. The right to transfer shares is restricted
2. The number of members exclusive of present and past employees who become shareholders when they were employed and have continued to remain share holders ever since is limited to fifty (50)
3. no subscription of shares from the public.

CHARACTERISTICS OF A PRIVATE LTD COMPANY.

CHARACTERISTICS.

1. It consists of 2-50 members.
2. it's a legal entity
3. members liability is limited to their capital contributions
4. share are not sold to the public

5. Transfer of shares is restricted. It must be approved by the board of directors
6. Its information is voluntary.
7. its capital is divided into various shares
8. it is formed for the purpose of making profits
9. Starts business after receiving a certificate of incorporation.
10. There may be no need for the prospectus.

ADVANTAGES OF PRIVATE LIMITED COMPANIES

1. It has more capital than that of partnership and sole trade.
2. Better credit standing because of large scale operation, private companies can afford to get trade credits from suppliers and loans from banks.
3. Pooling of knowledge because its owned by many members, its easy to share knowledge and skills for better management.
4. Since it owned by many people (up to 50), the owners are not over worked.
5. It enjoys privacy unlike public ltd companies.
6. New members may be invited incase the company needs more capital.
7. Formation of a private company is not very expensive.
8. its members enjoy limited liability
9. It has a separate legal entity.

DISADVANTAGES OF PRIVATE LIMITED COMPANIES

1. Profits are shared by many people which reduces the amount received by each member
2. There are disagreements by various matters affecting the business.
3. There is less freedom of action since its by many people.
4. can not go to subscribe for shares from the public
5. Transfer of shares is restricted. This ties the members in remaining share holders for life.

6. if one member makes a mistake all the members have to suffer the consequences

LIMITED AND UNLIMITED COMPANIES

A limited company is one liability of whose member is limited to a stated amount (usually the face value of capital contributed by them)

The liability of unlimited companies is unlimited like those of sole traders and general partners.

LIMITED BY SHARES OR GUARANTEE.

Limited companies may or may not have shares. If they have a share capital, the liability of their shareholders is limited to the face value of the shares held by them.

If the company has no share capital, the liability of its members may be limited to a sum guaranteed by them. i.e. if such a company is liquidated and debts, the members would be asked to contribute up to the maximum of the amount guaranteed by them at the time of taking membership.

PUBLIC LIMITED COMPANIES

A public company can be formed in three ways.

1. By registering it.
2. By registering it as a private company and converting afterwards into a public company.
3. By converting unexciting private company, the convention is made by removing from its articles of association the three restrictions.

FEATURES OF A PUBLIC LIMITED COMPANY

1. They have a legal entity of their own quite separate from the member that constitutes them.
2. The liability of members is limited.
3. they have a minimum of 7-with no maximum

4. their capital is divided into units of uniform value called shares
5. The owners are people who hold its share and are called shareholders.
6. Shareholders have no direct contact with employees or customers of the company.
7. Shares are freely transferable.
8. The company is not affected by the death bankruptcy of a shareholder.
9. The company is under the control of board of directors who are policy makers of the company and are elected from the shareholders themselves.

STEPS IN THE FORMATION OF A COMPANY

Interested people wishing to form up a company should present the following documents to the registrar of companies.

1. MEMORANDUM OF ASSOCIATION

Is the most important document prepared when forming a company. It lays down and clearly defines the limitations and powers of company.

CONTENTS

- The name of the company with the word limited at the end e.g. international limited.
- The country or town in which the registered office is situated.
- Objectives it shows the aims and purpose for which a company is formed. Helps public to know what they subscribing for decline to become shareholders or not.
- The nature of its capital stock i.e.
 - Total amount of share capital
 - Value of each unit
 - The type of share capital i.e. preference shares and ordinary shares.

- Name, postal address and signature of each applicant.
- Whether the company is to be private and if private the restrictions to be placed on the transfer of its shares.
- A statement that the liability of members is limited.
- The rights of each class of shares. The purpose of memorandum of association is to sell out the rules as between the company and the people and organization with whom it deals. It gives the external relationship of the company with the rest of the world.

