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Cooperative Bank as an Effective Financial Inclusion Strategy in Nigeria

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Abstract
Cooperative banking is now a global phenomenon but going through the history of banking in Nigeria there is nothing to show that Nigeria had actually established any cooperative bank. There were the defunct Nigerian cooperative and Commerce bank, or Cooperative Bank Plc, Nigerian Agricultural and Cooperative bank etc. They were never cooperative banks in the true sense, they all operated Commercial banks or at best as micro finance or primary mortgage institutions. This paper unfolded the enormity of the impact cooperative bank can have on the economy by promoting financial inclusion. The paper is concluded on the note that to reduce poverty, ensure food security and create jobs, cooperative banking based on cooperative principles is imperative in Nigeria. The paper is divided into five parts. Part one discussed the definition of financial inclusion, cooperative and cooperative bank, while part two traced the history of cooperative banking in Nigeria. Part three discussed cooperative banking in Europe, Asia and Africa, part four distinguished between cooperative bank and commercial bank and types of cooperative banks while part five discussed the possibility of establishing cooperative bank in Nigeria and the modus operandi of establishing the bank
Keywords: Cooperative banking, financial inclusion, micro finance, mortgage institutions.

1. Introduction

1.1 Meaning of Financial Inclusion

Financial inclusion is defined as the ability of an individual household or group to access appropriate financial service or products. Without this ability, people are often referred to as financially excluded. Financial inclusion can be regarded as the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society. Financial inclusion is further facilitated by an effective deposit insurance system that provides confidence and which allows financial institutions to provide services to a vast majority of people at affordable cost. It is the opposite of financial exclusion where those services are not available or affordable. Financial exclusion (people with limited use or access to formal financial services) is a big problem in the world(Abrahim 2013)

1.2 Global Financial Inclusion Statistics

There are about 7 billion people in the world and according to Global Financial Inclusion database hosted by the World Bank ; only 50% of adults have accounts at formal financial institutions-bank, credit union, cooperative, post office or micro finance institution. This implies that 3.5 billion people are financially excluded. The situation is worse in Africa as only 24% of people have accounts at formal financial institutions compared to 84% of adults having accounts in high income countries(Abrahim 2013)

1.3 Negative Impact of Financial Exclusion

With an estimated population of 170 million people, Nigeria's rate of financial exclusion currently stands at 39.7%, according to the 2012 survey conducted by Enhancing Financial Innovation and Access (EFInA). Financial exclusion retards economic growth as small and medium enterprises are denied credit as only large corporate and guaranteed wage earners in the public and private sector have access to credit(World Bank 2015)

1.4 Problems of Financial Exclusion

People are not able to access affordable credit , they do not want or have difficulty in obtaining bank account and are financially at risk through not having home insurance, they also struggle to budget and manage money or plan for the unexpected people do not know how to make the most of their money.

1.5 Objectives of Financial Inclusion are:

To extend financial services to the vast sections of disadvantaged and low income group population of the country at an affordable cost to unlock its growth potential. In addition it strives towards a more inclusive growth by making banking services available to unbanked and unserved sections of the society. As Banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of public policy. Unrestrained access to public goods and services is the sine-qua-non of an open and efficient society[1]

1.6 Need For Regulatory Regime

It also means that the Central Bank of the country will be unable to efficiently carry out its duty of conducting monetary policy due to the present inefficient transmission mechanisms. Working toward full financial inclusion is an ongoing and dynamic process. The ability of the market to respond to this demand depends not only on providers developing sustainable and low-cost ways to providing sustainable and low-cost ways to providing such services but also on having an enabling regulatory and supervisory environment backed by an effective deposit insurance system. This is where NDIC as a key financial safety net participant plays a key role[(World Bank 2015)]

1.7 Nigerian Deposit Insurance Corporation (NDIC) Support for Financial Inclusion

The NDIC supports financial inclusion through guaranteeing deposits, especially small savers. This is the direct link between deposit insurance and financial inclusion. Deposit insurance is vital to financial inclusion because the poor need assurance that the services of the depository institutions are safe and available at all times they desire

NDIC is also a supervisor that enhances financial inclusion by providing consumer protection through supervision of banks, continuous education and trust and policy formulation and oversight

