



NATIONAL SEMINAR ON "COOPERATIVE MANAGEMENT"

DACCA (EAST PAKISTAN) - Jan 19-February 1, ~~1970~~ 1970



DOCUMENTATION

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	<u>Page</u>
Programme of the Seminar	1
Welcoming Address by Mr. L.R. Khan	5
Inaugural Address by Mr. S.M. Shafiul Azam	7
Report of the Seminar	9

BACKGROUND PAPERS

Cooperatives and Marketing in East Pakistan by M. Fazlur Rahman.	15 ✓
Cooperative Movement in Indo-Pakistan Sub-Continent - A chronology of events 1875 to 1967 By S.A. Safdar.	17
Teachers' Development and Lesson Planning By M. Sulayman.	26
Methods of Teaching Adults By M. Sulayman	28
Cooperative Institute of Management - What it is - What it does - and how.	33
Making Agriculture Easy for the Producer (Agricultural Financing in East Pakistan) By A.A.M. Imaul Huq.	42 ✓

WORKING PAPERS

The socio economic milieu affecting the agricultural cooperative movement in East Pakistan by A. Farouk	47
Factors of strength and weakness of the private money lender-cum-trader by A.M. Muazzam Husain.	49
Reformulated principles of cooperation and their significance to management by Lionel Gunawardana	54
Planning Business aims and activities of a (multipurpose) central society (Presentation of how this can be done in actual practice) By Muzaffar Hussain Malik	58



	<u>Page</u>
Preparing a budget for a central multipurpose cooperative society - A case study By Anwar Ahmad.	61
The Financial and economic criteria for assessing operational efficiency of a Central Multipurpose Society - A case study. By Anwar Ahmad.	75
Problems and Trends in Agricultural Cooperatives in East Pakistan By L.R. Khan	89
Technique of raising capital in a Central Multipurpose Society By Shamsul Huq.	92
Technique of procurement and sale of members' produce By N.H. Khan	96
Relationship between the Central Cooperative Banks and the Central Cooperative Multipurpose Societies By A.A.M. Imaul Huq.	99
Comilla Techniques of Assessing Loan Requirements of the Members with special reference to Agricultural Production By Mohammad Ullah.	101
Techniques and procedure for assessing loan requirements By Lionel Gunawardana	107
Technique of effecting loan recoveries (in relation to the problem of over dues and bad debts) By N.H.Khan	109
Farm Guidance of Agricultural Cooperatives By Shiro Futagami.	111
Functions of the Managers and the Board and Their Relationship By Shiro Futagami.	120
Group Reports & Resolutions	123
List of Participants.	136

PROGRAMME FOR THE NATIONAL SEMINAR ON COOPERATIVE MANAGEMENT-  
 DACCA ( EAST PAKISTAN ) UNDER THE JOINT SPONSORSHIP OF THE  
 INTERNATIONAL COOPERATIVE ALLIANCE AND THE EAST PAKISTAN  
 COOPERATIVE UNION LTD., DACCA.

JANUARY 19 - FEBRUARY 1, 1970.

Venue - SAMABAYA BEEMA BHABAN  
 24/25, Dilkhusa Commercial Area,  
 Dacca - 2.

9th January, 1970, Monday

<u>Time</u>	<u>Session No.</u>	<u>Activity</u>
1000-1200	1	Inauguration
1200-1500		Lunch break
1500-1530	2	Theme and working methods of the seminar.
1530-1600		Tea break
1600-1700	3	Statements of 5 selected participants. (Each will get half an hour to make the statement and answer questions).

10th January, 1970 Tuesday

0930-1100	4	Session No.3 (continued).
1100-1130		Tea break
1130-12300		Session No.3 (continued).
1230-1500		Lunch break
1500-1600	5	<u>Lecture</u>  Socio-economic milieu affecting the Agricultural Cooperative Movement in East Pakistan.  By Dr. Abdullah Farouk, Professor of Commerce, Dacca University.
1600-1630		Tea break
1630-1700		Discussion

11st January, 1970 Wednesday

0930-1030	6	<u>Lecture:</u>  Factors of strength and weakness of the private money lender-cum-trader.  By Dr. A.N. Moazzam Hussain, M.A., Ph.D., Dean & Head of the Department of Cooperative & Marketing, East Pakistan Agriculture University, Mymensingh.
1030-1100		Discussion.
1100-1130		Tea break

Contd.....P/2

- 1130-1230 7 **Lecture:**  
(Reformulated) Principles of cooperation and their significance to management.  
By Mr. Lionel Gunawardana, Deputy Director, International Cooperative Alliance.
- 1230-1300 Discussion
- 1300-1500 Lunch break
- 1500-1700 8 Group discussion on Session Nos. 5 & 6.

22nd January, 1970 Thursday

- 0900-1700 9 Planning business aims and activities of a (multipurpose) central society. Presentation of how this can be done in actual practice).  
By Mr. Muzaffar H. Malik, Deputy Director, A.D.B.P., West Pakistan.

23rd January, 1970 Friday

- 0900-1300 10 Preparing a budget for society's operations. (Presentation of how this could be done in actual practice - on the basis of the planning outlined in Session No.9).  
By Mr. Anwar Ahmed, Farmers' Cooperatives, West Pakistan.
- AFTERNOON Free for prayers.

24th January, 1970 Saturday

- 0930-1700 11 Control of Society's operations (Presentation of how this could be done in actual practice)  
By Mr. Muzaffar H. Malik, Deputy Director, A.D.B.P., West Pakistan.
- 12 Financial and economic criteria for assessing operational efficiency of central (multipurpose) societies: Presentation of a case.  
By Mr. Anwar Ahmed, Farmers' Cooperatives, West Pakistan.

25th January, 1970 Sunday

Study visit.

26th January, 1970 Monday

- 0900-0945 13 A brief review of recent trends and problems of agricultural cooperatives in East Pakistan.  
By Mr. L.R. Khan, T.Pk., C.S.P., Registrar of Cooperative Societies, East Pakistan.
- 0945-1015 Discussion.
- 1015-1030 Tea break
- 1030-1130 14 Lecture: Techniques of raising capital in a Central Multipurpose Society.  
By Mr. Shamsul Huq, PARD, Comilla

Contd....P/3



1130-1200 Discussion.

1200-1300 15 Group discussion on Session No.14

1300-1530 15-16 Lunch break

1530-1630 16 Plenary on Session No. 5 & 6.

27th January, 1970 Tuesday

0930-1030 17 Role and functions of secondary organisations for supporting their affiliates - a panel discussion. (With reference to supervision, guidance and services). Members of the panel:

- i) Mr. A.A.M. Imaul Huq, General Manager, East Pakistan Provincial Cooperative Bank Ltd.
- ii) Mr. Shamsul Huq, Chief Administrative Officer, East Pakistan Provincial Cooperative Marketing Society Ltd. and
- iii) Mr. Asaddar Ali, Deputy Registrar of Cooperative Societies (Industries), East Pakistan.

1030-1100 Tea break.

1100-1200 Session No.17 (Continued)

1200-1500 Lunch break.

1500-1600 18 Lecture:

Techniques of procurement and sale of members' produce.

By Mr. Nurul Huda Khan, Joint Chief Loan Officer, Agricultural Development Bank of Pakistan, Dacca.

1600-1630 Tea break

1630-1700 Discussion.

28th January, 1970 Wednesday

0900-1000 Plenary on Session No.15.

1000-1100 19 Lecture:

Technique of distribution of agriculture production materials (fertilizers etc.)

By Mr. A.K.M. Wajihullah, East Pakistan Agricultural Development Corporation.

1100-1130 Tea break

1130-1200 Discussion.

1200-1500 Lunch break.

1500-1600 20 Lecture:  
 Relationship between the Cooperative bank and the central multipurpose Societies. (Out of the funds made available by Government and owned funds; how to match the bank's policies with the requirements of the societies).  
 By Mr. A.A.H. Inaul Huq, General Manager, East Pakistan Provincial Cooperative Bank Ltd.

1600-1630 Tea break.

1630-1700 Discussion.

29th January, 1970 Thursday

0930-1030 21 Lecture :  
 Techniques and procedures for assessing loan requirements of members ( with special reference to loaning for increasing agricultural production ).  
 By Mr. Mohammed Ullah, KTCCA Ltd., Comilla and  
 Mr. I. Comandona Deputy Director, I.C.A.

1030-1100 Discussion.

1100-1130 Tea break.

1130-1230 22 Lecture:  
 Techniques of effecting loan recoveries ( in relation to the problem of overdues and bad debts).  
 By Mr. Nurul Huda Khan, Joint Chief Loan Officer, Agricultural Development Bank of Pakistan, Dacca.

1230-1300 Discussion.

1300-1500 Lunch break.

1500-1700 23 Group discussion Session Nos. 21 & 22.

30th January, 1970 Friday

0930-1030 24 Lecture:  
 Farming guidance activities of an agricultural cooperative.  
 By Mr. Shiro Futagami, Dy. Director, I.C.A.

1030-1100 Discussion.

1100-1130 Tea break.

1130-1300 25 Plenary on Group discussions on Session Nos. 21 & 22.

AFTERNOON Free for prayers.

31st January, 1970 Saturday

0930-1030

26 Lecture

Tasks of the Managing Committee and the  
 Manager in the efficient management of  
 a society.

By Mr. Shiro Futagami, Deputy Director, ICA.

1030-1100

Tea break.

1100-1130

Discussion.

AFTERNOON

Free.

1st February, 1970 Sunday

0930-1200

27 Final plenary  
 Presentation of the Report Evaluation.  
 Evaluation.  
 Close of the Seminar.

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## National Seminar on Cooperative Management

From January 19 - February 1, 1970

Changes in the Programme26th January, 1970 Monday

- 10.00-10.45  
(Session No. 14) - Lecture: Techniques of raising capital in a Central Multipurpose Society. By Mr. Shamsul Huq, PARC, Comilla.
- 10.45-11.00 - Tea
- 11.00-11.30 - Discussions.
- 11.30-13.00 - Plenary Session on Session No. 5 & 6.
- 13.00-15.00 - Lunch Break
- 15.00-16.00 - Group Discussion on Session No. 14
- 16.00-17.00 - OPEN

27th January, 1970, Tuesday

- 09.30-17.00 - As per programme : No change.
- 17.00-18.00 - Panel discussions on 'Business management and marketing operation. Members of the panel:
- 1) Mr. M. Alam, Chashi, Chittagong
  - 2) Mr. F. Rahman, Chittagong.

28th January, 1970, Wednesday

- 09.00-09.45 - A brief review of recent trends and problems of agricultural cooperations in East Pakistan.  
By Mr. L.R. Khan, T.Pk., C.S.P., Registrar, Cooperative Societies, East Pakistan
- 09.45-10.15 - Discussions.
- 10.15-10.30 - Tea Break
- 10.30-11.30  
(Session No. 19) - Lecture : Technique of distribution of agricultural production materials ( fertiliser) etc.  
By Mr. A.K.M. Wajihullah, EPADC
- 11.30-12.00 - Discussions
- 12.00-13.30 - Plenary on Session No. 15 and Group Discussion Session No. 9, 10, 11 & 12.
- 13.30-15.30 - Lunch Break
- 15.30-16.30  
(Session No. 20) - Relationship between the Cooperative Bank and the Central Multipurpose Societies (out of the funds made available by the Government and own funds, how to match the Bank's policies with the requirements of the societies)  
By Mr. A.A.M. Imrul Huq, General Manager, East Pakistan Provincial Cooperative Bank Ltd.
- 16.30-16.45 - Tea Break.
- 16.45-17.15 - Discussions
- 17.15-18.15 - General Discussions on Cooperative Management.

5

Speech of Mr. L.R.Khan, T.P.K, C.S.P., Chairman,  
East Pakistan Co-operative Union on the occasion of the  
inauguration of the National Seminar on Co-operative  
Management at DACCA on 19.1.1970.

Distinguished Chief Guest, Guests, Fellow Co-operators  
and Participants,

It has been a great privilege on my part to welcome you to the National Seminar on Co-operative Management. The importance of Co-operation in the evolution of our economic and social life has been increasing very fast. The economic life of the present civilised society is the result of long process of evolution. After industrial revolution the concept of free enterprise led to unregulated growth of industries in modern life. The inequality of wealth leads to frequent lock-outs and strikes resulting in suspension of work and consequent loss to the community. In the agricultural sector production does not always ensure economic security to the farmers because of the lack of holding power and adequate marketing facilities. The regulatory measures adopted by the Govt. for the protection of the poor producers are rendered infructuous due to the unregulated operation of laws of demand and supply. These evils arising from the present organisation of society may be remedied through institutions based on co-operative principles. Co-operation stands for distributive justice and assess<sup>es</sup> the principles of equality, ensuring to all those engaged in the production of wealth, a share of profit commensurate with the degree of contribution towards the process of production.

Political theorists like Sir Henry Maine told us during 19th century that human society had been progressing from status to contract. The evolution enunciated above from status to contract. The evolution enunciated above might have been the hall-mark of liberalism during 19th century political thought, but in the context of present social and economic developments free contracts between

between persons who were unevenly situated has become a thought of the die-hards. Experiences reveal under the terms of free contract the economically strong always exacts better terms from the weak to the detriment of the latter. In our country the vast majority of the peasantry suffer greatly at the hands of the money-lenders under the terms of uneven contracts. The economic involvement of the said loss of the farmers had been estimated annually to the tune of more than Rs.100 crores in East Pakistan alone. In the context of such social and economic circumstances isolated and powerless individuals can, by association with others and mutual support, obtain in their own degree the material advantage available to the wealthy or powerful persons and thereby develop themselves to the fullest extent of natural abilities. The forces of co-operation generate united action based on self-reliance for the attainment of effective realisation of higher and more prosperous standard of life in the fields of farming, business, housing, fishing, cottage industry, etc. Judged from these points of view, co-operative movement is based on highest sense of morality and may be considered as the most intensive form of Moral Rearmament.

The success of co-operative movement like any other enterprise depends on good management. Management in co-operative enterprise should be based on principles of high ethics like self-interest separated from the concept of private profit motive but imbued with the ideals of service and collective interest. The interest of the individual though not lost will have to be reconciled with those of the group. The success of co-operative management should be judged by the yard-stick of how effectively the reconciliation between

between the individual and the society as a whole is accomplished. In the past, we did not put any organised emphasis on the development of co-operative management as a field of specialisation. We hope the co-operators and the participants of the seminar will lay down some guide lines for future development.

I on behalf of the Directors of East Pakistan Co-operative Union and other sponsors of the seminar take the privilege of expressing our gratitude to the Chief Guest for his kind consent to inaugurate the function today in the midst of his heavy pre-occupations. We also express our thanks to the Representatives of International Co-operative Alliance without whose guidance and help, it would not have been possible to organize the seminar. May I request you, Sir, to address us and inaugurate the seminar ?

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Inaugural address of Mr. S.M.Shafiul Azam, S.Q.A., CSP.,  
Chief Secretary to the Government of East Pakistan on the  
occasion of the inauguration of the National Seminar on  
Co-operative Management at Dacca on 19th January, 1970.

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Directors of East Pakistan Co-operative Union,  
Representatives of International Co-operative Alliance,  
Distinguished Guests and Participants,

I feel very happy to be with you this morning on the  
occasion of the inauguration of the National Seminar on  
Co-operative Management.

The importance of sound management in business  
enterprise cannot be over emphasised. Operational efficiency  
and development of technical skill essential to smooth and  
successful functioning of any industrial or commercial  
enterprise depends primarily on the nature of its management.

As you are aware, in all advanced countries where the  
cooperative movement has succeeded in building up powerful  
co-operatives, great attention is given to the development of  
management skill. Co-operative ventures, while being firmly  
based on co-operative principles, consistently try to develop  
and maintain a high standard of business management at all  
levels, and co-operative enterprises grow and develop in  
competition with the private sector through more improved  
techniques and operational efficiency.

In our country, co-operative societies have grown  
primarily to provide short-term loans to farmers and artisans  
so that they do not have to go the traditional money lenders  
charging an exhoritant rate of interest. Hitherto these  
Societies have been managed largely by local co-operators  
working in an honorary capacity with assistance provided by  
officials of the Co-operative Directorate. Absence of a trained  
and dedicated cadre has stood in the way of running these  
co-operatives on sound and efficient lines.

In pursuance of the Government policy of encouraging the  
growth of co-operatives as an important means of agricultural  
and economic development of the country, the character of  
co-operative societies is undergoing a radical change.

contd.p.2.



Co-operative Societies are now being called upon to shoulder the responsibility of financing agriculturists on a massive scale under the government programme of increasing production of food crops. In the financial year 1969-70 a sum of Rs.110 million are being disbursed as production loans to farmers through co-operative societies. The dimension of the programme will be expanding at an accelerated pace during the successive years. The old concept of Co-operative Societies functioning as mere agencies for distributing cash loan, much of which has been wasted in the past for unproductive purposes has been radically substituted by the emphasis on increased food production through the supply of tractors, power pumps, seeds and fertilizers to our rural masses. The co-operatives have now to play an increasingly important role in our national economy as vital centres of economic activity.

Side by side with the public and private sectors, a co-operative sector is fast growing in East Pakistan, and the healthy growth of this sector can go a long way in bringing about a speedy development in the various spheres of our economies. I am happy to find that co-operatives are now entering such new fields as handicrafts and small scale industries, deep sea fishing and export of fish, distribution of consumer goods, marketing, processing and storage, large scale industries like jute and textiles, banking and insurance. With their increasingly complex activity, even the small co-operative societies can no longer be managed by part-time co-operators who cannot devote their whole time and attention to the development of the necessary technical and managerial skill, or by departmental officers coming from a different background of training and outlook.

A co-operative society, whatever its field of activity and however large it may be in size, has to be run on the co-operative principle of democratic control. While it would be the responsibility of the Annual General Meeting and the representatives elected by it to ensure that a co-operative society does not

lose its co-operative character, a highly trained managerial cadre charged with the task of efficient management, administration and implementation of policies must be created if co-operative enterprises are to be run successfully and in competition with enterprises in the private sector.

It is the policy of the Government to assist the growth of co-operatives as a means of fulfilling its objective of improving the lot of the common man. The Government is also aware of the need for providing facilities for development of managerial skill and technical know-how to the office bearers and employees of co-operative societies. With this end in view, the Government have set up Pakistan Academy for Rural Development, one Co-operative College and 8 Zonal Training Institutes in the province to impart co-operative education and training to co-operators. The experimental laboratory of Comilla Kotwali thana has been enriching the stock of our knowledge and skill on Management. While these training institutes will go a long way in educating our co-operators on the principles of co-operation, you will agree with me that they alone are not enough to produce a technically competent cadre who can handle the complex task of efficiently managing diverse types of co-operatives that are coming into being. It should be the duty of the movement itself to devise ways and means of constant training of personnel, both members and executives of societies as well as their permanent cadre, in the principles and practice of co-operative management.

It is very heartening to find that the co-operative movement in East Pakistan is showing increasing awareness of the need for developed management techniques. I congratulate the East Pakistan Co-operative Union on organising this Seminar and thank the officials of the International Co-operative Alliance for their very kind collaboration. I hope the participants of the Seminar will take full advantage of deliberations and discussion in the Seminar in bringing about over-all improvement in the management of their Societies so that their societies can play

Report on the National Seminar on Cooperative Management, East Pakistan held at Dacca between January 19 to February 1, 1970 under joint sponsorship of the International Cooperative Alliance and the East Pakistan Cooperative Union Ltd.