ARTICLES OF ASSOCIATION

It states the rules and regulations for internal working of the company.

Contents

- (i) It contains the rights of shareholders.
- (ii) The issues and transfer of shares.
- (iii) Share capital and its divisions into various classes and rights attaching them.
- (iv) The methods of calling and conducting annual general meetings and voting powers of shareholders.
- (v) Methods of dealing with alterations in the capital.
- (vi) Regulations concerning the qualifications, appointments and powers of directors and secretaries.
- (vii) The conversion of shares into stock
- (viii) The payment of dividends and reserves.
- (ix) The method of audit and other internal or domestic affairs of the company.

NB The articles of association serve as guidance to internal management of the company.

STATEMENT OF NOMINAL CAPITAL

This document specifies the maximum amount of capital the company expects to raise and specifies the different classes of shares which constitute it.

LIST OF DIRECTORS

A list of persons who have accepted to become directors and their written promise to act as directors.

CERTIFICATE OF INCORPORATION

After receiving the memorandum of association, articles of association and registration fee paid, the registered of companies issues the certificate of incorporation. This bring the company into legal existence or identity quite separate from the members who complete at this stage, a private company can begin business if it has capital. But a public company must first issue a prospectus for the imitation of shares.

THE PROSPECTUS

Is any notice to the public inviting them for the subscription or purchase of shares or debentures of the company

CERTIFICATE OF TRADING

Is a document that empowers a public limited company to start business. It is issued by the registered of companies after;

- (i) The minimum share capital has been paid.
- (ii) The directors have filled a recreation that the above requirements have been incurred.

DIFFERENCES BETWEEN A PUBLIC LIMITED COMPANY AND A PRIVATE LIMITED COMPANY.

- ❖ With a public limited seven members to start with not maximum. While at least ten to fifty members in a private limited company i.e. begins with two and maximum of fifty.

- ❖ Public limited company sales shares to public while private limited does not sale share to the public.
- ❖ In a public limited company shares are freely transferable whereas in private limited company not i.e. restricted.
- ❖ Public limited company enjoys and limited liability while in a private limited company liabilities are unlimited.
- ❖ A public limited company is a legal entity while a private limited company is not a legal entity.
- ❖ A public limited company needs a proper thus to start its business, while the private limited company does not.
- ❖ For a public limited company to start business requires certificate of trading while a public limited starts business after receiving certificate incorporation.

THE CAPITAL STRUCTURE OF A COMPANY

The company obtains its capital by the sale of shares or its capital, stock which may be issued with per value i.e. with certain value.

SHARES

A share is a unit of capital or a fixed part of capital of joint stock Company i.e. it's the interest which a shareholder has in a company and is measured in terms of money.

They are normally sold at a smaller amount to encourage more people to buy there.

FORMS OF SHARE CAPITAL

1. NORMINAL OR AUTHORISED OR REGISTERED SHARE CAPITAL.

This is the maximum amount of money that the company expects to raise from its shares. And it's the amount state in the memorandum of association and statement of Capital. Its raised by selling shares to the public. Assume that the companies

shares capital is made up of 10,000 shares capital is made up of 10,000 shares each 100/=. The nominal capital will be $10,000 \times 100 = \text{shs}100,000$.

2. ISSUED SHARE CAPITAL

This is part of the company capital authorized which the directors have issued to the public. Suppose they issue 5000 shares each at shs 100/= Thus $5000 \times 100 = \text{shs } 500,000/=$. The member is what is called the un issued up shares capital.

3. CALLED UP SHARE CAPITAL

One the shares have been issued and allocated to the public, the shareholders are called up to subscribe or to pay.

They may be called up to pay for all the shares issued at their face value or only a fraction of what is issued.

Assume that each share holder is called upon to subscribe shs 50/= for the amount of called up capital is $5000 \times 50/= = \text{shs}250.000$

4. PAID UP SHARE CAPITAL

When the company calls upon subscribers is pay a portion out of the issued capital, some will pay and others may not pay, e.g. out of the shs 250,000/= called up capital only shs 200,000/= may be paid, therefore shs 50,000/= becomes unpaid up capital

5. MINIMUM SHARE CAPITAL

This is the amount stated by the promoters when applying for registration of the company as the minimum amount needed to begin trading

TYPES OF SHARES

A company normally shares different classes of share capital. The issue may be ordinary or preferred share.