The Corporation also provides incentives for rural banking and prosecutes erring and reckless directors and management of banks ([NDIC Act 2004)]

1.8 Milestones of Financial Inclusion

The apex banking system regulator, the Central Bank of Nigeria (CBN) on behalf of the Federal Government of Nigeria (FGN) made a commitment at the Alliance for Financial Inclusion (AFI) 2011 Global Policy Forum in Rivers Maya, Mexico to decrease the level of financial exclusion in Nigeria from 46.3% in 2010 to 20% by the year 2020[2]

That led to the design of a National Financial Inclusion Strategy (NFIS) and its subsequent launch by the President of the Federal Republic of Nigeria on 23rd October, 2012. Other key laudable achievements include: the establishment of the Financial Literacy Framework by the CBN in collaboration with other regulatory agencies, introduction of Regulatory Framework for Mobile Payments Services and Consumer Protection Framework to mention a few [(Abrahim 2013)]

The main objective of NFIS and other related policies is to increase access to payments, savings, pensions, insurance and credit at an affordable cost to consumers, especially the unbanked poor segment of the society.

In view of this we seek to propose in this paper that promotion of cooperative banking in Nigeria will go a longs way to improving financial inclusion

2. Definition of Cooperative

Co-operative societies as a universal and global phenomenon has been defined by the International Cooperative Alliance as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprise[(ICA 1844)] while the International LabourOrganization defines it as an association of persons who have voluntarily come together to achieve a common end through the formation of a democratically controlled organizations, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which the members actively participate[(ILO 1990)]. The United Nations Research and Social Development also sees cooperative as all organizations that are legally recognized as such which are subject to organized supervision and which claim to follow co-operative principles. [(UNRSD 1980)]The Coady International Institute, another international organization interested in co-operative societies defines it as free associations of persons legally constituted for the purpose of conducting economic enterprises or businesses which they control and administer democratically according to established principles and techniques[(Coady 2015)]

At the local level, cooperative society is defined as voluntary association of individuals, united by common bond, who have come together to pursue their economic goals for their own benefits.[(Cooperative Act 2004)]However, there are other scholars who have attempted to define co-operative society[(Omojola 2004)]

Co-operative society is in the world of its own and regulated by its own laws and regulation both in

[1]FinancialExclusion: World Bank www.worldbank.org/eu/topic/finance...Accessed on 22nd August 2015 Global index.The World Bank data.worldbank.org/out/2014/rsd/occasi…… Accessed 22nd August 2015

[2] Financial exclusion and access to credit www.socialwatch.eu/wcm/financial/ex... accessed on 22nd August 2015

formation, registration and operation. It is also exempted from payment of tax.[1]It is registered or incorporated as a statutory corporation not passing through the Corporate Affairs Commission and therefore not subject to the Companies and Allied Matters Act, Security and Exchange Commission Act or any other law regulating corporate organizations in Nigeria(Abifarin 2014) Co-operative societies no matter how large, whether micro or macro cannot be a member of Nigerian Stock Exchange nor can it raise money from the capital market. But it is a legal entity with corporate personality.(Abifarin 2014)

2.1 Meaning of Cooperative Bank

Cooperative banks are banks established by members of a cooperative society. Such banks collect deposits and offer other banking services to the society but gives special preference to the members of the cooperative society that established them. It operates more or less like a cooperative shop. It also operate on cooperative principles(Cooperative bank 2015)

Profits made by the banks are shared among members of the cooperative society at the end of the year according to their agreed profit and loss sharing ratio(Wikipedia 2015). In the real sense of the word there are no cooperative banks in Nigeria. However, such banks still exist in India, Germany, Grenada, Kenya and South Africa to mention a few.