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The Seminar on Cooperative Management, East Pakistan was inaugurated by Mr. S.M. Shafiul Azan, Chief Secretary to the Government of East Pakistan, at the Sanabaya Eena Bhaban, Dacca on 19.1.70 at 10 A.M. in a ceremonial function attended by about 400 invited guests representing different Government and Semi-Government organisations and Cooperative Societies of the province. The address of welcome was given by Mr. Lutfur Rahman Khan, Registrar of Cooperative Societies. In his welcome-address, the Registrar said :

"The success of Cooperative Movement like any other enterprised depends on good management. Management in cooperative enterprise should be based on principles of high ethics like self-reliance separated from the concept of private profit motive but imbued with the ideals of service and collective interest. The interest of the individual though not lost will have to be reconciled with those of the group. The success of cooperative management should be judged by the yard-stick of how effectively the reconciliation between the individual and the society as whole is accomplished. In the past, we did not put any organised emphasis on the development of cooperative management as a field of specialisation. We hope the cooperators and the participants of the seminar will lay down some guide lines for future development".

The Chief Secretary, in his inaugural speech, emphasised the importance of the Seminar on Cooperative Management in East Pakistan, where, he said, the urgency of evolving a rational management technique to meet the changing needs and problems of the cooperatives was very great. During the course of his speech the Chief Secretary said :

"As you are aware, in all advanced countries where the Cooperative Movement has succeeded in building up powerful cooperatives, great attention is given to the development of management skill. Cooperatives ventures, while being firmly based on cooperative

principles, consistently try to develop and maintain a high standard of business management at all levels, and cooperative enterprises grow and develop in competition with the private sector through more improved techniques and operational efficiency".

"In pursuance of the Government policy of encouraging the growth of cooperatives as an important means of agricultural and economic development of the country, the character of cooperative societies is undergoing a radical change.

Cooperative Societies are now being called upon to shoulder the responsibility of financing agriculturists on a massive scale under the government programme of increasing production of food crops. In the financial year 1969-70 a sum of Rs.110 million are being disbursed as production loans to farmers through cooperative societies. The dimension of the programme will be expanding at an accelerated pace during the successive years. The old concept of Cooperative Societies functioning as mere agencies for distributing cash loan, much of which has been wasted in the past for unproductive purposes has been radically substituted by the emphasis on increased food production through the supply of tractors, power pumps, seeds and fertilizers to our rural masses. The cooperatives have now to play an increasingly important role in our national economy as vital centres of economic activity".

The Seminar was attended by 30 participants including two from West Pakistan. The Seminar was directed by -

Mr. L. Gunawardana,  
Deputy Director, ICA Regional Office and Education Centre,  
New Delhi.

Mr. Shiro Futagami,  
Deputy Director, ICA Regional Office and Education Centre,  
New Delhi  
and

Mr. S.A. Safdar,  
Deputy Registrar, Cooperative Societies-Vice-Principal,  
East Pakistan Cooperative College, Comilla.

Mr. Moniruddin Ahmed,  
Assistant Registrar, Cooperative Societies-Principal,  
Muktāgacha Cooperative Zonal Institute, Mynensingh

on behalf of the East Pakistan Cooperative Union Ltd.

The Seminar was also addressed among others, by -

- 1) Mr. A.K.M. Ahsan,  
Secretary, Agriculture,  
Government of Pakistan
- 2) Mr. K. Alam,  
Secretary, B.D. & L. G. Department,  
Government of East Pakistan
- 3) Mr. M. Fazlur Rahman,  
Cooperative Entrepreneurs Ltd., Chittagong.
- 4) Mr. M. Alam, Chashi, Chittagong.

Besides the two ICA officials, the following scholars, executives, officials and cooperators presented papers in the seminar:

- 1) Dr. A. Farouk,  
Professor of Commerce, University of Dacca.
- 2) Dr. A. M. Muazzan Hossain,  
Reader and Head, Cooperatives and Marketing-East Pakistan  
Agriculture University, Mynensingh.
- 3) Mr. L. R. Khan, T.Pk., C.S.P.,  
Registrar of Cooperative Societies, East Pakistan
- 4) Mr. Nurul Hoda Khan,  
Joint Chief Loan Officer, Agricultural Development Bank of  
Pakistan, Dacca.
- 5) Mr. Muzaffar H. Malik,  
Deputy Director, Agricultural Development Bank of Pakistan.
- 6) Mr. Anwar Ahmed,  
Cooperative Institute of Management, Lahore.
- 7) Mr. A.A.M. Inaul-Huq,  
General Manager, East Pakistan Provincial Cooperative Bank Ltd.  
Dacca.
- 8) Mr. Shamsul Huq,  
Vice-Chairman, KTCCA Ltd., Comilla
- 9) Mr. Mohammedullah,  
Director, A.C.F. Ltd., Comilla.

At the beginning of the Seminar, few participants made statements outlining problems in cooperative development works in East Pakistan.

Steps for Cooperative Development :

The Seminar discussed at length the socio-economic milieu effecting the Cooperative Movement in East Pakistan and the programme of work the Cooperatives must adopt to solve the economic problems of the farmers. The Seminar felt that the cooperatives must adopt an integrated approach to solve the problems of farming population. Various aspects that have to be

given attention are credit, supply, marketing and Cooperative extension. The Seminar felt that in implementing such programmes, it is important to ensure maximum participation of the people. While recognising the importance and necessity of Government participation in the programme of Cooperative development, the Seminar felt that Government control should be at the minimum to ensure democratic functioning of the Movement. The intention of the Cooperatives should not be to get rich quickly but to serve their members efficiently. Every possible step should be taken to eradicate corruption in the Movement. To ensure efficient participation, even of the leaders of limited means, working allowance should be paid to them whenever it is found that their work is useful. Due respect, honour and recognition should be given to those voluntary workers who are dedicating their lives for the cause of Cooperative Movement, and in order to give them an opportunity of seeing the cooperative development in other countries and to learn from them, when any occasion arises to send delegates abroad, non-official cooperators should be adequately represented.

Private Money-lender as Source of Credit:

The Seminar discussed various sources of credit that are available to the farmers and the merits and demerits of credit obtained from these sources.

The Seminar noted the fact that still the major sources of credit for the farmers is the private money-lender. The Seminar listed the following merits and demerits of this source:

- Merits:
- a) The finance is available at the door-step of the growers.
  - b) The finance is available at the time of need and in required quantity.
  - c) The finance is not subject to any formality.
  - d) The term of repayment is flexible.

- Demerits:
- a) The cost of credit is very high in terms of interest and security.
  - b) Such credit is made available to earn profit and sometimes to deprive the borrower of his land and hearth and home.
  - c) It does not aim at socio-economic growth.

d) Such credit degrades the social status of the borrower.

e) The credit being easy to obtain it invites wasteful expenses on ceremonies etc.

f) The productive utilisation of such credit cannot be ensured in great national interest and the borrower once indebted cannot get rid of the debt due to lesser and lesser income.

It was the opinion of the Seminar that under the present circumstances of non-availability of adequate cooperative credit, the services rendered by the private money-lender, however harmful to the farmer, are unavoidable. The cooperatives should strive to replace him as quickly as possible.

#### Cooperative Marketing:

Cooperatives can play a great role in paddy marketing in East Pakistan. This is also necessary for linking the credit with marketing operations at the growers level.

#### Pre-requisites:

- 1) Honest endeavour
- 2) Awareness of the growers
- 3) Availability of necessary funds
- 4) Availability of godown and transport facility
- 5) Availability of business personalities from cooperators or paid employees
- 6) Effective coordination between cooperative credit & marketing societies
- 7) Intensive member-education and training of personnel.

#### Problems:

- 1) Want of persons having sound business knowledge and technical know-how
- 2) Lack of financial incentive for the Managing Committee members and paid officer for better performances.
- 3) Rate of interest on Government loan is very high.
- 4) Interference and excessive control on business by officials coupled with official formalities.
- 5) Lack of effective coordination between marketing cooperatives
- 6) Competition with the private businessman.

#### Methods:

- 1) Selected varieties of paddy should be procured
- 2) Wide publicity should be given amongst the members
- 3) Assessment of production and supplies on the one hand and market on the other should be made beforehand.
- 4) There should be particular trademark.
- 5) 75% of the market value should be made against members suppliers immediately and balance after sale of the stock.
- 6) Outstanding loans should be deducted by instalment against each supply.

- 7) There should be proper arrangement for stocking, grading and sampling.
- 8) In surplus areas processing of rice may be taken as and when needed.
- 9) Maximum turn over to be aimed at.
- 10) Special quality of rice to be procured & processed for exports.
- 11) Patronage refund should be given to member-suppliers.

Mechanisation of Agriculture:

Ninety percent of the people of Pakistan are agriculturists and earn their livelihood from agriculture. As such the Cooperative Movement being essentially a movement for the people and by the people, must concentrate its mainstream of activities to this sphere of the economy. The Seminar noted that in the recent times Agricultural Cooperatives have become the most active and important organisation of this movement in Pakistan. But the endeavours in this sphere shall not bear any fruit unless and until mechanised farming is introduced in this country, and latest discoveries of science are brought in force to help the cause, so that the farmers can make agricultural operations economic and are capable of competing with the world market.

The Seminar felt also that in introducing mechanised farming the present system prevalent in the country should not be subjected. Farmers here have adopted methods based on the experience and sagacity of their forefathers, which again bears the imprint of valuable experience of centuries. Science and mechanism are usually imported from the West - but their application in this country cannot be successful if they are not used and applied keeping in view the peculiarities and pre-requisites of the country. Keeping in mind the above points it was suggested that plans for mechanised cultivation should not come from above, nor a uniform plan should be adopted for the entire province not to speak of the entire country. Condition of land & environment differs from district to district even.

Under the circumstances the recommendations of the Seminar will

be :-

- a) To form Thana /Teshil Cooperative (Mechanised Agriculture) Societies.
- b) These Thana /Teshil Society shall include the areas presently under irri-Cooperative block, the societies of which blocks shall be amalgamated in this Society .. Then throughout the first year they shall try to include as much land as possible within the societies' area of operation.

Contd.....P/7



c) After the total area of land is determined the Society shall prepare a comprehensive plan for :-

- 1) number or kind of crops to be produced
- 2) agricultural implements and other machines to be required
- 3) number of deep tube-wells, drainage canals and specially reservoirs of water
- 4) Fertilisers, pesticides, diesel oil etc.
- 5) Spares of machineries
- 6) number of trained mechanics to be required for efficiently operating the machines
- 7) number of managers and other staff - these staff should be well paid in terms of fixed salary as well as commission if and when there will be profit on the produces.

The societies based on these data should prepare a budget and after taking into consideration the resources in their disposal request the Government or such other competent agencies for 1) Financial help 2) Supply of machineries 3) Seed 4) Fertilisers etc. Coordination Committee should be formed at the Thana or Subdivisional level with the representatives of the agencies concerned.

These Thana /Tehsil Societies should be given all necessary powers to receive these help directly from the agencies concerned. Government or Cooperative Department should assure the role of helping in financial matters. There should not be questions of control / sanction etc. which creates unnecessary delay resulting in the failure of such societies.

The Societies before starting their operation must make arrangements with the aid of Government department or such other agencies -

- a) To train the number of mechanics required for the cooperatives. The soil of the land under area of operation shall have to be tested by requesting the Government or such other agency
- b) Establish workshop well-stocked with necessary spare parts and Diesel Oil in centrally located places within their area of operation.
- c) Fertilisers and pesticides must also be stocked beforehand in this manner so that there is no unnecessary delay or hindrance once the operation starts.
- d) The Societies must have the entire cash requirement for the year in question placed beforehand and not in instalment.
- e) They must have complete freedom to manage their finance and such other affairs as decided from time to time by their own managing committees.

However, it is the considered opinion of the Seminar that these operations cannot be successful if suitable arrangements are not made for the marketing of the produces to be produced by mechanised cultivation. Hence facilities for storage and marketing shall have to be arranged beforehand for these cooperatives.

Functions of the Managing Committee:

The Seminar listed the following functions of the Managing Committee of the Cooperative Societies :

a) Management and administration :

- i) Election of Chairman (Secretary, Treasurer) and Sub-Committees
- ii) Hire and discharge of the General Manager
- iii) Decision of management policies, rules and regulations outlining the duties of the manager and the employees.
- iv) Consideration of reports from the manager and the Sub-Committee.
- v) Looking after and protection of the properties of the society
- vi) Decision regarding the investments, borrowing and loaning of the society
- vii) Preparation of agenda, and recommendations regarding necessary steps for expansion of activities to the general meeting.
- viii) Recommendation regarding allocation of surplus.

b) Business Activities

- i) General supervision over the business activities of the society and the work of the managers.
- ii) Consideration of business efficiency and quality of services to the members.
- iii) Supervision over the supply and marketing activities in general manner.
- iv) Maintenance of closer relationship with high level organisations.
- v) Watching of performances in accordance with laws and regulations and decisions of general meeting.

c) Membership relation

- i) Keeping up of closer contact between the society and the members and developing of members' loyalty to the society.
- ii) Consideration of services (prompt and courteous) to the members and equal treatment of the members.
- iii) Approval of new members.
- iv) Consideration of effective performance of education.

The Seminar felt, as the business of the Cooperative Societies expands, there should be proper demarcation of functions of the Managing Committee and the Manager, and the task of the Managing Committee should be

confined to lay down policy in conformity with the directions of the general body and the execution of the day-to-day business must be left to the Manager.

Habit of Thrift :

Growing the habit of thrift saving among the farmer-members of Cooperatives is considered urgent and essential for formation of capital within the movement. To make the scheme for thrift saving a success it is necessary that -

- 1) Proper education on cooperative methods and principles is imparted, and utility of the scheme is made known to the members.
- 2) In each society suitable number of group meetings are arranged by the Managing Committee every week to provide member education and review of the working progress.
- 3) Pass book is issued by the society to the members to ensure their confidence in the affairs of the society.
- 4) Progress of members deposit is discussed in weekly meetings.
- 5) Payment of interest on deposits exceeding Rs. 20/- is made in cash at the end of each year.
- 6) Proper amount of investment of the members deposit is made known to the member depositors.

Habit of cash saving will ensure a dividend or interest out of it which ultimately may be invested in better agricultural enterprises. This may be operated by putting small savings in a box daily after meeting all necessary expenditure.

The Seminar felt that every farmer should deposit a small portion of his harvest to the society which will be sold and a small portion out of the sale-proceeds will be kept as saving in the society. Expenditure relating to social & other functions should be minimised, 'musti' system should be introduced, and raising of capital by utility services may be encouraged.

Compulsory thrift saving scheme is to be introduced to the Cooperative farmers. Under this system every member will be liable to save and to deposit a certain amount of money within a certain period to be fixed by the Society concerned. Due importance is to be attached to savings by the female members of Cooperative farmers. The female members can not only contribute their substantial saving, but also inspire the house-master to save and to deposit. Society should accept deposits in the form of money, paddy rice or any other cash crop. Arrangement should be made to lend against at the time of real need, to create confidence among the members.

Assessment of loan requirements:

The Seminar discussed the various purposes for which the farmers borrow. The Seminar felt that at the early stage of agriculture development when the farmers are in subsistence agriculture it is important to meet his requirement of credit for personal consumption also. It was the opinion of the Seminar that it was in fact difficult at this stage of subsistence agriculture to distinguish between credit for production and consumption. The importance of clearly defining the goals of the cooperative societies which has to be done with a deep understanding of the problems of the farmer-members and drawing realistic plans of productions taking into consideration the availability of resources. These production plans should be the basis for assessing the loan requirements of the members. The Seminar listed the following aspects that should be considered in fixing credit limit of the farmers :

- (i) back-ground of the borrower
- (ii) interest & enthusiasm towards cooperative activities.
- (iii) present income out of his holding & subsidiary income if any, side by side with his present required expenses.
- (iv) estimated deficit at present.
- (v) outstanding liabilities if any.
- (vi) estimated requirement of credit for increased output to meet the expenses of bare maintenance, to meet deficiency & to provide some fund for his upliftment on a gradual process.
- (vii) estimate of extent of his repaying capacity
- (viii) his medium-term and long-term credit needs.

Loan Recoveries:

The various problems involved in the recovery of loans were discussed. The importance of extension activities to ensure proper utilisation of credit which automatically guarantees their recovery was emphasised. The Seminar listed the following difficulties in recovery and possible remedies :

- 1) The members of the Primary Society do not get loans according to their genuine needs. So they are to resort to other sources, at an exorbitant rate of interest, as a result of which the loanees' give priority to repay the out side loan before cooperatives dues.
- 2) There is lack of effectiveness of the existing institution to collect the loan timely.

- 3) Lack of contact with the members.
- 4) There is no supervision of the proper utilisation of the loan granted for productive purposes.
- 5) Suitable marketing facilities are not available, for which they are to sell the product at a low price to meet their dire needs, without waiting for better market prices.
- 6) Lack of cohesion and of education and cooperative spirit.
- 7) Members are faced with natural calamities and failure of crops.
- 8) Lengthy procedure of recovery through certificate procedure.
- 9) Higher charge for advalorum fee for filing certificate cases.
- 10) No staff is provided to the Assistant Registrar, Cooperative Societies-cum-Certificate Officer to deal with certificate cases.

Suggestions for Remedy:

- 1) One must consider the credit problem of the farmers leniently and realistically.
- 2) Institutions must be active and effective.
- 3) Discussions, deliberation and constant contact must be made for the utilisation and realisation of loan continuously.
- 4) Adequate amount of loan should be given to the member for the proper cultivation of his land, so that he may not have to go to other agencies for loan.
- 5) Extension and education facilities must be provided for building up institutions to make people cooperative minded and to make the members feel that the society is theirs and their betterment, depends on its best performances.
- 6) There should be arrangements for creating appropriate incentive among the members for early and timely repayments of loans.
- 7) All agricultural loans should be channelised through cooperatives.
- 8) Most of the farmers of the village should be brought under the fold of the cooperatives.
- 9) Certificate procedure should be simple and quick in execution.
- 10) Sufficient staff should be provided to the certificate officer. Other officers besides Assistant Registrar may be conferred with Certificate powers to expedite certificate cases.
- 11) Advalorum fees should be exempted in the cooperative cases.
- 12) Scheme of crop insurance should be introduced.

Farming guidance:

The Seminar felt that effective farming guidance activities are pre-requisite to any successful programme of agricultural development.

Farming guidance does not mean only extending technical advice with regard to agricultural cooperation, it also includes economic aspect of farm management through an integrated approach of providing facilities for credit supply and marketing. Therefore, in multipurpose approach, farm guidance is of vital importance. In most of the countries in the region it is difficult for the farmers to improve their condition by their own efforts, and their process of production is compelled to be restricted to simple reproduction on account of the small size of farming.

The important task of agricultural cooperatives is to change such simple reproduction process into dynamic expansive production. Farm guidance activities to be undertaken by such agricultural cooperatives must be a process of implementation of programmes for modernization of agriculture and positive educational programme to promote such modernization with the provision of technical know-how.

Therefore, the farm guidance is neither to preach nor to enforce and dictate the farmers, but to generate the interests and willingness among them towards farm management improvement and to show them the scientific facts in order to induce them to take initiative for action.