ORDINARY SHARES

They have no fixed rate of return. They get residue i.e. the entitled to the remainder of the profits. After the preference dividend and loan interest are paid. In days good business they get more than the preference share holders.

Only ordinary shareholders have a right to vote on important company matters.

PREFERENCE SHARES

Have fixed rate of return i.e. are entitled to the first rate of dividend. Profits distributed to shareholders before any distribution to ordinary share holders. Dividend is paid to them at a fixed percentage e.g. 5% e.t.c. But have no voting rights.

CLASSES OF PREFERENCE SHARES.

1. COMULATIVE PREFERNCE SHARES

Holders of this are assured of their dividend every year. The areas are carried forward and must be paid in succeeding years before profits are distributed to other classes of shares. i.e. dividend keep on accumulating till paid.

2. NON-ACUMULATIVE PREFERENCE SHARES

Un like the above these stand chance of not getting dividends should a company fail to make profits in a particular trading period. However, they carry higher dividend than ordinary shares.

3. PARTICIPATING PREFERENCE SHARES

The holders of these are entitled to share in some proportion in any profits that are distributed after the ordinary shares have received a specified amount.

4. FOUNDERS SHARES OR DEFFERED SHARES.

These are not common today and when they exist in a firm, they are usually few in number and owned by the founder of the

company in relation to their value and number, the holder of these shares possesses very high voting power but have no claim on the profits of the company. However, they are paid after the preference and ordinary shareholders have been paid. And where the profits are high, the dividend received by them may be large.

5. REDEEMABLE PREFERENCE SHARES.

Are shares that are bought back by the company after a stated period of time e.g. 5 years.

The company pays some interest to shareholders for the period held and is issued when the company needs money temporarily.

IRREDEEMABLE PREFERENCE SHARES.

Unlike the above, these can not be bought back from the holders by the issuing company. If one wants to convert these shares into cash, he may do so by selling them to any member of the public or to the stock exchange.

ISSUE OF SHARES.

Once the company has received a certificate of incorporation, it can offer its shares to the public. The promoters of the company are required to state the minimum amount which they need to start business.

This amount must be raised by selling shares allowed to start its business activities.

Application for the issue of Shares is invited through press advertisement. A prospectus of the company is prepared which contains the necessary information about the company including the memorandum of association. Members of the public are invited to apply for the shares through specially appointed banks that distribute

prospectus and application forms and receive applications for shares and money on behalf of the company.

UNDER WRITING

If the company feels that it will not be able to sell the shares its offering, it may get a commercial bank or insurance.

Company or shares broker to under write the issue. This means that the underwriter undertakes to buy any shares that may not be taken up by the public. He is paid a small commission for the guarantee.

DIFFERENCES BETWEEN SHARES AND STOCK

STOCK	SHARES
• Is a block of shares	- Shares may be converts into Stock if the Articles of Association Permits it.
• Could be of any amount don't bear serial Numbers	- Shares are of fixed denomi and nations and bears serial numbers

DEBENTURES

It's a limit of loan i.e. money borrowed by the company from the public for its long term financial needs.

Debenture holders are paid a fixed rate of interest which must be paid whether the company makes profits or not. And its classified under the following

- (a) Classified according to the security pledged against them as naked debentures or mortgaged debentures.
- (b) Classified according to demotion as redeemable debentures or irredeemable debentures.

1. NAKED DEBENTURES

These are unsecured debentures i.e. no property is pledged against them. If the company goes bankrupt, the holders of naked debentures rank among ordinary creditors of the company.

2. **MORTGAGE/SECURED DEBENTURES**

These are fully backed by specific company assets, failure to pay the money, the debenture holder can sell off the assets to recover his money.

3. **REDEEMABLE DEBENTURES**

These are borrowed for a specified period and redeemed at the end of the loan period i.e. the amount borrowed against them is refunded after a specified minimum period e.g. (7-10) years.