Cooperative banking is also defined as retail and commercial banking organized on a cooperative basis. Cooperative banking institutions take deposit and lend money in most part of the world and cooperative banking includes retail banking carried out by credit unions, mutual savings banks, building societies as well as commercial banking services provided by mutual organizations such as cooperative Federations to cooperative businesses(Business Day 2015)

2.2 History of Cooperative Banking in Nigeria

It is easier to talk about the history of banking in Nigeria than to talk of history of cooperative banking in Nigeria. This is because various banks bore names associated with cooperative but they were not infact cooperative banks. The first of these was the defunct Nigerian cooperative and commercial bank which was purely a commercial bank, cooperative bank plc which later merged with Skye bank was equally a commercial bank. Then the government financed Nigerian Agricultural and cooperative bank also operated as a commercial bank lending money to industries and commercial venture to the neglect of farmers who were the initial target of the bank. The bank became stressed just like any other commercial bank in the 1990s and it was restructured and merged with other micro finance institutions of government like peoples bank of Nigeria and Family Economic Advancement programme to become Nigerian Agricultural cooperative and Rural Development bank ltd and finally it metamorphosed into Bank of Agriculture ltd(NDIC Act 2004)

Looking at these banks, they were not creation of cooperative societies in Nigeria and neither did the ministries of cooperative at the state level, nor the department of cooperative at the national level involved in their establishment operation and regulation. While some operates as commercial banks and were regulated by the Central Bank of Nigeria, the government sponsored one was regulated both by the Central Bank of Nigeria and the federal ministry of Agriculture and Rural Development

There is also Cooperative and Savings and loan limited, a microfinance bank and mortgage lending company based in Ibadan which has branches in Lagos and Abuja. It is a primary mortgage institution, it accesses fund from the National Housing Fund through the Federal Mortgage Bank of Nigeria. It has no connection with cooperative societies nor does it operate on cooperative banking principle(CBN 2015)

The only microfinance institution that is close to a cooperative bank is the AtibaIyalamu Savings and loans limited which was principally incorporated by AtibaIyalamu multipurpose cooperative society ltd operating in Ilorin Kwara state.(CBN 2015)

2.3 Global outlook of Cooperative Banking

In India, cooperative banks serve an important role in the economy especially in rural areas(Cooperative Bank 2015).In urban areas they mainly serve small industries and self-employed workers. They are registered under the Cooperative Societies Act 1912(Wikipedia 2015). They are also regulated by the Reserve Bank of India under the Banking Regulation Act 1949 and Banking Laws (Application to cooperative societies) Act 1965(Wikipedia 2015). The first cooperative credit union was established in India in 1889 while in Cyprus, the central cooperative bank was established in 1937(Wikipedia 2015)..Ofek was established in Israel in 2012 and it opened the first cooperative bank in Israel. Most modern microfinance bank based their operations on the principle of cooperative by focusing on small business lending

German cooperative banks are members of regional organizations. These organizations are responsible

[1] Section 26 of Nigeria Co-operative Societies Act 2004, Section 23(1) (b) of Company Income Tax Act 2004 and Section 27(1) (C) of Capital Gains Tax Act 2004

for additional support of the local bank as well as acting as an audit body in compliance with German banking law. By late 2008, there were 1,197 cooperative banks in Germany with total assets of #668 billion[India Cooperative 2015]

Cooperative banks make up about two thirds of all German retail banks and have a broad customer base made up of individuals and small businesses.

But their small sized means only account for 11% of total bank assets. The largest banks by assets are private banks, which account for about 36% of total banking sector assets, while publicly owned banks together accounts for 30% but cooperative banks are a very important part of German economy. They are significant lenders to the small and medium size enterprises, many of them also cooperatives which are the bed rock of the German economy[Wikipedia 2015].

Many of the cooperative members are business clients, typically owners or managers of small or medium sized enterprises; business lending make up about 28% of all cooperative bank assets.

Employees may opt to become members but a only about 160,000 people in total are employed by cooperative banks. The cooperative financial sector in Germany has about 18 million members[Wikipedia 2015].

Continental cooperative banks survived the financial crash and seem to brush aside the euro zone crisis[German cooperative 2015]. In France three major cooperative banks federations have an estimated 45 percent of the market share. The cooperative bank model has been more stable and efficient than many economists had predicted in Europe. Because of the confidence reposed in cooperative banks in Europe the ILO published reports titled Financial Cooperatives; a safe net in a crisis and Resilience in a down turn: The power of financial cooperatives. Europe has a good European Association of cooperative Banks (EACB). Across Europe cooperative banks have perhaps 20% of total retail banking business[1]

In Netherlands the highly successful cooperative bank has 10 million customers and 40% of market share. Cooperative bank started operation in the United Kingdom in 1872 the ethics and principles of cooperative banks have been recommended for commercial banks in Europe[French cooperative 2015]

Grenada has a large Grenada cooperative bank which has been operating competitively with other commercial banks in Grenada[Wikipedia 2015].