15

COOPERATIVES & MARKETING IN EAST PAKISTAN

M. Fazlur Rahman  
Chairman  
Cooperative Entrepreneurs Ltd.

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Cooperators and gentlemen,

It is my proud privilege to be able to present before you this Paper in compliance with the request of Mr. Lutfur Rahman Khan, CSP, the Registrar of the Cooperative Societies, East Pakistan. Claiming as we do that we contemplate to function in the trading sector of the cooperatives for the promotion of the sales and also of the purchases for the producing cooperative societies, I had in fact no other alternative than to concede to this of his request.

Before we discuss the subject, we should try to know what East Pakistan is, from the point of view of the economy in brief; I mean the extent of economic aspects which fall within the purview of our activities and discussion.

Economically speaking, the private sector has definitely proved beyond question that it is productively more aggressive than the public sector in Pakistan and, in a way, the same is the case with East Pakistan; though it is no match to the go-getter drive of the West Wing of the country. Cumulatively, in East Pakistan, the Public Sector is at a halt and the Private Sector has also failed to rise to the occasion. Of the many reasons that could be added to the chain of arguments to justify this frustrating event, I believe, the human factor has been the biggest problem for, both, the results as well as finding justifications thereof. The failure of cooperatives may, therefore, arouse no cause of concern; rather it has set well in the trend of the over all pattern. But, since the problem is that of the human factor and the cooperatives is a matter of human motivation for mobilisation towards some economic objectives, we feel that there could be no forum better than that of the cooperatives to activate the snail's nerves of the economy of East Pakistan.

In fact, this is neither an invention nor an extra-ordinary feature for an undeveloped economy of East Pakistan. Those of the heritage of embroidered quilt, who used to feel the flavour of civilisation by the fineness of their Muslin, are now basking under the rough rugs of Gultex as a matter of having qualified to be called as the civilised. From kababs and naans to carpets and nagras, we stand invaded and vanquished from the field of the capacity to contribute to the changing trends, much less to change the trends or guide the trends. The latest is the teddy-cut to cut across our imagination and intellect. The vegetables, onions and spices have already found the entry and, from the next season, the dry fish will announce its entrance. We have already surrendered the jute by being reduced to one-third of the world from the position of the eight-tenth and, to the paddy, we stand succumbed.

As against this, the intellect, imagination, initiative and drive of West Pakistan have made positive contribution even with much of official assistance. In exports alone, fish accounts for Rs. 7-crores, surgical instruments for Rs. 5-crores, sports goods for Rs. 5-crores, shoes for a few lakhs, rice for Rs. 22-crores, exit of spices after entry into Karachi, locks and knives replaced the imports and now, machinery is the target. What is more, the fish-haters are now the fish-eaters, a delicacy served fry even by the street sides.

But all that stated above are the contribution of the trade and not the production; there, it is the trade which guided and intensified the production. It has, therefore, not only been sustained but, it is progressing faster and with induction of new items and new varieties. The Government response is far behind the race of what they deserve despite the urge to patronise. The Government had patronised the families by giving them the permission of textile mills but there 60 percent of the power-looms outside the families and the mills.

There is no other alternative for us than to get into the trade, more as a matter of encouraging the production than marketing the existing goods of the producers. In fact, the marketing of the goods now under production will also suffer without the induction of aggressive trading. Here, I am trying to differentiate between the marketing of the goods and trading in the goods. What I am trying to emphasise is that the marketing means the assumption of the presence of goods which are not selling for one reason or the other; whereas, by trading, I am trying to put a sense that there exists no goods at all but there is sufficient potentiality of its production or availability provided interest could be created and initiative could be injected by the mechanism of economics and attraction. Therefore, a trader has to be an intellectual being; of the above average level else he will not stand to the test of the time. After all, it is the Stock Exchange which reacts no sooner than taking place of an occurrence in politics, science, economics and social fields; he does not wait for the full statement of the Finance Minister's Budget speech; he plans and acts by the time the speeches come to an end or a trend seems to be in the offing.

But, a trading brain develops by practice, it cannot be trained in any institute, moulded in any laboratory or manufactured in any workshop. True, the cooperative department too cannot create them but it can at least encourage the conception of such and ideas with all the resources it has under its command.

Once we come to the conclusion that we must have also the trading societies in our cooperative set-ups in addition to all the existing patterns of the cooperatives, we have to allow the framing of the bye-laws with all the conditions needed for the purposes, if required by applying the special clauses for exemption or introduction. To say, the traditional bye-laws will hold good for all purposes, means that the bye-laws have no purposes at all other than performing the formality of rituals.

The bye-laws should be such that the purposes for which these are framed, could be fulfilled, implemented and put everybody on the track of the objectives. As far as I could assess, no amendment of the Acts is necessary; what is needed is to judiciously apply the Acts and its provisions of exemptions and introductions.

So far, I have emphasised over the human factor and the purposes for which a bye-law is to be framed. Now, I am giving an example as what should be the shape of such a thing.

**FERTILISER DISTRIBUTION:** The moment we say of the fertiliser distribution, we are speaking of the use of fertiliser in agriculture; and, in a sense, soil testing and balanced use of proper fertilisers. **May I ask, who should do it?** Naturally, the experts in the field of fertilisers; so they must be agricultural chemists and other types of agricultural experts who should know not only about the soil but also about the plants, trees and fruits. Then, these men must also acquire knowledge in the changes of uses of fertilisers from the latest issues of the relative magazines. It is obvious, without such a group of men in the fertiliser technique, the use of fertiliser might fall, if not stop completely.

In agriculture, we find, there are primary societies, central associations and, at places, Thana associations. But the proper distribution is so strenuous, expensive and technical that it could not be started at such level. So, the units at these levels could be Dealers or Sub-dealers, nothing more. Because, the income from the quantum of transactions might not commensurate the complex tasks to be performed in this regard and nor it will be possible to maintain the costly laboratory and undertake all the stages of study required for the purpose.

So, what is necessary is to have such units to be set up at the District level. But such units could be formed by



amalgamating all the associations or the primary societies in the district ; and then get the jobs done by the paid employees.

Although the functioning of a trading society by paid employees is rather difficult, except in case of the routine performances of jobs, it is yet possible in such units where the masters would be more technically qualified than the servants. Here, in the case of the agriculturists grouping together to employ the technically able men will make the wheels rotate in the reverse gears; so, instead of masters getting the jobs from the servants, it will be reverse and the net result will be the exploitation of the masters to the advantage of the servants.

But if the fertiliser distribution society is formed of the majority of the required experts whose livelihood must also depend on the income of the society, he must try to increase the income by raising the earning of the society through increased sales or he must either remain where he was or get out of it. The failure of rendering expert advice will reduce the sales; so he will have to work and carry out all the tests in his own interest.

Only in that situation it will be possible to set-up small sort of testing arrangements in villages either at the association or the primary society; and thus, a number of technicians could be just as the model farmers, compounders or pathological technicians.

AGRICULTURAL IMPLEMENTS DISTRIBUTION: Such a society is difficult to be formed without the combination of the mechanical engineers and the relative technicians. It is only then that the repairs could be done and the technique could be imparted down into the villages. Such society could ultimately go upto the level of manufacturing some sort of implements too in the long run.

SPICES SOCIETY: Just as the IRRI, the farmers producing spices must form separate societies, the name of which must be identified by the place as well as the major types of spices they will grow. Besides the problem of production, they will face the problems of storage, processing, grading, packaging and transportation. These services could not be rendered without making groups; and they will never get good prices without doing all these jobs, they may not get even the market prices for their goods.

SPECIAL SOCIETIES: Likewise, there should be special societies for all these purposes of the respective productions. Such special societies may be called as the classified societies; they may be for any special type of work or particular profession or for the development of specific areas. All these types of societies could be sponsored by the trading societies of the district or at their own accord; and the trading society must come forward to assist them for the mutual benefit of the both.

TRADING SOCIETY: The function of the trading society should be to sponsor classified societies, market the products of the primary or other societies, must make effort to form trading societies in the districts where no such society is in existence and lastly, undertake business of all those types whichever it can. They must explore the markets, organise the production and accounting of other societies.

CONDITIONS: All the cooperators must become whole-timers in about two to three years time; and during this period they will be entitled to remuneration and not the dividends; no dividends be allowed on the profits earned from the business with the non-cooperative organisations; the profits of the first two years or three years after registration

or admission as a cooperator must go to a Trust which could be utilised as a common financing pool for trading, research, training and exploration. Since no trading can be done without the practice of continuous exchange of informations, it is necessary that all the trading societies should exchange memberships among themselves; and this chain of memberships will be a great source of information against danger of sustaining of losses because there will be a price or the indication of rise or fall of prices at one place or the other.

INTEREST: It is quite likely that the present method of levying of interest at every stages could be eliminated by fixing the charge of interest only at one point i.e. the trading point. But this possible if the societies are properly organised with the allowance of all sorts of encouragements.

PRINCIPLE: No trading society should be allowed to function unless it promises to share the profits with the growers and undertakes to bear the full responsibility and risks of the entire losses. The producers may be sharer of the profits but not the losses; this will set the societies in trade to come to their senses. The trading society should not be a departmental store for the producing society otherwise it will turn into Government departments. Next, the trading society should either buy the goods at the market rates or not at all; this will force them to look for the better buyers and pay attention towards improving the quality or make better gradation of the goods. The profits be shared after the sales when the profit is earned; thus if the growers get the margin of the profits, they will sell the goods to the trading society in the next season in larger quantity otherwise their business will deteriorate and shrink. So, they will have to be honest and efficient at their own accord; and they will also have to keep proper accounts which help themselves as well as the other society which are engaged in production.

SCHEMES : In response to the enquiry made by the Deputy Director, Export Promotion Bureau, we had submitted a scheme in this regard to him who had forwarded a copy to the Registrar as well; and the same may please be studied for detail scrutiny.

BYE-LAWS: I have the pleasure to place before a copy of the Bye-laws of the Entrepreneurs for your perusal if, of course, you have sufficient time for the purpose.

I have left out the Fishing, Weaving, Salt and other types of societies from my discussion because these have to be of the special types requiring the specific jobs to be undertaken.

I thank you all and place myself before you for any question.

COOPERATIVE MOVEMENT  
IN INDO - PAKISTAN  
SUB - CONTINENT.

A CHRONOLOGY OF EVENTS  
1875 to 1967.

By

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CO-OPERATIVE MOVEMENT IN  
INDO- PAKISTAN SUB- CONTINENT.

- S.A. SAFDAR,  
Professor,  
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A CHRONOLOGV OF EVENTS.

( Early British Period ).

A. Break down of self sufficient rural economy  
and emerging peasants' problems and Early Debt  
Relief measures.

1875 - 76. - Deccan Riots of 1875 brought the problems of rural indebtedness to the fore for the first time. Deccan Agricultural Relief Act passed in 1876 on the recommendations of Deccan Riots Commission.

1882. - Sir William Wedderburn recommended to the Government of Bombay establishment of Agricultural Banks for advancing loans to the agriculturists. His recommendations not accepted.

1883. - Land Improvements Loans Act of 1883 passed as a result of recommendations of the Famine Commission. It failed to give relief to the real tillers of the soil.

1884 - 91. - Agriculturists Loans Act, providing for advancing of 'Takavi' loans on joint security system, passed but it did not prove to be of much benefit to the agriculturists.

- Post office Savings Banks opened.

- Special legislations, for dealing with tenants rights, alienation of land, settlement of debt, restraint on usuary passed in different parts of India. But the effects of these measures were partial and incomplete.

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- Government made further efforts through education and sanitation to improve the economic and social condition of the poorer class without much success.
- Government without abandoning other remedial measures turned its attention to "COOPERATION" as a method of solving the problems of the agriculturists.

B. Introduction of the idea of 'Cooperation' in India and the early pioneering experiments"

1892. - The idea of using Cooperation as a means of combating Indian rural problems first conceived by the Government of Madras, which sent Mr. (later Sir) Fredrick Nicholson, I.C.S. to Europe to study the theory and practice of agricultural banking and to suggest means by which similar movement might be started in Madras.

- Mr. Nicholson was impressed by Raiffeisen types of village banks in Germany.

1895 - 97. - Sir Fredrick in his report suggests introduction of RAIFFEISEN types of credit Cooperatives in India.

- About the same time Mr. H. Dupernex, I.C.S., who has some previous experience of Co-operative Movement in Europe was appointed by the Government of United Province to suggest by local investigation a form of cooperatives best suited to the province.

1900. - Mr. Dupernex also advocated establishment of Raiffeisen type of village Cooperative Societies and also formation of urban banks to act as agencies for organising and financing rural credit societies.

- The recommendations of Sir Fredrick and Mr. Dupernex began to be widely known and bear

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- fruit. Scattered societies on the lines indicated began to be started by far sighted officers like Mr. MacLagan, I.C.S. in the Punjab and some district officers in other Provinces. By 1900 quite a <sup>number of</sup> societies started work in different parts of India.
- In the absence of special legislation, suited to their requirement, - the societies were registered under Indian Companies Act of 1882.
- A Committee appointed by the Government of India considered the reports of Sir Fredrick and Mr. Dupernex, in a meeting held in Calcutta in December, 1900 and opined that Raiffeisen types of village cooperative would be suitable for India.

1901.

- Indian Famine Commission of 1901 strongly advocated formation of agricultural banks on the lines of mutual credit Associations of Europe.
- Lord Curzon, the then Viceroy of India, realizing that no great results could be obtained from uncoordinated individual efforts appointed as a Committee headed by Sir Edward Law with Sir ~~Fredrick~~ Nicholson and Mr. Dupernex as members to examine the existing pioneer societies and to suggest lines on which legislation might be introduced for starting Cooperative Societies.

C. Enactment of the first Cooperative Societies Act and the period of initial efforts.

- 1904. - The recommendation of the Committee appointed by the Viceroy led to the enactment of the Cooperative Societies Act X of 1904 which was modelled largely on the English Friendly Societies Act.

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- The object of the Act as defined in its preamble was to encourage thrift, self help and cooperation among agriculturists artisans and persons of **limited means**.
- 1904 - 11 - Following the legislation Registrars of Cooperative Societies were appointed by the Provincial Governments and there was a spate of organisation of Cooperative Societies.
- The progress made during the period was said "to have out grown the dreams of its sponsors".
  - The example of credit societies led to the formation and growth of societies other than credit without any legislative protection.
  - The Act of 1904 did not provide for Central Banks and higher **storeys** of cooperative finance nor did it provide for non-credit type cooperatives.
  - To remedy these and other defects which experience had brought to light, the Government of India, re-examined the whole position and decided to have fresh legislation to widen the scope of the old Act.
- 1912.
- A new Cooperative Societies Act was enacted in 1912, to meet the deficiencies of the former Act and to widen its scope.
  - The new enactment infused fresh energy into the movement.
  - There was increase in the number of societies, membership and working capital.
  - New types of societies for sale of produce, milk supply, manure purchase and purchase of every day necessities of life came into being.
  - Number of Central societies grew and confidence of the public began to grow.

1914

It was soon felt that the Cooperative and the Cooperative movement were not "on the right track". Government of India, therefore, appointed a committee headed by Sir Edward Maclagan to get the financial aspect of the growth of the movement examined. It was known by the name "Imperial Committee on Co-operation in India" or Maclagan Committee.

1915.

The Maclagan Committee submitted its report in 1915 and its report was regarded as Bible of cooperation for India and for Indian conditions .

The Committee reported that though the number of societies was numerically large in India in most cases these were qualitatively weak and lacked intrinsic cooperative character.

Its main recommendations were :-

- cooperatives should be registered only when these were organised on sound lines.
- Proper utilisation of cooperative loans should be censured.
- Members of cooperatives should be given adequate cooperative education.
- Provincial Banks should be established to coordinate and control the activities of the Central Banks.
- 'Cooperation' should be a provincial subject.

Recommendations made by the Maclagan Committee had far reaching effect on further development of the movement as the recommendations were adopted by

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the Cooperative departments of all the Provinces of India and provincial Cooperative Banks were organised.

D. Period of unplanned expansion: 1915-29.

1919. - With the introduction of constitutional Reforms in India in 1919 (Montagu-Chelmsford Reforms) Cooperative ~~became~~ a Provincial subject.

1919-28. - Further impetus was given for development of the movement by the Provincial ministers in-charge of Cooperation and a period of unplanned expansion followed.

- A condition of boom after termination of World War I prevailed and owing to spurt in prices upto 1925 buoyant condition continued resulting in organisation of all conceivable types of cooperatives without preliminary investigations or ground work.

- Numerous cooperative societies for
  - supply and distribution
  - better farming
  - better living
  - better business
  - Providing long term and intermediate term loans.

~~Spring~~ up in all the provinces and states.

1928. - Inefficiency and defects were wide-spread in the Cooperatives thus organised in mass scale and in haste. The Royal Commission on Agriculture in India of 1928, headed by Lord Linlithgow, brought these defects to the fore in its report.

- The position of Cooperative societies in Bengal were the same, if not worse than

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any other province in India.

- It was mainly a credit movement.
- It could not meet even 5% of the total loan requirement of the province.
- It could not cover more than 6% of the total population of the province.
- The money-lender, therefore, with his cut-throat rate of interest ruled supreme in the rural areas.

Economic Depression of thirties,

Debt Relief measures and their

effect on Cooperatives.

1929. - From 1929 onwards acute economic depression set in India, which was unparalleled in range, intensity and duration.
- There was catastrophic <sup>in</sup>fall in the prices of agricultural products and agricultural lands.
  - Cooperative movement in all provinces received a rude shock because of huge resulting defaults.
  - Many Cooperative societies became defunct as funds became frozen or wiped out by default.
  - Expansion of Cooperatives stopped.

( The Position in Bengal. )

1935. - Efforts for rehabilitation and reconstruction initiated in some provinces but the position in Bengal and some other provinces were almost beyond redemption.
- Bengal Agricultural Debtors Act of 1935, a law designed to relieve the agriculturists from the burden of debt, affected the finances of the Cooperatives very much adversely, as the

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Cooperative loans were not exempted from the operation of the Act. The Bengal Money Lenders Act of 1939 also similarly effected the Cooperatives. Cooperative Societies of Bengal could hardly recover from the setback thus caused.

1936. - Need for cooperative education realised. Bengal Cooperative Training Institute established at Dum Dum.

F. The period of set back and collapse.

- 1939 - 46. - The World War II brought in its wake various economic difficulties.
- Bengal Cooperative Societies Act of 1940 passed. The Act sought to meet the special requirements of the condition in Bengal.
- The Great Famine of 1943 in Bengal took a toll of millions of lives and also dealt severe blow to the cooperatives.
- Political turmoil added to the difficulties.
- Commodities in short supply due to War condition, handling of controlled commodities by the cooperatives. Formation of Consumers Cooperative Societies in Rangpur and Union Cooperative Multipurpose Societies in Kishoreganj.
1947. - Partition of India and also Bengal. Effect on economy and on cooperatives, migration of population. Virtual collapse of the cooperatives.
- There were 26,664 rural credit Cooperative Societies on the date of partition in the part <sup>of</sup> Bengal now forming East Pakistan and most of these were in a state of complete collapse ( 24,675 societies out of these

were placed under liquidation by the year 1957).

( The Post Independence Period ).

G. The position of Cooperatives in

East Pakistan after partition -

The renewed Government efforts.

1947. - On partition the picture in East Pakistan is one of total collapse.