4. **IRREDEEMABLE DEBENTURES**

These are never refunded. The money borrowed against them remains out standing till the company is liquidated.

DIFFERENCES BETWEEN SHARES AND DEBENTURES

SHARES	DEBENTURES
- Is a limit of capital - is a limit of a loan - A share holder is one of the owners of - A debenture holder is a - The company creditor of a company. - Shares are paid dividends - Debentures are paid interest - Shares are unredeemable - Debentures are redeemable - Shareholders have a right to vote on the - Debentures have no right to - affairs of a company. vote on the affairs of the company	

SHARES

- Shareholders receive more than per value on - Liquidation

DEBENTURES

Debenture holders receives only per. value plus out standing interest if any

- Except for preference shares, there is no limit on shares debentures is restricted to percentage stated.
- Return on dividend paid

WINDING UP OF A COMPANY

A company may be liquidated voluntarily by shareholders or by court upon petition from unsatisfied creditors.

- 1) If members wish to liquidate the company, the directors are required to fill a declaration of solvency. This document states that the directors believe that the assets of the company are sufficient to pay off its debts. A liquidator is appointed by the shareholders, assets are sold and adverts are placed in newspapers for creditor to come forward to prove and claim their debts. If any money remains after settling all debts, it is distributed amongst shareholders.
- 2) If the directors are unable to fill a declaration solvency because they think that the assets will not be sufficient to pay off the companies debts, a meeting of directors is called. Creditors then appoint who sells assets and pays off creditors.
- 3) A court can order liquidation if its satisfied that the company is unable to pay off its creditors and continued existence would only result in further accumulation of debts. The court appoints an official receiver who carries out the procedure of selling the companies assets and paying off creditors.

ADVANTAGES OF PUBLIC COMPANIES.

- 1) They have more capital than that of sole trader and partnership.
- 2) Its members enjoy limited liabilities
- 3) Death of a shareholder does not affect the existence of the company.
- 4) Employment of specialists is possible due to its large capital
- 5) People with small capital can easily join it.
- 6) Specialization can easily be exploited.
- 7) Management is elected democratically.
- 8) Shareholders are safeguarded by the legal regulations underlying these companies.
- 9) They enjoy large profits due to their large scale operation.
- 10) Incase of public limited companies, shares are freely transferable.
- 11) Employees may be allowed and encouraged to buy shares in the company. This gives an additional incentive to work hard.

DISADVANTAGES OF PUBLIC COMPANIES

- 1) The shareholders don't have direct control over the running of the business.

- 2) The directors may have their own interest that may conflict with the interest of the company.
- 3) Formation of company is along and expensive procedure.
- 4) Since all important decision are taken by the directors and shareholders, decision making may be slow and often very expensive.
- 5) Being large management is difficult.
- 6) There is lack of personal initiative to work hard compared to sole trade.
- 7) Taxes imposed on companies reduce its profits.
- 8) There is no secrecy as regards business out comes, since many people on it.
- 9) Sharing of profits reduces the amount of dividends received by each shareholder.
- 10) They are not flexible due to its large size.

CO-OPERATIVES

Is a voluntary association of individuals operating a business with the aim of improving the welfare of their members.

AIMS/WHY GOVERNMENT SHOULD PROMOTE FORMATION AND DEVELOPMENT OF CO-OPERATIVE SOCIETIES.

- They give financial assistance in form of credit especially to farmers.
- Provide transport facilities.
- Education of farmers.
- Provide storage facilities.
- Provision of farm inputs at subsidized prices
- They provide tractor hire service to farmers.
- Marketing produce
- Buying produce.
- Advising farmers.
- Selling of goods to members at fair prices.
- Help in implementation of government policies.
- They help in transformation of economy from subsistence to commercial production.

FORMATION OF CO-OPERATIVE SOCIETY

Following are steps in the formation of co-operative societies.

1. The drafting of the bye-laws. This is an equivalent to the memorandum of Association and articles of association of a limited company.
2. The bye-laws are then submitted to the commissioner for co-operatives for approval and registration of the society.
3. Upon approval, a registration, a certificate is issued to the new society by the commissioner for co-operatives. Then the society can start its business.