Cooperative bank did not survive in Ghana because it was established and run as a state bank or government bank. The only cooperative bank in Ghana was liquidated in 2000[Ghana cooperative 2015].

Kenya has a successful story of cooperative banking. The cooperative bank of Kenya is a commercial bank that started operation in 1968 having been incorporated since 1965. It is licensed by the Central Bank of Kenya. The bank has the second highest customer base in Kenya with over 3.5 million accounts as at June2013. In 2010 the bank was awarded best bank of Kenya by the London Financial Times due to its excellent growth. The banks serves the banking needs of individuals, small business, large corporations by focusing on the needs of cooperative societies in Kenya. Cooperative bank is a large financial services institution. As at March 2015 its total assets were valued at approximately U.S $3.345 billion. As at 31st December 2013 its shareholders equity was valued at U.S $425 million and as at May 2012, the bank controlled about 8.2% of all bank assets in Kenya. It is also a public liability company listed on the Kenya Stock Exchange. It has a 10 million member cooperative societies. The bank operates on sound cooperative banking principles[cooperative bank in Kenya 2015]

In South Africa, the first cooperative bank was registered in 2011. The South African Reserve Bank is responsible for the supervision of all registered cooperative banks in South Africa while the cooperative Bank Development Agency (CBDA) is responsible for the supervision of cooperative financial institutions and the development and training need of the sector. Cooperative banks in South Africa operate on the seven principles of cooperative which are: Voluntary and open membership, Democratic member control, members economic participation, Autonomy and independence, education, information and training, cooperation between cooperatives and concern for the community[cooperative in South Africa]

2.4 Distinction between cooperative and commercial bank

In India the commercial bank are required to register under Banking Regulation Act 1949 while cooperative bank registers under the cooperative societies Act of the concerned state. The main objective of a commercial bank is to accept deposit from the public for the purpose of lending to industries and commerce but cooperative banks objective is to accept deposit from the members and the public for the purpose of providing loans to farmers and small business men and women with a motto of service. Massive funds are available to commercial banks but limited funds are available at the disposal of cooperative banks[Wikipedia 2015].

Commercial banks operate over a large area some commercial banks even foreign offices but the area of operation of cooperative banks are limited and mostly confined to the state where they are registered. They may operate at national level but not at international level. While commercial banks could be nationalized e.g at present in India, 20 commercial banks have been nationalized but cooperative banks are not nationalized.

[1] Ibid

Commercial banks provide merchant banking services such as advising the companies regarding public issue of share but cooperative banks do not provide merchant banking services(Wikipedia 2015).

Commercial banks operate on commercial principles i.e to earn profit but cooperative banks operate on the basis of cooperation i.e service to members and the society. In India commercial banks provide a lesser interest rate as compared to cooperative. But in Nigeria cooperative societies provides lesser interest on loans than the bank therefore if there is cooperative bank in Nigeria it will provide loan to members and the public at a lesser rate than the commercial banks(Wikipedia 2015).

2.5 Types of Cooperative Bank in India

States cooperative banks, District cooperative banks Scheduled Urban cooperative banks and Non Scheduled Urban cooperative banks. The concept of cooperative bank in India is a type of bank that is into retail and commercial banking organized on a cooperative basis. That is a bank to the people by the people and from the people. The cooperative banks are small sized units which operate both in urban and non urbancentres. They finance small borrowers, in industrial and trade sectors besides professional and salary classes of people. They are regulated by the Reserve Bank of India. They are governed by the Banking Regulation Act 1949 and Banking Laws Cooperative Societies Act 1965.

The cooperative banking structure in India is divided into five categories:- Primary Cooperative Credit Society, Central Cooperative Banks, State Cooperative Banks, land Development Banks and Urban Cooperative Banks(Wikipedia 2015).