- No apex Provincial Cooperative Bank.
- Central Coop. Banks bankrupt.
- Primary societies existed only on paper.
- Members bankrupt dead or migrated.
- No assets any where.
- All signs of life gone
- Coop. Credit structure in a state of complete collapse.
- No quarter to look to for assistance.
- Govt. too preoccupied with other problems of partition.

1948. - Need to build up cooperative structure anew felt by the Govt. and the cooperators.

- Task difficult in view of the past failures.
- East Pakistan Provincial Coop. Bank Ltd. organised on 31st March, 1948.
- Decisions taken to organise. -

Limited Liability.

Multi-purpose Coop. Societies

at Union level.

in place of

Unlimited Liability

Single purpose credit coop. societies

at village level which were to be replaced

It was/ was with the p...

( ..Contd.. )

- 1948 onwards, vigorous organisational activities followed. Multipurpose coop. societies began to be organised in different parts of the province both at primary and secondary (Central) levels.

1951-52 - Pakistan Agricultural Enquiry Committee of 1951-52, headed by Lord Boyd Orr recommended formation of union cooperative multipurpose societies under Govt. control and guidance.

- 1952-54. Led by enthusiasm generated by newly won independence and by Govt. encouragement, there were **hasty** organisation of cooperatives again. No lesson was taken from past experience. By 1953-54 there were 3949 Union M.P. Societies in East Pakistan- one in each union and 135 Central M.P. Societies
- Multipurpose societies had some achievement to their credit as dealers of controlled commodities.
- Multipurpose societies worked on their own- no significant financial assistance was accorded to them from any source till 1958-59.
- Some M.P. Societies in Jute growing areas also worked under Cooperative Jute Purchase Scheme from the year 1950-51 to 1955-56.
- Working of the Union M.P. Societies organised in haste were not uniform through out the province. Out of 3949 Union M.P. Societies organised in six years from 1948 to 1953, 1107 had to be put under liquidation in next 4 years i.e. between 1954-59, because no business could not be transacted by them.

H. Jute Marketing Cooperatives- A success turned failure ( 1950-1958).

- 1950-51 Slump in jute market in 1949 due to stoppage of jute trade with India following

(...Contd...)

devaluation of Indian rupee. Jute Board established.

- To supplement the efforts of the Jute Board Cooperatives took up jute purchase .
- Cooperative jute purchase scheme initiated in 1950-51 by the Government of East Pakistan with formation of East Pakistan Cooperative Jute Marketing Committee. 19 Cooperatives ( mostly Central) with 22 operational centres at important jute ~~bailing centres~~ in the province participated. The business was managed with own capital of the cooperatives.
- 1951 - 52. - Encouraged by initial success 52 Cooperatives with 64 operational centres, participated in Cooperative Jute Purchase Scheme. Cooperatives came to be the 3rd largest buyer in in the province. National Bank of Pakistan provided loan to the cooperatives for the first time on hypothecation basis, under guarantee from the Provincial and Central Governments.
- 1952-53. - 73 Cooperative Societies with 101 operational centres joined the Cooperative Jute Purchase Scheme.
  - East Pakistan Provincial Cooperative Marketing Society Ltd. was organised in October, 1952 to coordinate the activities of jute dealing cooperative societies.
- 1953 - 54. - There was further expansion of business of the Provincial Cooperative Jute Marketing Society and its affiliated societies. 77 societies worked with 109 centres.
- 1954 - 55. - E.P. Provincial Cooperative Marketing Society Ltd. with its affiliated societies were engaged by the Government in jute purchase operation in the borders to stop smuggling

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and the operation was completed successfully.

- Cooperative jute established foreign market for itself by sale of jute to Great Britain, France, Holland, Germany, Czechoslovakia, Poland, Russia, Sweden, Italy, U.S.A. and India.
- 55-56. - There was further expansion of cooperative jute business. Cooperative secured the place of 5th largest shipper to the foreign countries in the province.
- "Coop" mark established in the world market. "Coop" jute often got premiums in foreign as well as in local market for its standard quality.
- Presence of cooperatives in jute market had the salutary effect of keeping the market to a large extent free from the manipulation by traders who often combined to depress the prices.
- 56 - 57. - Loss in later years due to price fluctuation and internal organisational defects.
- Interference in the management of the Provincial Cooperative Jute Marketing Society.
- Gentle manipulation and conspiracy by the trade to throttle <sup>the</sup> cooperatives.
- Stopping of Government financial assistance.
- Sale of the Cooperative Cotton Spinning Mill owned by the Jute Marketing Society.
- Gradual inactivity and closure of business.

view of Cooperative efforts by I.L.O.

Field Mission. Realism brought home.

Mission following the Report.

- 55. - I.L.O. Asia: Field Mission, consisting of Dr. A.H. Balliniaux and Mr. R.K. Harper, was engaged by the Government to study and reviewed the cooperative activities of the

(...Contd...).

1956.

province.

The I.L.O. Asian Field Mission came out with a candid, analytical and a very truthful report about state of affairs of the cooperatives in East Pakistan. Some of the high lights of the report were as follows:

- i). Central Banks and other high Coop. societies have gradually deteriorated to a stage of open involvancy and no measure was being taken to escape from the debacle.
- ii). Whole cooperative structure of the country at apex, secondary and primary level was a collosus on foot of clay and the situation demanded immediate attention.
- iii). Organisation <sup>of</sup> Union Multipurpose had been hasty. Past experience and prudence demanded that ~~there~~ should have been a careful period of probation followed by consolidation and ultimate gradual expansion. Nothing of the sort happened.
- iv). Knowledge of practice of cooperation and belief in its value, was lacking not only among members of cooperatives but also among officers and employes of cooperatives entrusted with the task of building cooperatives in the country.
- v). Financial assistance provided by the Government was too small, too unsystematic and usually came too late and irregularly to be helpful.
- vi). Facilities for cooperative education and training available in

...Contd...).



the province were obsolete, perfunctory and ineffective and had no relation to the real requirement of the cooperatives.

vii). Efficiency of the Cooperative Department needed to be toned up with more emphasis on field work than desk work.

viii). Jute Cooperatives, as were functioning at the time, were the most promising of all cooperatives in the province and these were needed to be helped and encouraged.

1957. - 1956 onwards Government made sincere efforts to carry out most of the recommendations of the I.L.O. Asian Field Mission and drastic measures were taken for rehabilitation of the movement in the lines suggested by the mission.

( Post October ( 1958) Revolution Efforts).

9. Period of massive State assistance to Cooperatives - Govt. Planning for extension of Cooperative activities in all Sectors of national Development - Govt. policy declaration - Comilla Experiment - trends & problems of Cooperatives to-day.

1958-59. - The State Bank of Pakistan entered the field of Cooperative agricultural Credit for the first time by providing loans to the cooperatives and since then quantum of loan was increased year after year.

1959-60. - Cooperative experiments started under Comilla Pilot Project in Comilla Kotwali P.S., East

1960. - <sup>Pakistan</sup> East Pakistan Cooperative College was started at Dar in the year 1960.

1960 - 67. - From 1960 onwards there was massive State assistance for development of cooperatives in all possible fields of national economic activity.

(... atd. ...)

- Government associated more and more with the cooperatives efforts by making sizeable allocation of funds for different sectors of cooperative activities under Second and Third Five Year Plans.

- Schemes Sector-wise were :

A. Cooperative Education Sector:

1. Cooperative Education and Training.
2. Development of Coop. Union for Membership and Employees Education.
3. Coop. Research and Statistics Organisation.

B. Agriculture Sector :

4. Development of Coop. Credit and Marketing Structure.
5. Introduction of Mechanised Farming on Cooperative basis in Comilla.
6. Development of Coop. Land Mortgage Bank.
7. Supervised Credit for Cooperatives.
8. Development of Sugarcane Growers Cooperatives.

C. Fishermens Sector:

9. Development of Fishermens' Cooperatives.
10. Export of Fish through Cooperatives.

D. Industrial Sector:

11. Development of Weavers Cooperatives.
12. Development of Sericulture Industry.
13. Development of Brass & Bell Metal Industry.
14. Development of Salt Cooperatives in Chittagong.
15. Development of Cane Industry in Sylhet.

E. Consumers Sector :

16. Development of Consumers Cooperatives

F. Housing Sector:

17. Development of Housing Cooperatives.

(..Cont..)

- For the first time Government of Pakistan made a policy declaration on cooperation in February, 1962 pledging " full support and assistance to the organisation and development of Cooperative Societies in all fields of economic activity ".
- East Pakistan Coop. Insurance Society Ltd. started in the year 1962.
- Impact of large scale State assistance on cooperatives - Is it generating self-help and fostering self-reliant growth ? Or is it creating more and more dependence on Government?
- The Problems of the cooperatives in the fields of :
  1. Leadership.
  2. Members' Education.
  3. Capital Formation.
  4. Efficient management.
  5. Supervision.

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Planning.

-M. Sulayman.

At the outset we must differentiate between the significance of the terms, "Education" and "Training". Co-operative educational Institutes are all training centres for training the adults. Hence all the teachers in these institutes may be called as trainers. By education we mean that some new information is to be given or something new is to be taught, whereas, by training we mean, something more is to be added to one's knowledge or relearning something to make him more efficient in doing his job or performing his duties.

Before we speak about our teaching, we must also have a view of the type of our trainees. First of all, our trainees are all adults mostly with little education but with some experience. Whatever is told by a teacher, they will always verify with their experiences before they accept a new idea. Under such a situation the job of our teacher in a teaching position is very difficult. Hence the teachers development is essential to meet such and similar other situations and to perform the teaching function successfully.

Basically, the teacher should have certain qualities without which he can not perform his job. To enumerate, a teacher must have the following qualities :-

1. The teacher must like the profession ; he must foresee the opportunities and responsibilities it offers ; he must have the aptitude before he enters the job.

2. Social status of the teacher may be improved by improved training in teaching.

3. Due education is needed to become a teacher. He needs broad general education and experience in all fields of knowledge relating to major human activities.

4. The teacher must have professional preparation to enable him to determine the needs of his students.

5. The teacher needs a good back-ground of cultural experiences to make him a good teacher. He must be polite, gentle, cool tempered and must never be rough in his <sup>behaviour.</sup> professional preparation of the teacher is needed to

be made in the following areas of knowledge and techniques :-

( Contd .... 2 ) .

a) Professional orientation :-

He should be convinced of the nature of service he is going to render.

b) He must acquire professional skills and concepts.

c) He must have an understanding of the physical, mental and social characteristics of the adults to be taught.

d) The teacher must be prepared with the essential teaching methods and techniques appropriate to the subject he teaches.

e) The teacher must have a thorough knowledge of organization and management of class room instruction.

f) A teacher must avail of opportunities for acquiring a "safety minimum of teaching skill" through observation, participation and actual practice under supervision.

g) Equipment of the individual teacher with a working philosophy of education and training and contributions which he may be expected to make in his field of work is essential.

Class room Teaching Procedure.

There may be three major phases of teaching. Each of these three phases may be expressed in different terms viz-

1. Introductory, or assignment period, or initiating phase;
2. Working, or working period, or developing period;
3. Demonstration activities, or Socialized period, or culminating period.

In the introductory, a link with the previous days lesson, if any, must be established by way of recapitulation. This helps getting the participants on the plane of thinking. Then a short gist of the day's lesson content.

In the developing period the topics be elaborated and explained. In the last phase, a time is to be allowed for question & answer, or a discussion allowed, or some demonstration made. This is also called socialized period.

Anyway methods and techniques to be adopted must be consistent with the educational philosophy of the teacher. Otherwise these have no value.

Class Room Management

Class room management means, management of personnel, time and materials of instruction. The class room must be neat, orderly and attractive; Students - orderly, systematic and co-operating. The teachers, personality, his ability and his courage are enough to make the pupils orderly and disciplined.

Appraisal - Examinations .

Examinations are needed for evaluation as well as grading. It may be taken by setting questions in various ways :- viz-

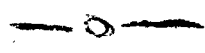
1. Questions for essay type answers.
2. Objective type questions e.g. (a) True-false type, (b) Completion type, (c) Multiple choice, (d) Matching type, (e) Rearrangement type, (f) Analogy type.

In taking an examination and setting questions two things need be considered. viz-

- i) Background of the trainees, and,
- ii) Period of training.

Questions for Group Discussion.

1. What is your opinion of the seven basic areas of professional preparation ? What modification would you suggest ?
2. To what extent do you think the teacher can plan a teaching unit or lesson plan in advance ? (Real unit lies in pupils' experience) .



METHODS  
OF  
TEACHING ADULTS.

M. Sulayman.

Introduction.

Training is imparted in various Co-operative Training Institutes. The trainees are mostly adult members or adult employees of Co-operative Societies. Hence the methods of teaching of adults for their growth as Co-operative leaders is very important. In the context of things it is necessary to discuss the meaning and significance of the term training. Training is an attempt to focus influences on people in order to refashion and improve their conduct in certain specific respects; and leadership training means an attempt to stimulate and support leader's efforts to learn knowledges, attitudes and skills that will improve the quality of their performance in leadership positions. Men resort to training when they are dissatisfied with the quality of their own performance or that of other people in some situation or when they face some new task for which previous training and experience has not equipped them.

Co-operative training is imparted to bring about changes in performances of the Co-operative leaders and employee-trainees to occupy leadership positions in their respective Co-operatives. Considering the knowledge, attitude and skill needed for such leadership in our background, specific curricula and syllabi are drawn up from time to time. But curricula and syllabi are not all for an effective training. We should remember that trainee has not learnt if the teacher has not taught. This implies presentation of things in proper methods and techniques for easy grasp of trainees.

A Co-operative is a democratic organization to conduct business of some common man. A democratic attitude of members is vitally needed. Democracy can not survive without leadership. The basic tenet of democracy is that, given the opportunity, common man have a unique and magnificent role to play. Common man can have a share in making decisions which determine their destiny. But men do not assume responsibilities automatically nor do they understand the process of group decision through intuition or instinct. It takes patient and hard effort and no little skill to provide the kind of leadership which nourishes the democratic way of life in a Co-operative. As a democratic institution, a cooperative believes that groups of people together can solve their socio-economic problems, provided they know how to think together and work together. Faith in the common man, that common man through their selfhelp and mutual help can solve their problems, pervades our conception to Co-operative training.

Thus keeping in view the types of trainees, their knowledge and background, their experience in life, their age and leadership positions, we may take up the next step i.e. training the adult Co-operative members and employees of Cooperative Societies.

#### PLANNING FOR THE COURSE:

Planning is needed before starting the training of a group. For such a training an adult teacher set the following questions to himself in course of his planning and preparation for the training of a group:-



1. What goals do I see as relevant for this group of trainees?
2. What is the growth standard of these trainees to start with?
3. What the trainees expect to be like or what standard they desire to achieve?
4. What they expect out of the course?
5. How far they achieved and what more they need to achieve?
6. What is the next step for these trainees?
7. What resources are available from the group and individual trainees and in myself to assist in achieving the next step?
8. How these resources can be harnessed to get the result?
9. What might be the constructive forces?  
How these can be used profitably?
10. What are the indications to prove that the next step is achieved and how the trainees know that the course is a success?

Thus the job of a teacher of adults is not easy. He must understand what he is trying to teach. Many teachers know their subject matter but are not aware of what they are teaching. Inevitably, we should remember that we are teaching a "whole adult". We must be clear about the kinds of change in attitude, knowledge or skill, we are attempting to promote. The teachers in each field and subject matter must determine these goals for themselves. Problems for teachers of adults are not few. Let us deal here some of the common problems of teachers of adults:-

- a) What are adult students like and how do they learn,
- b) How do we improve our teaching, and,
- c) What methods can we use in teaching them.

Deficiencies in Adults:

Many teachers have extensive contacts with adult students. In the considered opinion of adult teachers, the adults can also learn, But their ability to learn may some times be limited by a number of characteristics:- e.g.

- i) Long absence from class room and consequent feeling of inferiority;
- ii) Uncertainties about his social or economic status;
- iii) Fear of others who may be superior to him;
- iv) Fear of ideas issuing from conservatism;
- v) Resistance to the assimilation of new ideas.

Thus adult students instead of being "problem-oriented" may become "threaten oriented" at the beginning. Again adult students in many cases are seriously confused about what academic programme has to offer and as to how it can help them.

Conversely again, there may be good responses from the adult. These may be found in his eagerness for learning and his spirit of enquiry, born of years of academic starvation. Further, his dissatisfactions with himself and his social and economic situation creates in him a desire to learn and make his thinking more critical.

Difficulties in teaching adults are different from those encountered among the school and college students. The obstacles in teaching are often intensified by the failure of teachers to adopt methods and techniques suitable for adults. On the other hand fear of adult learner about his own abilities to learn are sometimes too difficult to overcome.

The teacher must be confident of adult's abilities and transmit that confidence to the adult students for their encouragement. Even the illiterates can learn through proper techniques.

The adult student comes to the class room with one precious ingredient i.e. his experience. The teacher must recognize that in the lifelong process of constant change, persons acquire knowledge, skill and habits. They are in a position to **verify** the new ideas with their experiences, can make further enquiries and can even become critical. They are also capable of changing their ways of thinking, feeling and doing.

#### How we improve teaching?

Now the questions arise—can a teacher improve and continue to improve - his teaching? Does successful teaching depend upon adopting a particular teaching method? Does it depend upon a particular type of personality?

Undoubtedly the teacher can improve. Everyone need not use the same methods to achieve the desired results: Methods and techniques sometimes need be changed relevant to subject contents. It is also true that a brilliant scholar may not always make a good teacher. He may spend much time in preparation; Lecture materials may be carefully worked out to ensure complete coverage of the topic. Yet it may not be useful to the group. Under such a situation, the level of lecture need a change. But change to what level? The level may be decided after a prompt and continuous feedback from the students in course of discussion of the topic. It would then and then only that the teacher can keep the

presentation on a suitable level for the class. If the class room atmosphere is less formal and if the students participate more, their discussion will provide indications to their understanding of the topic. It may be argued that the materials under the topic may not be covered as discussions will take time. But one should not worry much about covering every thing. If the trainees do not gain from the lecture, there is no good covering materials.

Again study -questions may be set relevant to the topics for discussion in groups. These may also stir up lively discussions in the class. What is important here is that improvement in teaching may result from getting feedback from the students themselves.

If education aims at bringing about changes in students, information from students is required to provide a basis for improved teaching. Student evaluation of instruction is a direct method of obtaining this information.

Besides the above, there are other sources of feedback such as:-

- a) Class room examination: These should not be held for correcting errors only, but to cautiously interpret where the students did well and where they could not. This can be done by setting intelligent objective questions which take the least time for answer and examination.
- b) Behaviour of students in the class is also a very valuable feedback. Here misconceptions, biases and emotional reactions of the students may be found. The teacher who minimizes student participation dams up one of his most useful channels of feedback.

There are other indications for teachers for improving their teaching. Apart from sleeping or news paper reading students, we may find restless shifting of position, <sup>and</sup> blank stares, whispered asides other indications to show that students are not with the teacher.

Individual conferences with students outside the class room is another source of feedback.

According to W.J. MCKEACHIE of the University of Michigan, "one of the most frequently neglected aid is the advice of the colleagues. Sometimes teachers seem afraid to discuss their teaching methods with other teachers or to ask for advice in handling some teaching problem. Our insecurity about our teaching is so great that it is almost unheard of for a teacher to visit a colleague's class. Yet in our University of Michigan: program, for training College teachers, trainees report that they gain much from discussing teaching problems with their Colleagues, from observing other teachers and from observers of their classes".