CAPITAL OF CO-OPERATIVE SOCIETIES.

The capital of a co-operative society is raised from the subscriptions of its members. Each member pays a small sum of money to become a member when this is put together, they build a large capital.

Unfortunately for the co-operatives even if this money is put together, it can not run a big business instead the co-operative have to look for other sources of capital namely.

- 1) The loans from co-operative development Bank (UCDB) normally passed through the co-operative unions.
- 2) The savings of members deposited with co-operative savings and credit societies.
- 3) Reserves i.e. part of dividend made by the society which is not given out to members but retained to provide additional capital.

CONTROL AND MANAGEMENT OF CO-OPERATIVES

The business of co-operative is entrusted to a committee of management which is elected by members on the basis of one man one vote.

The executive would include the president/chairperson secretary manager treasurer and committee members.

THE BASIC CO-OPERATIVE PRINCIPLES

- 1) Open and voluntary membership. The membership of co-operatives is open to all who can fulfill the bye-laws of the society e.g. Age, lives within a given geographical area and also possess land in case of agricultural co-operative. And should not be limited by social, political, tribal, racial, or religious differences.
- 2) Democratic administration. The administration of co-operative is undertaken by members who are shareholders and has the policy of one man one vote regardless of the number of the shareholder.
- 3) Payment of limited interest on share capital. They normally provide small interest rate on share capital which does not exceed 5%.
- 4) Dividend (share of profit). It pays dividend to shareholders in good years but on condition. E.g. in producers co-operative, dividend is given out according to the ratio of how more the dividend and vice-versa. In case of consumer co-operative, dividend is given according to how much one has purchased from the society. The higher the purchase, the higher the dividend payable on share capital.
- 5) Co-operative with other member co-operatives at local national and international levels this is because they have the same things in common and can learn from each others.
- 6) To become a member, a small membership fee is payable.
- 7) Education of members. They undertake to educate their member to attain a good standard of education.
- 8) Most co-operatives carry their business in cash basis and do not give credit.
- 9) They are supposed to be impartial i.e. no interference by politics, religious and racial differences.

- 10) Their major aim is not to maximize profits but to maximize services to members by providing goods and services at seasonable prices.

STRUCTURES AND MANAGEMENT OF CO-OPERATIVES

1. PRIMARY CO-OPERATIVE SOCIETY

This co-operative societies are small and membership consist of individuals in an area e.g. peasants

2. SECONDARY/CO-OPERATIVE UNIONS.

They are larger than primary co-operative society. They are formed to help primary societies have a strong bargaining power in the marketing system of their produce.

To help farms obtain agricultural inputs like hoes, fertilizers, seeds, pesticides e.t.c.

Often co-operative unions are formed at the district/regional levels and represent primary society at international levels.

The almost organ in this movement is the co-operative alliance e.g. Uganda co-operative alliance

Secondary co-operatives include south Booked co-operative union, Bugs Co-operative Union.

TYPES OF CO-OPERATIVES

There are basically four types of co-operative society

1. RETAIL CONSUMER CO-OPERATIVE

Is a form of retail business owned and operated by a group of final consumers who buy and sell goods to fellow members at reduced prices.

FUNCTIONS

- To protect members and non-members against excessive high costs of distribution due to too many middlemen in the distribution network
- To protect consumers many of which are in experienced and weak buyers who are persuaded by skillful sales men to buy things which they really do not want.
- They buy cheaply and collectively from either producers or wholesalers and sell to themselves at a fair price.

2. PRODUCERS CO-OPERATIVE SOCIETY

Formed by a group of producers to strengthen their bargaining power in the marketing system of their produce.

FUNCTIONS

- Collection and transportation. They collect and transport farmers produce to markets and other buying agents.
- Help to improve agricultural products by encouraging the production of more standardized products or effective grading of the product.
- Financing the producers. They buy farmers produce at fair prices which has been established.
- They provide useful channel of spreading ideas for the improvement of cultivation to peasant farmers. The farmers are thus provided with special and advisory services e.g. how to apply fertilizers and insecticides to crops.