2.6 Rationale for cooperative banks in Nigeria

According to the Federal Department of Cooperative as at 2010 there were over 80,000 cooperative groups with over 1.4 million members in 605 out 774 local government areas in Nigeria and that about 14 million adult populations in Nigeria see cooperative as their saving bank. Another group, Enhancing Financial Inclusion in Nigeria, EFLNA, under took an in-depth study of the sector in three states namely Enugu, Kebbi, and Oyo states. Their data revealed that the 700 members they interviewed in the three states saved over #243 million annually, and that the 150 managers interviewed managed a loan portfolio of #122 million. Therefore there is a significant potential for cooperative banks to make a bigger impact among those who are unbanked or underserved. If optimized cooperative bank can be a force in empowering rural communities, farmers, women, artisans and micro entrepreneurs throughout Nigeria

2.7 Establishing a Cooperative bank in Nigeria

We have shown in this paper the urgent need for cooperative banks in Nigeria so that Nigeria can join the league of economically vibrant nations but what model should we adopt or what should be the modus operandi of setting up such a bank?

A cooperative society must have first of all be incorporated under the cooperative societies law of the state in Nigeria. A cooperative society so registered has a status of an incorporated company even though it is not incorporated under Companies and Allied Matters Act or Corporate Affairs Commission. Such a cooperative society that is duly incorporated can establish a cooperative bank. A group of cooperative societies can also come together for the purpose of establishing a cooperative bank. Cooperative societies law in Nigeria did not forbid a cooperative society or a group of cooperative societies from establishing a bank(Adekoya 2015)

The cooperative society or group of cooperative societies wishing to establish a cooperative bank in Nigeria must take a step further by incorporating the cooperative bank with Corporate Affairs Commission pursuant to section 2 (1) of Bank and Financial Institution Act 2004 before applying for banking license from the Central Bank of Nigeria pursuant to section 2(1) of the same law. For proper comprehension the procedure is as follows:

The Banking and other Financial Institutions Act regulates banking and other financial institutions by prohibiting the carrying on of such business in Nigeria except under license and by a company incorporated in Nigeria. Our discussion on establishing banks shall exclude the "statutory banks" Statutory banks are banks that are established under special statutes and are governed by such statutes. These includes Central Bank Of Nigeria, Federal Savings Bank, Nigeria Banks for Commerce and Industry, Peoples Bank of Nigeria, Federal Mortgage Bank, Bank of Agriculture, Bank of Industries sand a few others[1] The banks were established to assist the rural poor in agriculture small scale and cottage industries. (Stocha 2015)

By virtue of section 2(1) of the Bank and other Financial Institution Act, 2004 which reads:-

"No person shall carry on any banking business in Nigeria except it is a company duly incorporated in Nigeria and holds a valid banking license issued under this Act"

Section 2(2) provides a penalty for violation of section 2(2) It reads:-

[1] Ibid

"Any person who transacts banking business without a valid license under this Act is guilty of an offence and liable on conviction to a term of imprisonment not exceeding 10 years or a fine not exceeding #500.000 or to both such imprisonment and fine"

From the express provisions of section 2(1) establishing a bank which entails compliance with two keys legal requirements namely: - the who –be bank must be a company duly registered under the Companies and Allied Matters Act, 2004. Secondly, the who- be bank must be in possession of a valid banking license.

Section 3 (1) of the Bank and other financial institution Decree vests in the Governor of the Central Bank of Nigeria the power to issue banking license and all other ancillary matters. It provides:

"Any person desiring to undertake banking business in Nigeria shall apply in writing to the Governor for the grant of a license"

This position of the law is different from what was applicable under the repealed 1969 Banking Act where the power of issuance of license was vested in the Federal Ministry of Finance acting on the recommendation of the Central Bank of Nigeria.