Although our job is to educate students and not to please them, we atleast need that students must give some interest and attention to their work in order to learn; student reactions are, therefore, valuable.

So far we have dealt with teaching weaknesses and of diagnosing difficulties. If teaching methods and techniques are to be improved, the errors must be found out by the teacher himself and new techniques must be devised for better success. This is generally done by an intelligent teacher. But there are teachers who think reading from lecture notes or dictating notes therefrom is the only method on the

subject matter. Under such situations we are helpless and can not think of diversities in teaching techniques.

We learn about techniques other teachers use. We may learn talking about teaching, observing other teachers, reading Journals and looking into techniques other people using.

#### NEW WAYS OF TEACHING.

Now a days new ways of teaching have been evolved with better impact on students discarding the antiquated autocratic lecture method of teaching in lecture halls. The commonest method of teaching followed is prior supply of lecture-precis to the trainees, followed by talk on the subject matter, illustrated and supplemented by use of chalk boards, charts, diagrams, pictures and demonstrations with a reserved time of 10-15 minutes for discussion and questions, on the subject matter. Here although the lecture portion is autocratic two way communication and feedback is there to make the lesson interesting and thoughtprovoking. This type of teaching may be made useful by raising problems on the subject matter and placing before the class, divided into groups for discussion and recommendations. The decision of the groups may thereafter be summarised. Such discussions in groups is essentially needed in training Co-operative leaders. In education and training of adults informality should always prevail in the class room as well as outside programme and discussion technique should always form the core of the programme.

Weekly forums, panels, debates and symposiums may be held on problems relevant to subject matters covered in class rooms. These may

be very helpful as a learning process. Directed or non-directed discussion, field trips, picnics and excursions, and recreation methods may be tried to make the teaching effective.

Trainee-involvement method as a teaching technique is highly beneficial. Workshops, dummy-form-projects, especially in teaching of accounts, problem solving in rural development subjects, dummy meetings, bazz groups and the like may be adopted as techniques in relevant situations. The motto of "We learn by doing" should be followed in words and spirit and the trainees's skill to attitude be so moulded as to saddle him safely on his own on the job situation.

Broadly speaking 50% of student-hours may be allocated for class room lecture supplemented with proper use of tools and materials and 50% hours may be used in trainee-involvement sessions. These methods and techniques with due allocation of time schedule are essential for acquiring knowledge, skill and change of attitude Group discussion is always important for bringing about change in attitude in individuals. The influence of the group overcome the conservatism of individuals and influences them to adopt to new ideas.

By focussing attention to teaching methods, it may be possible for us to discover about the needs of trainees. The teaching method that arouse increased interest among the trainees, give the teacher security to build new relationships. Student satisfaction is the reward for a teacher and gives the incentive to work hard for further improved methods in teaching. If goal is not achieved all methods adopted in programmes are no more than a fun.

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M. Shibber/\*  
12.12.'68.

## How it started

The Co-operative Institute of Management has been set up with a view to extend aid and advice to co-operative banks, co-operative marketing and supply societies, co-operative consumers' societies etc., as would be given to public and private concerns by a modern office of business management consultants. As a consequence of negotiations with representatives of the Danish Co-operative Movement and a visit by two of its prominent leaders in 1962, the Co-operative Institute of Management materialised as a bilateral Pakistan-Denmark Technical Project and four Danish Advisers arrived in Pakistan in October-November 1963.

## What it is supposed to do

The objectives of the C.I.M. are:

- (a) to offer consultation and advice to co-operative organisations on all problems of business management;
- (b) to undertake research into management problems faced by co-operative enterprises;
- (c) to publish manuals, booklets, periodicals, course scripts, forms, accounting records and other instruments of management for use by co-operative organisations;
- (d) to teach management concepts and techniques to the supervisory official staff and to executives and office-bearers of co-operative organisations.

## How it is organised and financed

At present the C.I.M. has 4 technical sections:

- (a) Consumers' Co-operatives;
- (b) Agricultural Supply;
- (c) Processing and Marketing; and
- (d) Banking and Credit.

All the major fields of co-operative activities in West Pakistan are thus covered in the set-up of the Institute. Each section is headed by a Pakistani Section Chief, who works closely with the Danish Adviser attached to each section. To co-ordinate activities of the 4 sections a Danish Project Director was appointed by the Royal Danish Government in April 1965. It is expected that a Pakistani Director will be appointed in the near future.



As stated before, the Institute is an aided project under a bilateral Agreement between the Governments of West Pakistan and Denmark. At present more than three-fourth of the total costs are met by the Danish Government in the form of personnel, equipment, fellowships, etc. Recurring local expenditures are expected to be approximately 20 lacs Rupees per annum during the next four years. Local expenditures were up to October 1966 met by the West Pakistan Co-operative Union. The project is now sponsored by the West Pakistan Government through the Cooperative Department.

According to the latest extension of the Agreement the institute is now a self governing body and a board of directors is shortly to be appointed by the Pakistani Government. Already at its creation it was envisaged that the institute should eventually become self-sustained through consultancy fees paid by costumers. A beginning has been made in that direction by levying small fees for services rendered to independent cooperative banks and societies.

What it has done so far

The Co-operative Institute of Management is also a promotional scheme and helps the Co-operative Department in conducting research, training, advice, publication, personnel development and preparation of new schemes. A considerable progress has been made in these fields and several schemes have been submitted through the Cooperative Board and the Cooperative Department.

As the C.I.M. has 4 sections its activities up to February 1966 are dealt with by sections in the following:

CONSUMERS' SUPPLY SECTION:

1. To study the problems faced by the existing consumers' societies the Section undertook several field tours throughout the Province. A comprehensive report was then prepared outlining the main problems faced by the individual consumers' stores, the shortcomings of the entire co-operative retail distribution system for consumer goods, and recommendations for improvement in both fields.

2. A Co-operative Consumers' Store was planned and organised for the benefit of the West Pakistan Agricultural Development Corporation employees. The store is being used as a demonstration unit in respect of modern business management and accounting system, and it is envisaged that the new system will be introduced gradually throughout the country.

3. On request from the Central Secretary, Communications, Government of Pakistan, the Section has prepared a scheme for setting up a net-work of co-operative consumer stores for the benefit of the employees of the Post and Telegraph Department. The Plan has been submitted to the Department for approval.

4. After undertaking field survey, analysis and budgeting, a draft plan has been prepared on behalf of West Pakistan Co-operative Department to establish a Co-operative Wholesale/Retail Organisation for West Pakistan.

The society will ultimately have 6 to 8 warehouses throughout the Province to feed the retail outlets situated in the main cities and towns. It will also act as a steady source of supplies for the existing consumers' societies and will extend training and book-keeping facilities. The plan has been approved by the West Pakistan Price Stabilization Committee and recommended for implementation. To gain valuable experience and make a sound and modest start a detailed plan for the first wholesale/retail unit for the Lahore area has been worked out and submitted to the Planning and Development and Finance Departments of West Pakistan which has approved it and allocated funds.

The Royal Danish Government will support the scheme through the C.I.M. in respect of (a) free practical and theoretical training in Denmark of staff, (b) three Danish experts in planning and business administration, processing, wholesale, distribution, and staff training, and (c) machinery and equipment c.i.f. Karachi value up to 3,00,000-Danish Kroner.

An official request to the Danish Government is at present being processed by Central Government.

#### AGRICULTURAL SUPPLY SECTION:

1. The activities of this Section have centered around creating a formula for the proper working along modern business lines of the primary agricultural supply societies. The most important tangible results have been the establishment of a Demonstration Unit in Gakhar, District Gujranwala, the construction of a Socio-Economic Survey particularly related to the planning, establishment and running of this kind of agricultural societies; the formation of a Central Book-keeping System which eventually may come to serve a number of societies, and the writing and distribution of a number of reports and planning notes dealing with a range of topics from the over-all fertilizer and seeds distribution problems to business policies and techniques in the individual primary society.

2. The Section has drafted standard bylaws, model employment contracts for managers, standard account plans and standard forms and accountancy books. It has contributed to the training of Managers, Inspectors, and Assistant Registrars in the Co-operative Training College, Lyallpur, by giving suggestions on syllaby and teaching material and by participating as lecturers at some of the courses. The Agricultural Supply Section, in collaboration with the marketing section, has produced a note on the Third Five Year Plan and both have further engaged themselves in the Board's Plan for the establishment of a Supply and Marketing Centre in Kot Radha Kishan in Lahore District. A Socio-Economic Survey was conducted in this area and the final report was submitted during July, 1966.

3. The experience won through field studies of the problems and conditions of the supply societies, and in particular through the practical work with the Demonstration Unit, will be consolidated in a manual to be completed during 1967.

4. Negotiations are at present under way with the Rural Supply Cooperative Corporation relating to the section's assistance in a very comprehensive reorganization of that organization. If this materializes it would be this section's biggest task so far.

#### PROCESSING AND MARKETING SECTION:

1. During 1964-65 the Marketing Section undertook extensive touring to perform case studies on co-operative marketing societies. Many case study reports were produced, the two most comprehensive being on re-organisation of the Co-operative Marketing Federation, Peshawar, and on working of the Lyallpur Co-operative Marketing Society with suggestions for improvements. The former of the two is still under study. The latter has been accepted by the Co-operative Board and is being processed for execution.

2. Upon request from the Agricultural Development Corporation the Section accomplished a survey of the biggest fresh water lake in West Pakistan - Kalri Lake. A comprehensive scheme for improvement of marketing of its fish was submitted. The report was appreciated by the Corporation and much of its content has since been adopted. The full scheme will be implemented after the Corporation has acquired the appliances and equipment recommended.

- 5 -

3. Having realised that co-operative marketing will hardly become a very powerful factor if the co-operatives have no influence in the processing link, the Processing & Marketing Section of the C.I.M. had devoted a good deal of time and energy in research in this field. Practical surveys so far carried out by the section have resulted in the following proposals for co-operative schemes:

- (a) Plan for a co-operative poultry slaughterhouse in Lahore for processing and marketing of broilers.
- (b) Plan for a co-operative poultry slaughterhouse in Karachi for processing and marketing of broilers. The scheme also includes an egg packing station for collection, grading and marketing of eggs.
- (c) Plan for a co-operative dairy plant near Gujrat, and an outline of the co-operative organization of the apex society and the primary societies.
- (d) Outline of a scheme for development of the Makran Coast fishery, including processing and storage of fish, establishment of fish processing industries on the Makran Coast, marketing of fish and fish products, mechanization of fishery etc.

The plans presented by the section include all details necessary for the final planning, and they provide the economics of the schemes. The practical implementation of such plans, if adopted, may meet with many difficulties, but the section is equally prepared to offer its assistance in this respect.

#### BANKING AND CREDIT SECTION:

1. During the year 1964 a very elaborate study of the whole structure of Co-operative Banking and Credit in West Pakistan was carried out and recommendations on its future development submitted to the authorities. The first important customer of the Section has been the Pakistan Western Railway Employees Co-operative Credit Society. A critical and thorough study of the accounting system was made and the Section introduced a new ledger system and trained the staff in modern reconciliation procedures. The work on this project still continues.

2. During the summer of 1965 the Jhelum Central Co-operative Bank approached the Section for assistance. New procedures in the daily work and in monthly reconciliation have been introduced by the Bank under recommendations of the Section.

3. The Section has drafted two syllaby for the Co-operative Training College, Lyallpur and work on the production of teaching material for certain courses is in progress. Work on the writing of a manual on Co-operative Banking has been started, but new techniques must be tried out in practice before definite conclusions can be presented in a manual. This work is still in hand.

4. In November 1965 the Section visited the Karachi Branch of the Sind Baluchistan Provincial Co-operative Bank Ltd. Extensive study of their accounting procedure and allied matters was carried out. Recommendations for development of banking and inefficient procedures were formulated and submitted to the authorities. The suggestions were approved and during 1966 the Section assisted the bank in introducing the changes.

5. The Section is now engaged in similar work as mentioned under 4 for the Punjab Provincial Cooperative Bank.

## The CIM - a Vehicle of Progress

A co-operative organization is a business enterprise. Its objective is to give business service to the members. The co-operative units must be highly efficient so that they are able to compete with private business enterprises. The co-operative societies must use the best and most modern methods of organization and operation - they must lead the way and be ahead of the competitors. In most cases it is difficult for a manager, absorbed as he is in his day-to-day affairs, to keep himself abreast with innovations in techniques and new methods of organization. He needs regular advice by highly qualified specialists, who have no other job than concentration on efficiency problems. The CIM hopes to be accepted as such a specialist.

Ten years ago a survey on the national income was carried out in the country of Norway with a result which was new at that time to most economists, sociologists and practical men of politics and business. The survey disclosed that the major part of the increase in the national income over a period 25 years was not due to the increase in the tangible assets of capital arising out of the annual investments. It was proved that the larger part of the increase was due to better organization of work, improved methods of production and similar measures which ultimately depend upon a change in men's attitude and in better and more efficient training of the persons engaged in economic activities. In other words, it was not the size of the capital which was more important, but it was the quality of manpower.

Similar studies have been made elsewhere and quite a literature has been written on the importance to the national income and welfare of training and inducing men to use better methods and better organization.

The CIM has fully accepted this view on the importance of inculcating new ideas and of imparting knowledge of new techniques. The contribution, which can be made by the CIM, should be viewed on the background of the lessons learnt by the Norwegian survey and by other similar studies. It is hoped that the response of the Pakistani Co-operative Movement to the entrance of the CIM into its orbit will be favourable, and that the ultimate result of good co-operation between the banks and the societies on one side and the CIM on the other will be a large measure of growth and progress for the co-operative sector of Pakistan's economy.

Acceptance of the need for CIM in Pakistan.

When presenting the scheme for continuation of the C.I.M. for consideration by the Government of West Pakistan on October 29, 1965, Mr. Raja Ahmad Khan, Chairman, Co-operative Board, wrote the following about the needs for the Institute:

"The Pakistani Section Chiefs assisted by the Danish Advisers have done very useful work. They have conducted field studies and submitted technical reports which contain extremely useful suggestions for the improvement of co-operative societies engaged in different pursuits. The Third Five Year Plan recognises the potentialities of co-operation for economic development and it has, therefore, provided for greater expansion in size and scope of the co-operative programme. The essential tasks entrusted to the movement are in the fields of agricultural marketing and processing, provision of agricultural supplies, mechanized farming, consumers' co-operative services and agricultural credit. The extension cadres of officials of co-operative department are well versed in the administration and supervision of credit services, but they cannot adequately perform the development tasks entrusted to them, as they have no experience in merchandising or farming and cannot adequately perform the development and highly technical work. The Institute is staffed with the technically qualified personnel who are capable of conducting research, training, advice, publication and personnel development work. Further the quality of manpower is as much responsible for economic development as the size of the development outlay. The Institute, therefore, will meet one of the principal needs in offering technical knowledge and advice to different types of co-operatives."

MAKING AGRICULTURE EASY FOR THE PRODUCER.  
(Agricultural Financing in East Pakistan)

B Y

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(A paper to be read in the Seminar on "Produce or Perish" held under the auspices of Bureau of National Reconstruction, Govt. of East Pakistan, 14, Abdul Ghani Road, Dacca.)



MAKING AGRICULTURE EASY FOR THE PRODUCER.  
(Agricultural Financing in East Pakistan)

-- A.A.M. IMAUL HUQ\*

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Everybody in Pakistan has started to think now in terms of onset of an agricultural revolution in the country. There is nothing wrong in this kind of thinking. We must step up our agricultural production. This is necessary not only to improve the lot of our teeming millions of farmers but also to curtail wastage of much needed foreign exchange in importing foodgrains and to ensure earning of foreign exchange through the export of cash crops like jute and cotton extensively grown in Pakistan with ready market available all over the world.

By agricultural revolution we actually mean adoption of improved and scientific method in the field of agriculture through which there will be considerable increase in the production of agricultural crops and noticeable improvement in their quality. With this end in view it is very necessary to introduce use of machines like tractors, power-tillers, tubewells, power-pumps etc. and inputs like fertilizers, certified seeds, insecticides etc. etc. by the farmers. So, if agriculture is to be revolutionised then our farmers must be provided with necessary funds and capital on easy terms in order to enable them to adopt modern and scientific method of agriculture. There can be no development in any sector without employment of capital and the agricultural sector is not an exception to it.

The importance of agricultural credit cannot, therefore, be over-emphasised. It is all the more important for the farmers of East Pakistan because they are so poor due to extreme

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pressure of population on land in this province that few of them could be expected to possess surplus resources to be spent on modernising age-old and antiquated method of agriculture.

It was estimated in the Report of the Committee on Agricultural Credit set up by the Govt. of East Pakistan (published in the year 1967) that the requirement of agricultural credit will go up to Rs.181.81 crores in the year 1970. This estimated requirement of credit include

- (i) S.T. production loan for financing the cost of raising agricultural crops such as seeds, fertilizers, plant protection measures and labour-hire and for marketing of the produce required for a period of six to eighteen months;
- (ii) Medium-term loans for the purchase of small agricultural implements, levelling of land, installation of surface tubewells required for a period of eighteen months to five years;
- (iii) Long-term loans for development of land, installation of deep tubewells and power-pumps, purchase of power-tillers & tractors and raising of orchards required for a period of five to twenty years.

There are very few farmers in East Pakistan who could afford to instal deep tubewells and buy tractors by individual effort and that is why the requirement of Agricultural Credit in the province has perhaps been estimated at such a low figure.

But it is an irony of fate that the farmers of East Pakistan have to depend mostly on private sources for getting supply of credit. These private sources include friends and relatives, wealthier section of the people in the villages, shop-keepers, traders, marketing intermediaries and professional money-lenders. They can get loans for a very short period of time from friends and relatives on nominal or no-interest basis but for getting loans from the remaining sources

they have to pay very high rate of interest varying from 75% to 200%. Interest is paid either in cash or in kind. Different kinds of securities are insisted upon by the lenders against such loans in order to ensure return of the loans along with interest at the appointed time. The poor farmers of East Pakistan are getting crushed under the heavy burden of these loans carrying high rate of interest. The much-talked-of agricultural revolution can hardly be visualised in an agonising situation like this. Our farmers cannot be induced to borrow money at such usurious rate of interest to apply improved and scientific method in their agricultural pursuits. They must get funds on much easier terms through organised institutions for this purpose.

The benefit of Institutional Crédit is now being catered to the farmers of East Pakistan by the following three agencies :-

- i) Cooperatives
- ii) Agricultural Development Bank
- iii) Government

But the resources at the command of these three agencies taken together are so small that they could hardly touch even the fringe of the problem. The Cooperative Survey conducted in the year 1966 indicated that in the course of one year only about Rs. 1 crore was being distributed by Government as Taccavi loans and Rs. 6 crores by the Agricultural Development Bank and Rs. 9 crores by the Cooperatives as short-term loans. There has been no significant improvement in the situation since that time and the farmers of East Pakistan still suffer from the high and abnormal cost of agricultural credit much to their distress and dismay.

Cooperatives get funds from the State Bank of Pakistan for financing agriculture on the guarantee of the Government of East Pakistan at the following high rates :-

- i) for the first two crores of Rupees-25%
- ii) for amounts beyond Rs.two crores -50%

The Provincial Govt. have to provide funds required to be paid to the Cooperatives under guarantee arrangement in their budget as backing reserve. The resources of the Provincial Govt. being limited it is hardly possible for them to provide guarantee to the State Bank of Pakistan for releasing any amount of funds to the Cooperatives. It is, therefore, difficult for the Cooperatives to increase the volume of their loaning operations.