WHOLESALE CO-OPERATIVE SOCIETY

This was the first formed in 1863 to supply the retail societies with goods and so reduce their dependence on other forms of wholesale business.

They operate in the same principle and membership is by individual consumer co-operative societies.

FUNCTIONS.

- ❖ To assist retail consumer co-operatives by providing specialists services such as advertisement, market, market research e.t.c
- ❖ To offer commercial services like Banking, insurance and building societies.
- ❖ To extend credit facilities to their members
- ❖ To buy, process and produce other farm products like milk.

NB This form of co-operative society is not very popular in East Africa.

SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES

Formed to encourage savings by consumer producers and other salaried workers whose income is fixed.

Members of this society are allowed to obtain loans from the society for the purpose of improving the farm, educate children, and construct houses e.t.c.

REASONS FOR THEIR SUCCESS IN EAST AFRICA.

1. In East Africa producer co-operatives deal mainly in primary products which are the main foreign exchange earner therefore the government finds it necessary to support them
2. They are located in remote areas where individual farmers can not afford the cost of marketing their crops.
3. In many parts of East Africa people service by subsistence farming thus giving little scope for consumer co-operatives.
4. They have strong bargaining power.

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PROBLEMS FACED BY CO-OPERATIVES IN UGANDA.

1. lack of sufficient transport facilities like trucks, good roads e.t.c
2. Failure of members to pay their subscriptions tends to limit efficient operations of co-operatives some members are poor.
3. Mismanagement of the co-operatives due to lack of skilled management staff.
4. Co-operatives have constantly suffered from little support from the government especially on the side of finance.
5. Embezzlement of the funds of co-operatives by the officials has led to some co-operatives to close down their business.
6. Wide spread illiteracy among the co-operative members, most of them are ignorant about the affairs of co-operatives.
7. Tribalism in Uganda is common practice which endangers the unity of the members in a co-operative society.
8. Storage is yet another problem especially where it involves bulk and perishable commodities.
9. Price fluctuations at the world market discourages co-operatives to actively participate.
10. Non payment of farmers products has discouraged farmers, thus limited co-operatives activities.
11. Insecurity in some parts of the country has not favored co-operative operations.
12. Government policy of liberalization of the board reduces their activities and adversely affects flexibility of their operations as well as the efficiency of management.
13. Lack commitment of the managers of the society who are not full time managers, but merely part time employees hence no a lose attention to societies.
14. Co-operatives have failed to compete favorably with the private traders whom they are stirring to replace. The private traders even offer attractive prices to producers hence out competing them in business.
15. Smuggling of produces to neighboring countries to some extent, limits the activities of producers co-operative societies.

ROLE OF CO-OPERATIVES IN AGRICULTURAL DEVELOPMENT IN UGANDA.

1. They help farmers in getting better prices for their producers thus making agriculture a profitable occupation.
2. Help in distribution of farm input at a reduced price e.g. fertilizers, seeds, farm tools among others.
3. The climate wasteful competition and exploitation of farmers by middlemen.
4. They collect, store and transport agricultural products.
5. Consumer co-operatives provide members with cheap consumer goods.
6. They create employment to people in transportation, marketing and export of other products.
7. Provide education to members and to the general public on how to use agricultural inputs and on methods of farming.
8. They increase co-operation among the people. In some countries co-operatives have acted as political units especially in socialist countries.
9. They also provide a channel of distribution of whatever loans and help government wishes to give to farmers.

ADVANTAGES OF CO-OPERATIVE SOCIETIES

- (a) They increase the bargaining power of its members.
- (b) The running of co-operatives societies is democratic e.g. in consumer co-operative society.
- (c) There is no conflict between seller and buyers because they are the same people.
- (d) The main objective of co-operative is to serve members but not to make profit.

DISADVANTAGES OF CO-OPERATIVE SOCIETIES

- (a) The elected committees are not skilled in business management which always leads to inefficiency.
- (b) Lack of enough capital as most members are low income earners.
- (c) Lack of trained personnel to run co-operatives
- (d) Illiteracy by members makes embezzlement of funds by officials easy.