The written application for issuance of banking license is to be accompanied with the following going by section 3 (1)

1. A feasibility report of the proposed bank
2. A feasibility copy of the memorandum and articles of the proposed bank
3. A list of the shareholders, directors and principal officers of the bank and their particulars
4. The prescribed application fee; and
5. Such other information, documents and reports as the Bank may from time to time specify

The feasibility report must specifically contain provisions to the following effect namely:-

i. The special services which the proposed bank will provide.
ii. The extent of the unsatisfied demands for such services
iii. Previous experience of the applicants in providing such services
iv. A five-year financial projection of the operations of the proposed bank
v. Projected branch expansion within five years and the basis for the assumptions in the report must be clearly stated
vi. The amount of available working capital of the proposed bank after providing for:-
   a. Fixed assets of the company; and
   b. Preliminary and formation expenses
vii. Detailed information about the foreign person and or institutions involved in the promotion of the bank duly supported in appropriate cases with their latest financial statements and reports, there should also be disclosure of the countries in which the institutions operate either directly or through associates. In case of a foreign partner is participating, the partner must be a reputable and financially sound foreign bank and not just an investment company or individual
viii. In the case of the Nigeria participants, there should be a specific resume of their business connections and experience and the amount of shares being allocated to each person.
ix. The proposed organizational structure of the bank indicating specifically the following:-
   a. The size of the board of directors and the curriculum vitae of each member and qualifying requirements for membership; and
   b. The curricula vitae of persons marked or prescribed qualification and experience for appointment into each of the top position within the organization's structure.
x. The detailed programme of staff training and management succession such as will promote and facilitate the training and explosive to the expatriate staff positions within a reasonable time

After the who-be bank might have provided all such information, documents and report as the Central Bank of Nigeria may require under section 3 (1) the shareholders of the proposed bank shall deposit with the Central Bank a sum equal to the minimum paid-up share capital that may be applicable under section 9 of the Decree

By virtue of section 3 (3) upon the payment of the sum referred to in subsection 2 of section 3, the Governor of the Central Bank may issue a license with or without conditions or refuse to issue a license and he need not to give any reason for the refusal.

Where an application for a license is granted the Central Bank shall give written notice of the fact to the applicant and the license fee shall then be paid in accordance with section 3(4)

The Nigeria law that regulates the establishment of banks is therefore reasonably ascertainable. There are three distinct stages to wade through so as to attain the ultimate legal status of a "licensed bank" generally required by the Banking and other financial institution Act of 2004. A prospective banker must be incorporated, and must secure a valid banking license before it can lawfully conduct banking business in Nigeria. Both in law and practice, financial solvency has been the most crucial factor in licensing an applicant. Therefore it is a precondition of registration as a company under Companies and Allied Matters Act that a prospective bank must provide a minimum paid-up capital of #25,000,000,000(#25 billion) with effect from December 2005[1]while a microfinance bank must provide a minimum paid up capital of #20,000,000(320 million as from 31st December 2005

While a microfinance bank must provide a minimum paid up capital of N 20,000,000 (20 million) as from 31st December 2012

3. Revocation of Banking License

It is necessary to state that the license so granted by the Central Bank can be revoked if there is any reason to do so at any time. The procedure for revocation is as follows:

Section 5 of Banks and other Financial Institutions Act gives the Governor of the Central Bank of Nigeria the power to vary or revoke any condition subject to which a license was granted or to impose fresh or additional conditions to the grant of a license

Section 5 (1) provides:-

"Except as provided in section 9 (2) of this Act, the Governor may vary or revoke any condition subject to which a license was granted or may impose fresh or additional conditions to the grant of a license"

Where the Governor of Central Bank proposes to vary, revoke or impose fresh or additional conditions on a license, he shall before exercising such power, give notice of his intention to the bank concerned and give the bank an opportunity to make representation to him thereon. This is by virtue of section 5(4).

This provision is in compliance with the constitutional provision of fair hearing as entrenched in the constitution.[2]

By virtue of section 12 of Banking and other Financial Institutions Act revocation may be effected for any of the following reason:-

a. Ceases to carry on in Nigeria the type of banking business for which the license was issued for any continuous period of 6 months or for any period aggregating 6 months during a continuous period of 12 months
b. Goes into liquidation or is wound up or otherwise dissolved
c. Fails to fulfill or comply with any condition subject to which the license was granted
d. Has an insufficient asset to meet its liabilities
e. Fails to comply with any obligation imposed upon it by or under the Decree or the Central Bank of Nigeria Decree 1991

But it is expected that the bank will fair well and the license will not be revoked for any reason whatsoever.