To my mind, the cost of Agricultural credit as charged by the institutional agencies on the one hand and that charged by the private sources on the other are both unrealistic and artificial. It is too small in the case of the institutional agencies and too high in the case of the private sources.

The Cooperatives charge 9% interest from the ultimate borrowers, the Agriculture Development Bank of Pakistan charges 7% and the Government charges  $6\frac{1}{2}$  % on the taccavi loans. While loans given by the Agriculture Development Bank of Pakistan and the Government go to the farmers directly, the Cooperative loans reach the individual farmers through the hierarchy of three institutions at different levels namely, the East Pakistan Provincial Cooperative Bank, the Central Cooperative Banks at Sub-divisional or Thana level and the primary societies at the Union or village level.

Rate of interest on agricultural credit as charged by the institutional agencies is so low compared to that charged by the private agencies that the former can very easily be considered as cheap. Cheap credit is indeed a very dangerous thing. It induces people to go in for indiscriminate borrowing

and apply the credit for unproductive purposes both of which ultimately become ruinous for the borrowers and the lenders. On the other hand, in fixing rate of interest on loans, the risk involved must also be taken into consideration. Most of the farmers in East Pakistan who get loans from the institutions live in a submarginal economy. They have little or no surplus income. So, high risks are involved in making loans to them. If this high risk has to be taken into consideration, the institutional agencies cannot perhaps afford to charge less than 15% as interest on the loans issued by them. This will help formation of capital in the institutions and bring about improvement in their financial position.

There is a trend of thinking to-day to the effect that in order to push more and more money to the agricultural sector the Commercial Banks should be induced and encouraged to step into the field of financing agriculture. From the practical point of view it is however considered that it will be impossible for the Commercial Banks to function at the village level because of high cost involved in maintaining staff to supervise distribution, utilisation and recovery of loans. If the Commercial Banks try to issue loans to the farmers from their branches even at Thana level, our illiterate and unenterprising farmers living in remote villages will find it extremely difficult to avail themselves of these loans. These difficulties will arise in the case of Agricultural Development Bank of Pakistan loans as well.

The remedy lies in the introduction and development of an elaborate banking system based on the principles of Cooperation. The aims and objects of a Cooperative Bank are essentially very different from that of a Commercial Bank. While the Commercial Banks are motivated by the urge of making profit at the cost of the interests of the depositors and borrowers, the Cooperative Banks are motivated by the urge of rendering service to their share-holding members who are also their depositors and borrowers.

The profit earned by a Commercial Bank is usurped by a class of wealthy share-holders who are generally not their customers. But the profit earned by a Cooperative Bank flows back to the depositors and borrowers in as much as they are also the share-holders of a cooperative bank. The ownership of a Cooperative Bank being thus vested in their customers, there cannot be any opportunity or occasion for a Cooperative Bank to think in terms of earning profit by depriving the customers of their legitimate interests.

A Credit Cooperative functioning as a Bank can easily operate in a village as it is democratically managed by the elected representatives of its members. It can function at a very low or no cost basis. It is able to rouse local enthusiasm, interest and confidence in matters of mobilizing savings in the remotest corners of the villages in a very effective manner. It is as good as a football club, dramatic society or a public library in the village. But this could never happen to the branches of the Commercial Banks or the Agricultural Development Bank of Pakistan.

It is, therefore, essentially necessary to give a chance to the Credit Cooperatives to function extensively & effectively in the villages with central Banks at the secondary level and the Provincial Bank at the apex level to back and support them.

But the question will naturally arise as to how and from where the Cooperatives will get so much capital to take up the gigantic task of financing agriculture all alone. This is of course a big question but the answer is not too difficult to find out. There is not the least doubt that the Government is also very anxious to improve the lot of the farmers who form the bulk of our population and to intensify the production of food and other cash-crops. If it is possible for the Government to provide a huge sum of money year after year for rural development through works programme, it should not be difficult for them to provide money for agricultural development through the agency of the Cooperatives

under a programme of emergent nature. Once the lot of the farmers can be improved by pumping money for development of agriculture it would not be difficult for the farmers themselves to take care of rural development. Agricultural development perhaps deserves greater attention from Government than rural development.

It has already been discussed that the Commercial Banks and Agricultural Development Bank are not capable of handling agricultural credit effectively in view of their organisational and ideological limitations. But huge funds are available with these banks for investment. If these Banks can be induced by the Govt. to lend a specified portion of their loan-funds to the Cooperatives for taking up financing of agriculture in preference to their futile attempt to enter into this field directly, there will be no difficulty for the Cooperatives to get sufficient funds. It will be necessary for the Govt. either to provide the funds from their own resources or to create favourable conditions for availability of funds to the Cooperatives from other sources. The Cooperatives by virtue of their inherent character, objective and ideal are best suited for discharging the responsibility of financing agriculture and they should be facilitated to work in this field in a more vigorous, effective and extensive manner.

Credit may be considered as a double-edged sword. It can do more harm than good if applied for unproductive purposes. It must be utilised for the purpose for which it is given. Some portion of agricultural credit released to our poor farmers will no doubt be utilised by them for consumption purposes. Consumption cannot actually be considered as an unproductive purpose. Our farmers should be able to keep their body and soul together in order to work in the field. But bulk of the credit given to a farmer should be utilised by him for buying seeds, fertilizers and insecticides and paying for labour & irrigation water where it is needed. In order to ensure proper utilisation of the loans the inputs like seeds & fertilizers should be supplied in kind

kind and loans in kind & cash issued to a farmer on the basis of a production plan prepared for him by an agricultural expert. What is needed is strict supervision over the use of the loans so that they may be considered as " Supervised Credit" in the truest sense of the term.

It may be mentioned here that under the Thana Irrigation Programme initiated by the Government of East Pakistan from the winter season of the year 1968-69, 11000 power pump groups were converted into Agricultural Cooperative Societies and the members of 4725 such societies in 12 districts out of 17 were given cooperative loans during that year. This year the number of power pump groups converted into Cooperative Societies have gone up to 19000 and the members of 12,500 such societies in all the districts of the province are being financed.

Loans have been distributed to the farmer-members of these societies strictly on the basis of production plans jointly prepared for each of them by the officers of the Cooperative & Agricultural Directorates. Power-pumps were deployed by these societies for controlled irrigation in collaboration with Agriculture & BDLG Departments and EPADC. Fertilizers and seeds were supplied to the farmers in kind through credit vouchers in collaboration with the EPADC. The cooperative loans can now be considered as truly " Supervised Credit".



THE SOCIO ECONOMIC MILIEU AFFECTING THE AGRICULTURAL COOPERATIVE MOVEMENT IN EAST PAKISTAN

- A. Farouk  
Professor of Commerce  
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THE WESTERN SOCIETY THAT GAVE BIRTH TO THE CO-OPERATIVE MOVEMENT : The Co-operative movement is a little over hundred years old now. When the Industrial Revolution in the western world became mature, it was seen that the small farmers faced a peculiar circumstance in which the buyers of their raw material and the sellers of their consumers' good became big manufacturers and traders, who could dictate prices to these small men by virtue of their almost monopolistic power over the market. In this society, the percentage of literacy was high and there was a social class that was well-to-do, but reasonably hard working, honest and sincere. There were many amongst them who wanted to do good to the society by voluntary social work. They were pained to see that the Industrial Revolution which should have brought the blessings of machine and the high living standard for mankind had actually brought monopolistic exploitation of the small man by the giants in manufacturing and marketing necessitated by the economy involved in large scale production through the machines. The nineteenth century capitalists were also a group of people who worked very hard, took great risks and re-invested their profits in the lure of owning still bigger enterprises. Many of these people lived amazingly simple life and even made big donations to charitable purposes for the well being of common men. It was in this kind of social milieu when Marx predicted that capitalism was destined to destruction because of its weakness in controlling the monopolies and in protecting the proletariat that the cooperative movement came as an alternative to revolution, violence and blood shed. It provided an alternative to socialism. It aimed at bringing about the advantages of large scale economy to the small man who by uniting amongst themselves and pulling their resources together, would bring to themselves increased bargaining power, necessary credit supply and the required marketing and processing services that would restore competition and put capitalistic <sup>system</sup> once more on an even keel. There were a number of voluntary social workers dedicated to the movement and the capitalist class also understood the purpose of this movement. Working for the cooperative movement was considered a great honour and the then western society encouraged the

movement. These were therefore the circumstances in which the philosophy and practice of the cooperative movement flourished in Europe and in America in the second half of the nineteenth century and the beginning of twentieth century. The great cooperator Raiffeisen was born in Germany only about hundred fifty years back.

THE PRESENT SOCIETY OF EAST PAKISTAN THAT IS EXPERIENCING A CRISIS IN THE COOPERATIVE MOVEMENT: East Pakistan has an economy that is pre-dominantly

rural and traditional. More than eighty per cent of the population are extremely poor, illiterate and subsistence farmers whose income and farm size is one of the poorest in the world. This group is not only poor and illiterate but is also very much tradition and custom bound. They are simple people with kind hearts and a great deal of tolerance. There is another group in the society who constitute not more than ten per cent of the population that are somewhat educated, with the ambition and taste of urbanization, but who also live very simple and poor life although under great mental tension due to their closer contact with the urban ways of living and its various social problems. They are our factory workers, our school teachers, our clerks, and the men engaged in the various urban trades and services, e.g. transport workers, employees in shops, establishments etc. The monthly income of this group is between rupees seventy five and hundred fifty with which they have to maintain themselves and more often their families, eighty per cent of whose budget goes for buying rice, and accommodation only. They live in semi-starvation condition. There is a third group in the society who had by some means, during the last twenty two years acquired some more education or some more money and have now an infinite desire to get rich, to live better and to become wealthy by whatever means possible. If there are any exceptions from these three groups, such men in our society can be counted on fingers. The unfortunate point is that in our society now there is almost a total absence of sincere and honest social workers and leaders whose example is worth showing our children and whose manners and livings are worth imitating by our youth. In this circumstance, our government had to open colleges for training social workers, appoint them as gazetted officers and operate and strengthen a cooperative directorate with civil servants as the custodians of the solution to be found for the

evils of Industrial Revolution that has at last reached this part of the world. What about the capitalist himself in our society? He is also in a pitiable condition. A typical capitalist in our society today is one who was a petty trader or a contractor a few years back, who owns an industry the greater part of which is being financed by borrowed money and who is very certain that it is someone else's duty to protect his market and to ensure that he does not face any competition either from within or without. Under these circumstances, the small group of well-to-do and educated population has become corrupt. The businessmen is willing to corrupt the government officers who can do him a lot of good and vice-versa. Corruption is now spreading in education, in trade and even in our political behaviour. There is hardly any respect of anybody for anybody and there is hardly anything that we really believe with sincerity as our ideal. We talk tall and ~~work~~ work ultimately in a different manner. The essential point here is that in this society we have no voluntary social workers and a group of small elites including our capitalists, do not at all live simple life. Most of the well-to-do are living beyond their means. The capitalists do so because they have borrowed capital and because they doubt if living simple and saving and investment is going to be at all of any avail.

THE FUTURE OF COOPERATIVE MOVEMENT IN EAST PAKISTAN AND CONDITIONS OF ITS SUCCESS:

A comparison of the social milieu of the Western world in the days of Riffisen with social milieu of East Pakistan today as described above will indicate how different they are and may also suggest how foolish it is to expect that co-operative movement can at all succeed in our present society. One should feel little surprised to see that in the name of co-operative movement we have opened up fresh opportunities for corruption, hypocrisy and further exploitation of the masses. I have no doubt, however, that the honourable members of this house are now almost fed up with the familiar story of frustration and permission that I have described so long. Probably it is time that I address myself to answering the question - what are the necessary conditions for the success of the Co-operative movement in our society, if at all any? I think there are five conditions which are essential for restoring the co-operative movement to success in this country, as follows: (a) we must increase the primary education of our population and particularly of the rural population to make it comparable to the European population of a fifty years back.

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(b) We must honour the class who are doing social work in the rural areas.

(c) Our leaders whether in administration, or in industries or in politics must live simple to reduce their difference of living standard in comparison with the rural population.

(d) We must encourage tolerance and freedom of thought and expression rather than indulging in violence and suppression of the thought and opinions of others.

(e) We must reduce corruption and the tendency of getting rich quickly without hard work in the society.

If these conditions appear too hard for us to achieve then I am afraid the co-operative movement has very little chance of success in our society and probably some other alternative will emerge to solve our present problems of East Pakistan Society.

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Factors of strength and weakness  
of the Private Money Lender-cum-trader.

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- A.M. Muazzam Husain.

Introduction:

Non-institutional or private sources have been playing a predominant role in providing rural credit in East Pakistan as well as in most economically underdeveloped areas of the world. The different categories of private money lenders are defined and classified in various ways in different countries. There are 'friends and relatives', 'land-lords', 'well-to-do rural people', 'professional money lenders', 'agricultural money lenders', 'shop keepers', 'traders' and 'marketing intermediaries' among others in the listed categories of private money lenders. However, it is very difficult to strictly isolate any one of these categories from another because very frequently there is overlapping among them. For example, agricultural money lenders may often include traders and vice-versa, and again, it may often become difficult to clearly distinguish between traders, shop keepers and other marketing intermediaries. Here, in this paper, therefore, the term 'private money lender-cum-trader' will be used in a broad sense which will include shopkeepers and other marketing intermediaries.

In this paper an attempt will be made first to state the relative importance of the different types of money lenders in this country from the historical point of view and their mode of operations including the rates and forms of interests they receive and the various types of securities the farmer borrower has to offer. Secondly, the ill effects of the system of private lending operations on the farmers will be discussed. The factors responsible for attracting the farmers to the private money lenders indicating the strength of the system will then be enumerated. Next, a brief discussion will be made on the alternative means available for the provision of rural credit in East Pakistan. This section will include the enumeration of the legislative measures taken to curb and check the evils of the private money lending system, their ineffectiveness, and short analysis of the institutional sources of credit provided by the government including the 'taccavi loan',

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the Agricultural Development of Pakistan, and the introduction of the Cooperative Credit system pointing out their relative merits and demerits. Lastly, a number of factors responsible for the lack of success of credit cooperatives in East Pakistan have been enumerated, pointing, however, to the fact that given the correct approach, as exemplified by the Comilla experiment, cooperatives may still play a significant role in the provision of rural credit in East Pakistan.

Different types of private money lenders and the terms of their operation:

Historically speaking, the relative importance of different types of money lenders varied from time to time in this country. Before the world war -II, the professional money lenders were the most important source of rural credit. However, they declined in importance as a source of credit after the war and 'well-to-do people' formed the most important source between the world war II and the independence period. Since independence, well-to-do rural people including 'friends and relatives' became the most important single source of rural credit. The decline of the professional money lending class, according to the Report of the Dacca University Socio-Economic Survey Board (1956), was due mainly to enactment of legislation for the regulations of money lending and later on due to their migration from Pakistan to India, and also due to their changing over to other occupations from money lending.

According to the same report, the private money lenders-cum-traders (which include shop keepers and other marketing intermediaries) provided nearly 14% of the total rural credit supply in East Pakistan. In a recent study made by Dr. Shah-Jahan of the Dacca University, it is found that the relative importance of this class of money lenders has remained unchanged.

The private money lenders mostly provide their own capital and lend on a short-term or seasonal basis. However, it often happens that the borrower is not in a position to repay the loan in time and at the same time the lender becomes interested only in getting the interest. Then short term loans become, in effect, long term loans.

The rate and the form of interest for rural credit provided by private money lenders vary to a great extent. Friends and relatives often advance loan on a nominal or even on a no-interest basis. Interests may be paid either in cash or in kind. The rate may vary from person to person and from place to place and may be charged upto 300% through usually they go upto 75%. It appears from the study made by Dr. Shah Jahan that the rate of interest has declined in general during the last decade which is probably due to increased availability of institutional credit and the great importance of the 'friends and relatives' as rural credit suppliers.

There are non-monetary forms of interest payments. One is the payment of interest in terms of goods at harvest time. Especially, village traders mostly favour advances against standing crops.

Other non-monetary forms of interest include (i) transfer of the use of land from borrower to lender and (ii) commitment by borrower to sell crop to the lender (Dadan). The former, which is locally known as Khai Khalasi or kot or suf Kabala, Chukti Kabala in different areas is the most frequently used form of interest payment according to the Report of the Dacca University Socio-Economic Survey Board. There are also other form of interest payment such as charging higher price of goods sold on credit or payment of a lumpsum amount along with the principal without any fixed rate of interest or any fixed period of loan.

Different types of securities are used for these loans. The use of bond (promise to repay debt contracted) and simple mortgage of land was prevalent in the past as securities against loans granted. Use of bond was replaced by pledge of ornaments and by unwritten 'Kot Kabala'. However, use of land mortgage remained an important security against loans.

According to the study made by Dr. Shah Jahan (1968), the middlemen had given fifty percent of loan with land as security, twenty five percent without any security, and twenty three percent on personal security, while shop keepers had given 78% of their loans without any security, 14% on personal security and only 2% on mortgage of land.

The ill effects on farmers:

The above mode of loan operations used by private money-lenders have various ill effects on the farmers.

The high rate of interest adversely affects the repayment capacity of the farmer. The burden of indebtedness increases and the standard of living becomes low. In case of foreclosures, there is often loss of property by the borrower who becomes ultimately a tenant of the lender. Often the lender finds it profitable to let the borrower continue as an occupying owner but tied to the lender in an unfavourable way.

According to the FAO report by Belshaw, besides interest and security, the lenders often attach other conditions with the advancement of loans which lead to such a situation that the charges claimed by the lender is out of proportion to the risk involved in his business and which for all practical purposes "constitute an exploitation of the helplessness, ignorance and necessity of the borrower".

Arrangements under which payment is made in terms of product at harvest time result in covering the bargaining power of the farmer borrower and as a result, he receives a low price for his product.

In the FAO study, Belshaw states that "the peasant becomes tied to the merchant, landlord or money lender and loses his freedom of maneuver. Even if a reasonable price is paid for crops and charges for food and other supplies, the conditions under which loans are given are disadvantageous. The peasant must sell when the crops are gathered and prices are seasonably low, and buy back when they are higher".

There are other effects also. There is social unrest due to deterioration in human relationship between lenders and borrowers and other social evils besides generation of greater inequality of incomes.

Finally, such a system which is deep rooted in a rural society unfavourably affects the growth of institutional sources of credit like the formation of farmer cooperatives. Vested interests formed by private money lenders oppose and stand in the way of establishment of farmer cooperatives.



Reasons that attract farmers to the private money lenders:

Despite the above ill effects on farmers, they are attracted to the private money lenders. There are various reasons for this.

Due to unavailability of alternative sources of credit by which he can meet his credit needs, the farmer is compelled to depend upon the private money lender. The private money lenders also enjoy certain advantages over institutional sources of credit.

Firstly, the private money lender has often easier terms to offer not by means of charging lower rate of interest but by requiring less formalities. This is facilitated by closer personal knowledge of the borrower which is likely to be absent in cases of institutional sources.

Secondly, there is greater flexibility in the terms of repayment in case of loans given by private money lenders.

Thirdly, there is greater speed with which the private money lender can offer credit and, very often, timely availability of credit is ensured.

Lastly, there is also another favourable factor which is the greater privacy possible to maintain in case of loans given by private money lenders.

All these factors act as strengths of the private money lender. The ineffectiveness of legislations against them acts as another favourable factor for the private money lenders to exist and flourish amongst farmers in an economy like that of East Pakistan.

Offering alternatives to the Extension of money lenders services:

The brief discussion made so far presents a grim picture of the rural credit situation in an economically underdeveloped economy like East Pakistan. The situation has to be changed and alternatives have to be evolved to save the farmers from the clutches of the private money lender.

There are a number of alternatives available under these circumstances. In the Indo-Pak Sub-continent one of the earliest attempts to deal with private money lenders was in the nature of enactment of legislation to curb the power of the money lenders and control their activities. Laws were passed to impose restriction on the transfer of land and on mortgage, to

regulate money lending and to liquidate past debts. Among the Acts were the Bengal Tenancy Act (amended in 1928) the Transfer of Property Act (amended in 1929), the Usurious Loans Act (amended in 1926), the Bengal Money Lenders Act, 1933 (amended in 1939) and the Bengal Agricultural Debtors Act, 1935.

Mere enactment of legislation is not enough because in most cases the laws became ineffective due to various factors. It is necessary to educate the people as to their legal rights and as to the proper use of credit.

A more positive action in this regard is the provision of institutional credit. In the Indo-Pak Sub-continent the Government introduced a system of directly advancing loans at low rate of interest to farmers known as the 'Taccavi' loans. To be brief, the various formalities and the complex requirements to be fulfilled by the farmer stood in the way of popularisation and development of the Taccavi loan. There also arose problems of repayment, timely availability and adequacy of the amount available for advancement of loans.

The other alternative provided by the government in pre-partition days was the introduction of the cooperative credit system which formally started in the year 1904 with the passage of the Cooperative Societies Act.

After independence, another institution that was established by legislation for the provision of rural credit in Pakistan was the Agricultural Development Bank of Pakistan.

One significant fact is that today even after the establishment of alternative (institutional) sources of rural credit, private non-institutional sources account for about 90% or more of the total rural credit supply in East Pakistan.

There are various reasons for this but no detailed discussion on this can be made here since this would lengthen the discussion to an extent which is not permissible under the circumstances. However, some brief comments may not be out of place here.

While discussing the factors which attract the farmers to the private money lenders it has already been mentioned that institutional sources, though has the largest advantage of offering credit at a reasonably

low rate of interest, suffer from certain disadvantages in comparison with the private money lender. The institutional sources like the 'Taccavi' loans and the ADBP loans suffer from complex formalities required to be observed, lack of personal and close relationship between the lender and the borrower, less speed and flexibility and inadequacy of amount to enable them to become effective competitors to the private money lenders.

Theoretically speaking, however, cooperative credit supply are in a much more advantageous position than the other institutional credit sources. They can remove many of the disadvantages of these institutional sources and at the same time achieve many of the advantages of the private non-institutional sources.

But as a matter of fact, cooperative credit has not been able to contribute significantly in the provision of rural credit to farmers even after more than sixty years of its introduction in this country.

Why cooperatives did not succeed :

The reasons for the failure or lack of success of cooperatives; social, cultural, technical and economic factors. A proper environment was not created for cooperatives when the movement was first initiated by the government. It did not start spontaneously from the people themselves. Societies grew up overnight without the people being properly educated on the principles and methods of cooperatives. Member awareness of the most fundamental principles of thrift and savings was grossly neglected. The feeling of ownership and participation was lacking among members.

A cooperative society is primarily an economic organization for whose success sound economic practices must be followed. But in East Pakistan cooperatives were not always formed on the basis of genuine needs. Sound business prospects were not always considered before organizing cooperatives.

Cooperatives in most cases did not have sufficient capital to operate with. Most of them did not provide their own capital and whatever government capital was available was either inadequate or untimely. The government did not provide consistent and adequate support to the cooperatives.

Mere provision of funds is not sufficient for the economic success of cooperative business. The fund has to be productively and profitably used. This condition was lacking.

Not only was the foundation of the movement weak, the operation of cooperatives was also unsatisfactory. Democratic control was lacking. Cooperatives also lacked honest and efficient managers, well-trained in business management and dedicated to the cause of cooperation. Accounts were not kept in systematic manner. Even supervision and audit were inefficient.

There were also external factors like the Great Depression of 1929 and the Agricultural Debtors Act (1937) which adversely affected the growth of cooperatives.

Considering all these, one may even argue that there was in reality no cooperative movement at all in East Pakistan in the past. However, hopes dawned in many minds after the successful experiments made at Comilla since 1960 which indicated that given the correct approach, cooperatives can serve as an effective instrument of agricultural development in East Pakistan, not to speak of removing many of the evils of private money lenders.

One major feature of the Comilla system was the integrated approach to the solution of farmers problems. Credit Societies used to cater to only partial needs of the farmers, his production and marketing problems were not given proper attention in the traditional approach. The government, however, initiated the so-called multipurpose societies to tackle this problem but according to the preliminary informations received from a research study being made by the East Pakistan Agricultural University it has been found that these multipurpose societies are multi-purpose only in name. In practice they perform only credit operations. Thus, a more careful and serious attempt has to be made for the growth of cooperatives on sound economic basis if they are to play a significant role in providing an effective and better alternative to the system of private money lenders in East Pakistan. Only a sound and healthy cooperative organization can offer an effective

competition to the private money lending system and thus remove the evils of that system.

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LECTURE OUTLINE

REFORMULATED PRINCIPLES OF CO-OPERATION  
AND THEIR SIGNIFICANCE TO MANAGEMENT.

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Deputy Director.

ICA Congress of 1931 resolved to appoint a Committee to examine the application of Rochdale principles.

The Committee made its final report to the Congress of 1934 in Paris.

As a result of this report the International Cooperative Alliance recognized seven Rochdale principles, but concluded that only four of those could be applied universally at the international level for purpose of ICA membership.

They were :

- 1. Voluntary Membership;
- 2. Democratic Control;
- 3. Distribution of surplus to members in proportion of their participation in the transaction of the society;
- 4. Limited interest on capital;

The other three were :

- 5. Cash trading;
- 6. Religious & Political Neutrality;
- 7. Education;

ICA Congress held in Bournemouth adopted a resolution requesting the Central Committee to constitute an authoritative Commission to formulate the fundamental principles of activity of cooperation under modern conditions.

The Commission based its studies on answers to a questionnaire it issued to the ICA's affiliated organizations as well as selected non-member organizations and individuals, and interviews it had with leading co-operators.

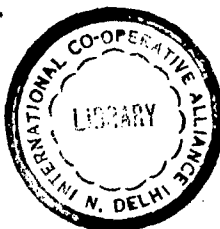
The Commission submitted its report to the ICA Congress held in Vienna in 1966.

The Commission in its Report recommended that the following should be considered as essential to genuine and effective cooperative practice both at present and in the future as far as that can be foreseen.

1. Membership of a co-operative society should be voluntary and available without artificial restriction or any social, political, racial or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership.
2. Co-operative societies are democratic organizations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than primary societies the administration should be conducted on a democratic basis in a suitable form.
3. Share capital should only receive a strictly limited rate of interest, if any.
4. Surplus or savings, if any, arising out of the operations of a society belong to the members of that society and should be distributed in such manner as would avoid one member gaining at the expense of others.

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They may be done by decision of the members as follows :-

- (a) By provision for development of the business of the Co-operative;
  - (b) By provision of common services; or
  - (c) By distribution among the members in proportion to their transactions with the society.
5. All co-operative societies should make provision for the education of their members, officers, and employees and of the general public, in the principles and techniques of Co-operation, both economic and democratic.

To these the Commission recommended the addition of a principle of growth by mutual co-operation among cooperatives.

6. All co-operative organisations, in order to best serve the interests of their members and their communities should actively co-operate in every practical way with other co-operatives at local, national and international levels.

Membership:

1. Those who can make use of the services of a particular cooperative society should be able to become its members without any artificial restrictions. It is important to note that only those whose needs and services are supplied should become and allowed to become members.
2. Co-operative Movement is at once a social movement seeking to increase its adherents. Naturally it should welcome and encourage the eligible persons to become members.
3. The member should realize and fulfil his obligation to the society and the society in turn should reciprocate.



4. The individual should be free to join or withdraw from a society. There should not be any direct or indirect compulsions. However, his entry or exit should not affect the society adversely. Therefore this freedom can rarely be absolute. It can be modified or restricted by other considerations of greater validity.
5. A Society is not obliged to retain a member if his conduct is detrimental to its interest. The condition of expulsion however should be clearly laid down in advance and known to both parties.
6. The open membership (with the unavoidable restrictions) make a cooperative society distinctly different from a Joint Stock Company. Because of open membership shares remain at the nominal value fixed in the society's rule.

Democratic Administration:

1. The primary purpose of a cooperative society is to promote the interest of its members. To achieve this end the members must have the final say in the society. Therefore there should be an effective method of consulting the members as a body and their support and loyalty keep the society alive and active. To ensure that the members interest get the highest priority in the administration of the society's affairs, those who administer the affairs must be chosen directly or indirectly by the members.
2. "One man, one vote" is the most condensed expression of the democratic administration of cooperative societies.
3. In the case of organizations of higher tiers, where members are societies indirect systems of elections are adopted.

4. In developing countries where governments contribute capital of the societies, government representation on Boards of Management become necessary. Without generous amounts of government finance, cooperative development in these countries will be slow. However, representation should not continue a day longer than it is necessary.

Interest on Capital:

1. The Cooperative Movement since its beginning has followed the system of paying a fixed and limited interest on capital of members.
2. The three main forms of capital in a cooperative :
  - i. Share capita;
  - ii. Capital owned by society in the form of reserves etc.;
  - iii. External borrowing etc.

The limitation applies really to the first.
3. Situation where principle of limited interest can be tested.
  - A. The cooperators are not unanimous on the question whether any interest should be paid on capital or not. There is no principle which obliges that interest should be paid. If no interest is paid there is no clash with the principle.
  - B. If interest is paid below the rate which may be regarded as fair elsewhere then also this can be regarded as payment of limited interest.
  - C. A third situation is where limited interest is paid for a certain period but raised or lowered not in response to short term fluctuation on the money market but the long range movement of interest rates. This too does not contravene the principle.
  - D. A fourth situation would be where a premium is merged into the rate of interest. From a cooperative point of view, this is dubious.

Disposal of Surplus (Savings)

1. There are two main points that should be kept in mind:-
  - A. How to find the proper balance between the interest of the society and those of the individual members.
  - B. To do justice as between one individual member and another. It is important to remember that economic benefits conferred on the members are of various kinds - money, goods or service.
  
2. With regard to the distribution of surplus there are certain operational aspects that must be considered:-
  - A. Provision of goods to members at low prices which hardly leads to accumulation of surplus for distribution.
  - B. The business prudence sometime may require that all or large part of the society's earnings to be placed to reserve.
  - C. A major part of the surplus may have to be devoted to provision of common enjoyment to the members.
  
3. The distribution of surplus among members is an important characteristic that distinguishes a cooperative from a Joint Stock Company.

Education:

1. The Commission elevated "Principle of Education" to that of a regular principle.
2. The definition of education for the purpose of cooperation (Quotation from Principles Commission Report) P. 34.

"For the purposes of Co-operation, however, education needs to be defined in a very broad sense which includes academic education of more than one kind but much besides. It includes both what people learn and how they learn it. Every phase of experience, which adds to people's knowledge, develops their faculties and skill, widens their out-look, trains them to work harmoniously and effectively with their fellows and inspires them to fulfil their responsibilities as men or women and citizens, can have educational significance for Co-operation. Less and less in the contemporary world can education be limited to what is learnt in schools and colleges at special periods of people's lives. According to the Co-operative concept, education is a life-long process.

3. Cooperative education process can be divided into three groups :
  - A. Member education;
  - B. Staff training;
  - C. Education of the public in cooperative methods.

#### Cooperation among Co-operators:

1. The cooperation among cooperatives is playing now and destined to play in future a very important role.
2. This may be discussed under three headings :
  - A. Relationship between primary societies and between primaries and higher tier organizations.
  - B. Cooperation among national federations.
  - C. International Cooperation.

International cooperation can be discussed under two headings :

- i. Economic collaboration;
- ii. Ideological collaboration;

Cash Trading:

The main reasons why cash trading was emphasized by the pioneers were :

- a. High cost involved in credit buying.
- b. Credit buying may hold the temptation to spend more than one can afford.

The conditions at least in some parts of the world have changed where it is reasonable to think that the rule of cash trading may not be adhered to strictly.

Political and Religious Neutrality:Internal:

The internal aspect concern the relations of a cooperative with its members. There should be no discrimination on the basis of religion or politics in admitting members or in the treatment to members.

External:

The external aspect deals with the society's or the Cooperative Movement's relation with the external social and political system.

The Commission thought that

"Cooperation as a economic movement with an economic doctrine of its own and representing well-defined economic interest, cannot avoid involvement in affairs of government, which whether they are or are not the subject of party conflict, are in nature political."

58

AN OUTLINE FOR PLANNING BUSINESS AIMS AND  
ACTIVITIES OF A ( MULTIPURPOSE ) CENTRAL SOCIETY

(Presentation of how this can be done in actual practice)

BY  
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Presently Pakistan is faced with a number of  
problems :

1. An endeavour to make the country self-sufficient  
in food.
2. To maintain progress in rural development in  
the interest of the economy of the country as  
a whole.
3. The economic emancipation of the common farmer  
through protection against exploitation by private  
sector.

The Agricultural Cooperatives suffer from certain serious  
drawbacks and these are :

1. The cooperative distribution network, and the  
manner it performs, do not provide the common  
farmer with an economic incentive to patronize  
cooperatives.
2. The retail structure (whether Agricultural  
Credit, Agricultural Supply and Agricultural  
Marketing and Processing) comprises of many  
units which are too small to become economically  
viable.
3. Qualified professional management for day to  
day business, at all levels, is either not  
available, or not employed.

If it is decided that the cooperatives should re-orientate  
and re-organise themselves so as to march towards the goals set  
for them, they need to plan their objectives in a scientific  
manner rather than execute schemes sponsored from above. What is  
required is "Source Planning".

Economic planning is becoming an accepted practice  
in all civilized nations. We in Pakistan cannot ignore  
it and cannot leap in the dark. The planning of business  
aims for a Central Cooperative Society dealing in Agricultural

Supplies, Credit and Marketing require a deep analysis of the available statistical data and other economic, political and competitive market information for the purpose of reducing the risks involved in making business decisions. Correct planning can spell profit and growth while wrong planning can cause serious financial losses and failure.

MANAGEMENT DECISIONS REGARDING PRODUCTION,  
PURCHASING, PERSONNEL, MARKETING, FINANCE  
INVENTORIES ETC.

When you actually start to plan business aims and objectives of multi-purpose Agricultural Cooperative Society, you are confronted with certain questions such as :

1. What will be general state of business ?
2. What will be the demand for our products ?
3. What particular shortages, leakages or surpluses are likely to develop ?
4. What will be the effects on sales if we change our prices ?
5. What are our competitors likely to do ?
6. How much will materials cost ?
7. Will the material we need be available ?

While planning the business aims and objectives of a Central Society we should not forget that our hypothetical cooperative venture should meet the following :

1. It should have the strength and force needed to keep growing and improving service to members.
2. It should be alertly watchful to changes needed within its organisation and programme as well as to changes in its business environment.
3. It should be well versed and skilled in the techniques and practices of modern business.
4. It should be able to adapt its structure and operations to meet the challenges of changing conditions.
5. It should be ready to take the risks involved in new ventures when such ventures appear economically desirable.

6. It should be fair and honest in its relation with members, employees, customers and the general public.
7. It should express itself forcefully when necessary to represent effectively and wisely the members it serves.
8. It should have the courage to compete effectively with organisations serving other people and to face the problems and difficulties that confront a modern business institution.

#### FACT FINDING SOCIO-ECONOMIC SURVEY.

The importance of a fact find survey to determine the scope of a project cannot be over emphasised. It would provide the sponsors of the project with some reliable factual back-ground information upon which the realistic approach can be formulated. Such a Socio-economic survey should cover the following :

1. Geography and Infrastructure;
2. Local Administration ;
3. Population;
4. Soil and Water ;
5. Structure of Tenancy ;
6. Structure of Farm Units ;
7. Cropping Patterns ;
8. Marketing of Agricultural Produce;
9. Previous Sales of Farm Inputs ;
10. Existing Sources of Credit.

#### FUNCTIONS OF MULTI-PURPOSE CENTRAL COOPERATIVE SOCIETY

- 1st year - Procurement and distribution of farm inputs against cash payment.
- 2nd year - Sale of items other than farm inputs for which there is demand. All sales still against cash payment.
- 3rd year - Modest opening of marketing of agricultural produce from selected suppliers against 75% advances. All sales still against cash payment.
- 4th year - Start of sales of farm supplies on credit to selected members only. Link-up of credit and marketing.
- 5th year - Supply-credit-marketing service to all members.

Considering the previous and present experiences with Cooperatives in Pakistan, the extension of credit has proved to be highly risky. To avoid unpleasant situation in this respect, the society should only sell against cash until the management have come to know



each and every customer intimately, or it becomes imperative for the society to introduce sales on credit i.e. when the consumption of agricultural inputs have reached a certain level. Even when the society introduces sales on credit it should adopt selective approach although may be considered contrary to the best of cooperation principles. The practice of sales on credit should be closely supervised by some detached authority that it may not end up as disguised preferential treatment of a privileged few members of the Managing Committee. It is emphasised that by extension of credit we mean only :

Sales of commodities at deferred payment either in kind or in cash.

Such a society should not engage in advances of cash money ( except for the 75% advances paid for produce marketed through the society). New kind of business should only be introduced after managerial capacity and competency is developed adequately. Thus for each project the timing should be stipulated tentatively and executed with flexibility.

#### MARKETING OF AGRICULTURAL PRODUCE

In competition with the well established private 'mandi' agents, cooperative marketing of bulk cash and food crops requires a relatively large turn over to break even and in addition, a heavy capital outlay in the shape of advances to the producers. Even if the money had been available the society should not commit to marketing functions in the beginning because of the inexperience of the management. Let the managers and staff learn how to run the supply business for the first couple of years.

BUSINESS POLICIES

Sales Policies

Assortment : The society shall start with the sale of agricultural inputs and later on add sales on credit and ultimately step into marketing of agricultural produce in order to complete the cycle supply-credit-marketing.

Customers and Pipeline: Sales should be made to societies and individual cultivators without discrimination. In case of shortage of a particular commodity much in demand, members should be given a preference over the non-members. The sales to individual customers may be made from own retail outlets, or through member Cooperative Societies.

Sales Prices and Terms : For comparable products, the wholesale prices should be the same as charged by the competitors. If the society, after depreciations and formulation of reserve funds of various kinds, comes out with a sizeable surplus, a patronage rebate may be paid to the wholesale customers. Quantity rebates should be applied to encourage wholesale contract deliveries. Village representatives should be appointed on commission to re-forward collective orders from the villages to the retail outlets.

Sales Promotion : Both at wholesale and retail levels emphasis shall be placed on personal sales contact. Staff engaged in sales must acquire sufficient technological knowledge to advise the consumers on the use of products on sale. Direct advertising should take place through all media within the rural environments.