4. Modus Operandi

The Cooperative bank will fall under the supervision and regulation of the Central Bank of Nigeria while Registrar or Director of Cooperative societies will ensure compliance of the cooperative bank with cooperative principles. Cooperative principles are akin to the principles of good corporate Governance applicable to incorporated public companies in Nigeria. Good enough the CBN has issued out code of Corporate Governance for micro finance banks.(Guardian2015)

On the other hand a Cooperative Bank Regulatory Agency is recommended like that of South Africa to regulate it along side with Central Bank of Nigeria. This will be logical because there are 36 states in Nigeria and Federal Capital Territory, each of these states has its own cooperative society's law, Registrar or Director including federal director of cooperatives under the Nigerian Cooperative Societies Act. To run a smooth and hitch free cooperative Bank of Nigeria, A cooperative Bank Regulatory Agency should be set up so as to prevent chaos and confusion. Just like the National Board for community Banks before its dissolution and eventual take over by CBN.(Abifarin 2013)

The model of cooperative Bank recommended for Nigeria should be fashioned along that of India, Kenya and South Africa that are not government banks but individual cooperative societies, mutual trust fund, credit unions etc came together to form cooperative banks to be run and managed on cooperative principles . This model made cooperative banks to be viable and stable in those countries. The bank apart from boosting economic activities, it also generate employment.

However, it is worthy of note that in Ghana where government established and managed the bank, the bank collapsed and was eventually liquidated. In this era of privatization, commercialization and public private partnership, cooperative banks to be viable and to contribute to economic growth in Nigeria must be established by cooperative societies. The idea of government running banks killed Peoples Bank of Nigeria, Nigerian Agricultural and Cooperative bank Ltd, and Nigerian Agricultural Cooperative and Rural Development Bank, Bank of Commerce and Industry Ltd, Cooperative and Commerce bank ltd, Nigerian Industrial Development

[1] How to start a bank in Nigeria, www.mytopbusiness ideas.com/….starting… last accessed on 4th September 2015
[2]Section 36 of the 1999 Constitution of Federal Republic of Nigeria as Amended.

Bank Ltd etc. An amalgamation of cooperative societies and or a National Association of Cooperative societies could float a cooperative bank in Nigeria. It is also advised that they can start with microfinance form of cooperative bank which can translate later to regional or national bank since Nigeria banking law allows banks to grow from small to bigger banks.

5. Conclusion

We have looked at cooperative banks in India, U.K, Germany, America, Ghana, Kenya and South Africa we outlined the contributions of the bank to the economy of these states in terms of investment, employment generation and other commercial and social services provided. We recommend to Nigeria the establishment of cooperative bank through the cooperative societies and that such bank should be regulated jointly by the Central Bank of Nigeria and Cooperative Bank Regulatory Agency that will be manned by experienced and honest cooperative experts. After about five years of successful operation, the bank can begin to establish branches first at each geo-political zone and later in each state of the Federation. The bank can start as a Private Limited Liability or as microfinance bank but may go public later and even become a member of the Nigerian Stock Exchange just like that of Kenya. The bank should engage professional bankers who will also be trained in cooperative principles and good corporate governance.

The Regulatory bodies like Central Bank of Nigeria, the proposed Cooperative Bank Regulatory Agency, The Nigerian Deposit Insurance Corporation and Asset Management Corporation of Nigeria should collaborate together and form a strong network of supervision of the bank. The National Financial Intelligent Unit of Economic and Financial Crime Commission should also be vigilant in its fraud detection in banks so as to prevent what happened to Ghana cooperative bank. The NDIC should extend its tentacles to cover co-operative bank because when NDIC insure the deposits in co-operative banks, depositors will have more confidence in the system by patronizing the bank, the bank will in turn extend its operations and coverage by introducing products that will promote the economy of Nigeria. Nigeria cooperative bank so established can collaborate and partner with bigger foreign cooperative banks in other parts of the globe.

The overall advantage of the bank is the increase in the financial inclusion when all cooperative societies in Nigeria will lodge their deposits in the bank thereby formalizing the practice of cooperative, documenting cash flow and growing the economy by making more people to have access to fund for property development, business expansion and infrastructural development.

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