Procurement Policies

Goods : Under no circumstances speculative motives should influence the purchase of goods. Each

procurement of goods must take place under proper authority and goods, price, delivery and related terms must be clearly defined and stated.

Suppliers: Sources of supplies should be chosen in accordance with requirements. No self-imposed restrictions should be adopted.

Payment: All possibilities of acquiring supplies on credit should be utilized. Similarly, all possibilities of obtaining quantity rebates on contract purchases should be utilized where economical.

#### Financing Policies

Speculative motives shall be excluded at the procurement of capital. Consequently, money is to be procured only when it is required and then on the cheapest possible terms.

As soon as possible, and to the extent possible, fixed and establishment investments shall be financed through members' shares and surpluses earned by the organisation.

Financing of operations may be done through goods' credit, Government and Foreign loans, bank loans, and the creation of revolving funds. Sources of loans should be diversified so that no single party may unduly influence the Management of the organisation.

Stock levels shall be kept at a minimum.

#### Personnel Policies.

All posts, without exception, will be filled by the persons best qualified, irrespective of education, age, sex, creed, past employment and personal relationships and contacts. All vacancies should be advertised and applicants should be screened in accordance with a Standard Procedure.

#### Personnel Development

The society should undertake in-job training whenever necessary and feasible.

#### Salary

Staff directly involved in sales should be paid a combination of fixed and incentive salary.

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61

PREPARING A BUDGET FOR A CENTRAL PURPOSE  
COOPERATIVE SOCIETY — A CASE STUDY

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Introduction

All of us are aware, consciously or sub-consciously, of budgets and budgetary control and in some measures also practise them. "any "good" husbands are heard every day shouting at or pleading with their wives to keep expenses within budget. Thus, a budget may start from the family and thread its way to a private or public company, a cooperative society, or other sort of organisation and even a government. Those of us who firmly believe in the hereafter perhaps budget for that eventuality too.

However, there are variations in the nature of budgets as between different types of organisations. A family budget generally lays emphasis on keeping down expenditure, whereas commercial types of organisations stress control on both income and expenditure. A government or state budget is an appropriation type of budget which puts the maximum ceiling on expenditure.

What is a budget

A budget is primarily a blue print of a projected plan of action of a business for a definite period of time. It takes into consideration the physical factors, such as, quantities to be purchased, manufactured and sold; the personnel to be engaged, expenses to be incurred and then all these physical factors are translated into monetary terms. A budget therefore becomes a quantitative statement prepared for a defined period of time of the projected plan of action.

What are the objectives

The fundamental purpose of budgeting is to aid in securing control over the different parts of a business. This is done by comparing actual attainments against the budgetary figures and using the latter as a basis of comparison or yardstick in determining the efficiency of operations. However, there are three objectives of primary importance.

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They are:-

- (i) Planning and forecasting, which include the formulation of policies, detailed planning of future action, and preparation of the best estimates possible of the effect of external influence on the business.
- (ii) Coordination, which assures that a business shall be operated as unified whole rather than as a group of separate departments.
- (iii) Control, which includes assignment of responsibility and measurement of results to the end that the forecasted goal may be attained.

In practice an individual business may stress one objective more than the others. Some businesses would still be in favour of budgeting if it involved nothing more than careful preparation of forecasts and plans. This statement has been used to stress the value inherent in planning and forecasting and the reduction of plans, policies, and forecasts to paper. In a large central multipurpose cooperative which is likely to lack cohesion, the principal value of the budget may be its coordinating influence, its ability to unite all elements in a business behind a unified plan of action. In some businesses, use of budget as a basis for control may be the primary objectives. Obviously, however, maximum results are obtained from a budgetary control set-up when all three objectives are striven for and achieved.

#### Budgeting a management function

Planning, coordinating of activities, and control are all parts of the management function. When these are combined in a system of budgetary control, the budget becomes a tool of management.

#### Responsibility for preparation

Generally the primary responsibility for departmental estimates rests with the departmental executives, with the budget director and the accounting department in consulting capacities. Unless the executive incharge of a particular function prepares his own budget the value which he gains from planning and forecasting his activity is lost, and his feeling of responsibility for achieving the goal set is greatly reduced. Therefore in

a central multipurpose cooperative, Supplies, Grocery and Marketing managers have to make their respective departmental budgets while the general manager and the accounting department can offer advice and consultation.

However, in a comparatively small-sized central multipurpose cooperative, budgeting for all the function may have to be done by one man, i.e. the manager in charge of all activities.

#### Length of budget period

The length of a budget period presupposes a period to be covered by the budget. Various departments of the multipurpose cooperative are subject to different influences and hence different periods are used in budgeting the activities. Capital additions, for example, are planned ahead for a longer period than normal trading activities. In many cases the nature of business determines the logical length of the budget period. Businesses influenced by new styles, new models and seasons have the budgets prepared for style season, model year, and so on.

In a multipurpose cooperative, the budget for purchase and sale of agricultural inputs will be determined by the length of the crop they will be used for. Like-wise the budget length for marketing of paddy depends on the period from which paddy starts being harvested until it completely comes into the market. However, grocery department's budget will cover full cycle of the year and will therefore be on a yearly basis.

Closely related to the length of the budget period is the matter of sub-dividing the budget into shorter periods for greater detail in planning, finer coordination of activities, and more frequent comparisons of actual with budgeted results for control purposes. The budget for the entire parts gives an over-all picture of expected results; analysis by shorter unit of time makes possible a determination of each period's contribution to that objective through a comparison with the shorter period's budget.

In most cases, the budget is sub-divided by months, although for some activities a weekly or even daily forecast may be prepared. But operations can be planned accurately on a monthly basis and the budget for the month can be made to serve as a guide for the day-to-day decisions.

#### Place of flexible budget

So far fixed or forecast budgets have been discussed. They present definite limitations for control purposes. Especially in a central multi-purpose cooperative which undertakes processing or manufacturing if the factory operates at exactly the rate of activity planned, the forecast expenses provide a good basis for control, but this occurs seldom. Little real control can be obtained by comparing actual expenses for one rate of activity with budgeted expenses at another rate. Some expenses vary directly with volume and others do not. Real control is only possible when actual costs are compared with determined indications of what the expenses should have been at the attained volume.

This shortcoming of a fixed or forecast budget for control purposes is overcome by the development of flexible or variable budgets used primarily for control of manufacturing expenses.

#### Frequency of revisions

As an aid in planning and a tool for coordinating and controlling the various activities, the budget should be subject to frequent revision. If, as the year progresses, it becomes apparent that the sales forecast will not be met, it is obvious that production plans or purchase plans may be scaled down. Before the advent of flexible budgets, revision was considered undesirable because frequent changes reduced the usefulness of the budget figures for control purposes. Where a flexible budget is used for control purposes this objection is removed, since with changing conditions the forecast budgets can be brought up to date without affecting the basis for control.

#### Functional budgets

~~xx~~ In budgeting, the ultimate objective of budget preparation is

the development of a forecast profit and loss statement and a balance sheet, if necessary. But in the process of developing the summary budget, each element entering into it needs to be forecasted and planned and individual departmental or functional budgets organized into a unified whole. While details may differ from one business to another, they all have the same basic functions and need to prepare at least the following budgets:

A. Supporting Forecasted Profit & Loss Statement:

1. Sales Budget
2. Production Budget
3. Purchase Budget
4. Labour Budget
5. Expense Budget

B. Supporting Forecasted Balance Sheet:

1. Cash and Financial Budget.
2. Capital Expenditure Budget.

Construction of budgets

The case of A.B. Central Multipurpose Cooperative Society Ltd. is taken which besides supplying agricultural inputs and grocery to the primaries also undertakes purchase of paddy from the primary societies and then husks it into rice which is mainly sold to the Government but a certain percentage thereof is also allowed as bonus sale in the open market or back to the primary cooperatives.

Before the construction of budgets is taken in hand it is absolutely, necessary to find out the 'limiting factor'. By limiting factor is meant that factor which stands in the way of achieving maximum return or gain from the business activities. For example, a business may be able to sell all that it produced, may have ample labour and production capacity it needed, but may be unable to obtain all the quantities of material it required for the production of the maximum quantities which could be sold.



The A.B. Central Multipurpose Cooperative suffer from the same limiting factor, i.e. it cannot procure sufficient quantity of paddy to process and then sell rice. Therefore, the first logical step is to construct a paddy purchase Budget.

#### Paddy Purchase Budget

The primary cooperatives affiliated to the A.B. Central Multipurpose Cooperative Society Ltd. prepared the estimates of paddy quantity and quality to be received from members and non-members on the basis of the ~~area~~ number of acres under paddy and the expected yield thereof. These figures were supplied by all primary cooperatives to the Central Society which made its own independent appraisal of the figures supplied before incorporating these in the final purchase budget. Two purchase budgets were prepared: one giving details of quantity and variety month-wise by the primary cooperatives, the other consolidated budget which included rate and purchase amount of paddy as well. Both the budgets are given as Annexures 'A' & 'B' to this paper. Paddy Purchase Budget I is a half-yearly budget from 1st September to 28th February containing forecasts of quantities of paddy to be received from all primary cooperatives month by month.

Paddy Purchase Budget II gives only total quantity figures of paddy month by month without indicating the source but includes rate and amount. It shows at a glance quantity and variety of paddy to be bought month by month and how much it should cost.

#### Production Budget

Having prepared the purchase budget, the management of the Society decided to construct a Production budget. They considered that questions relevant to production planning, such as, what shall be produced, when it shall be produced and in what quantities shall be produced were not strictly applicable to them. However, they budgeted the time that the quantity of paddy as shown in the purchase budget will take to be processed into rice.

The following calculations were made.

Husking capacity of machines per hour	= 40 maunds
Working hours per day on 2-shift basis	= 16 hours
Daily quantity of paddy husked 40x16	= 640 maunds
Total purchase of paddy budgeted	= 60,000 maunds
No. of days required to process 60,000 maunds i.e. $60,000 \div 640$	= 94 days approximately
Approximate no. of months required i.e. $94 \div 25$	= 4 months approximately

It was accordingly decided that the production will start from 1st November, 1969 and end by the end of February, 1970. That is, that the production budget will be of 4 months duration only as against the purchase budget which is for 6 month's duration. The reason for divergence is that only small quantity of paddy is forecast to be received in the first two months while the rate of production is much faster. A complete tie-up between purchase and production schedules is possible when the production starts late by 2 months. The budget of the Society is given at Appendix 'C'.

In drawing up a production budget for paddy processing it is of utmost importance to consider carefully the input-output ratio. That is, how much full healthy rice and how much broken rice shall be produced per maund of paddy. Another consideration that has to be taken into account is that the input-output ratio changes as between different varieties of paddy. This ratio can either be found from past records or, in case they are not available, from trial runs or from both. The society took advantage of both and found that one maund of Begmi paddy yielded 56% full healthy rice and 8% broken rice, whereas Basmati paddy yielded 50% full healthy rice and 12½% broken rice. Taking this conversion factor into account, as also the climatic conditions affecting drying process, the quantities of paddy were converted into the quantities of rice expected to be produced from month

contd on page....8

to month. Each month actual output is compared against budgeted figures to find out variance, if any, and corrective action taken.

### Sales Budget

As rice trade is controlled by the Government in the area in which the Society is situated it has to conform to the State regulations. Rice can be sold to the Government only. However, 10% of the quantity of Begmi rice sold to the Government is permitted for bonus sale in the open market and 15% of the quantity of basmati rice sold to the Government is permitted for bonus sale in the open market.

As for as that quantity of rice which is to be sold to Government is concerned, factors such as past experience and present market conditions do not play any part into making sales forecast because the prices of rice are fixed variety-wise from year to year and there is no restriction on the quantity of rice to be supplied. However, in case of bonus sale of rice and broken rice, a thorough study has to be made of the following factors.

- (i) Last year's rice stock lying with the traders, business-houses, etc:
- (ii) This year's climatic conditions affecting paddy growth and post-harvest drying.
- (iii) Expected production of paddy in the budgeted year in the whole country.
- (iv) Prices prevailing last year with special reference to production volume.
- (v) Introduction of new varieties of rice.
- (vi) The expected rise and fall of prices in relation to the production volume of the budget year.
- (vii) General economic conditions in the country.

Keeping in view these factors, the Society prepared the sales budget which is given as Annexure 'D'. The budget covers a period of only 4 months from November of February in the expectation that all production will be sold during this period. It was considered likely that the prices may rise a little in later months. But the management of the Society took the view that the rise in prices will not be enough to cover inventory carrying charges and the interest to be paid to the bank for the money to be

locked up in stocks. Therefore it was decided not to accumulate the rice stock to take advantage of the rise in prices, if any.

The budget gives a complete breakdown of quantity of rice to be sold to the Government, quantity of full and broken rice to be sold in the open market, the prices and amount expected to be received. Each month actual figures are to be compared with budgeted ones and any deviations coming to light will be ~~looked into~~ looked into.

#### Expense Budget

The Society constructed an expense budget for 6 months from September to February which is given as Appendix 'E'. Each item of expense was classified according to its behaviour. Administrative salaries were treated as fixed expenses because they do not vary in sympathy with the changes in output. Factory payroll was classified as variable because all the labour to be employed is to be casual and paid on work basis. Therefore, payroll expenses are chargeable only for 4 months during which the factory is to run. Contractor's charges for weighing and drying of paddy are variable because they are dependent on the quantity of paddy to be handled. Some expenses like power and light and telephone are classified both fixed and variable in nature. Power charges are partly fixed according to the declared load irrespective of the units to be consumed and partly variable according to the units consumed. Same is the case with telephone expenses. Likewise, all expenses are listed in the budget and comparison is to be made monthly with the actual expenses incurred.

#### Other Budgets

The Society did not contemplate building up of other budgets such as labour budget because it has only a few persons on the permanent payroll. Any budget exercise separately was considered superfluous.

#### Summary Budget

Finally, the summary budget, given as Appendix 'E', was constructed incorporating therein the total figures of paddy purchase budget, sales budget and expense budget. The resultant figure was a forecast profit in respect of the paddy marketing department of the Society.



STATE OF WEST BENGAL  
STATEMENT, 1969 - FEBRUARY, 1970

ANNEXURE 'B'

71

Month	Kind of Faddy	Budgeted figures			Actual figures			Variances		
		Quantity Maunds	Rate Rs.	Amount Rs.	Quantity Maunds	Rate Rs.	Amount Rs.	(+) or (-) Quantity Maunds	(+) or (-) Rate Rs.	(+) or (-) Amount Rs.
<u>1969</u>										
September	Begmi	2,000	11.00	22,000						
October	"	8,000	12.00	96,000						
November	Basmati	10,000	17.00	170,000						
December	"	20,000	17.50	350,000						
<u>1970</u>										
January	Basmati	14,000	18.00	252,000						
February	"	6,000	18.50	111,000						
	Total	60,000		1001,000						

1ST QUARTER, 1969-2ND QUARTER, 1970

ANNEXURE 'C'

72

Month	Kind of Paddy	Quantity Paddy Processed (Maunds)	Quantity Rice Produced					
			Full healthy Rice			Broken Rice		
			Maunds			Maunds		
			Budget	Actual	Variance (+) or (-)	Budget	Actual	Variance (+) or (-)
<u>1969</u>								
November	Begmi	10,000	5,600			800		
November	Basmati	6,000	3,000			750		
December	Basmati	16,000	8,000			2,000		
<u>1970</u>								
January	Basmati	16,000	8,000			2,000		
February	Basmati	12,000	6,000			1,500		
Total		60,000	30,600			7,050		

SALES BUDGET ( IN RELATION TO PRODUCTION BUDGET )  
1ST NOVEMBER 1969 - 28TH FEBRUARY, 1970

ANNEXURE 'D'

73

Month	Budgeted Production		Rice Sale to Government			Rice Sale in open market			Actual	Variance (+) or (-)	Broken Rice Sale in open market				Variance (+) or (-)
	Quantity	Maunds	Quantity	Rate	Amount	Quantity	Rate	Amount			Rate	Amount	Rate	Amount	
	Full Rice	Broken Rice	Maunds		Rs.	Maunds	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
<u>1969</u>															
November	5,600	800	5,091	20/-	101,820	509	25/-	12,725			16/-	12,800			
November	3,000	750	2,608	35/-	91,280	392	40/-	15,680			25/-	18,750			
December	3,000	2000	6,957	35/-	243,495	1043	40/-	41,720			25/-	50,000			
<u>1970</u>															
January	3,000	2000	6,957	35/-	243,495	1043	40/-	41,720			25/-	50,000			
February	6,000	1500	5,218	35/-	182,630	732	42/-	32,344			26/-	39,000			
Total	30,600	7,050	26,331		862,720	3,769		144,689				170,550			



Item	Nature of Expense	September 69		October 69		November 69		December 69		January 70		February 70		Total		Variance (+ or -)
		Budget ('ds.)	Actual ('ds.)	Budget ('ds.)	Actual ('ds.)	Budget ('ds.)	Actual ('ds.)	Budget ('ds.)	Actual ('ds.)	Budget ('ds.)	Actual ('ds.)	Budget ('ds.)	Actual ('ds.)	Budget ('ds.)	Actual ('ds.)	
<u>Budgeted Paddy Purchase</u>	F	2,000		8,000		10,000		20,000		14,000		6,000		60,000		
<u>Budgeted Rice Production</u>						10,150		10,000		10,000		7,500		37,650		
<b>Salaries:</b>																
Administrative	F	2,000		2,000		2,000		2,000		2,000		2,000		12,000		
Factory Payroll	V	-		-		1,650		1,650		1,650		1,650		6,600		
Contractors charges for weighing, drying paddy.	V	800		3,200		4,000		8,000		5,600		2,400		24,000		
Contractor's charges for cleaning rice	V	-		-		5,075		5,000		5,000		3,750		18,820		
Power & Light	F	560		560		560		560		560		560		3,360		
	V	50		50		640		640		640		640		2,660		
Machine Parts & Repairs	V	-		-		300		300		300		300		1,200		
Building Repairs	F	100		100		100		100		100		100		600		
Freight-outward	V	-		-		1,230		1,200		1,200		900		4,530		
Insurance	F	100		100		100		100		100		100		600		
Office Supplies	F	50		50		50		50		50		50		300		
Telephone & Telegraph	F	50		50		50		50		50		50		300		
	V	30		30		30		30		30		30		180		
Travelling & Entertainment	V	50		200		250		500		350		150		1,500		
Depreciation of Machinery	F	200		200		200		200		200		200		1,200		
Depreciation of Building	F	150		150		150		150		150		150		900		
Depreciation of Vehicle	F	450		450		450		450		450		450		2,700		
Local Taxes	V	60		240		300		600		420		180		1,800		
		4,650		7,360		17,135		21,580		18,350		13,660		83,255		

The financial and economic criteria for assessing operational efficiency of a Central Multipurpose Society— A case study.

By ANWAR AHMAD  
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INTRODUCTION

Let us refresh our minds with the definition of a cooperative society. A cooperative society is a business organisation in which persons of small means voluntarily associate together on the basis of equality to achieve their common economic ends. Therefore, one of the basic ingredients and perhaps a major ingredient of a cooperative society is that it is basically a business organisation, the members of which want to achieve economic ends. To do so the members have to run the society on sound business lines, rather on sounder lines, because a cooperative society is inherently weak due to its too much democratic character and the meagre financial resources of its constituent members.

It is worthwhile bearing in mind that the aim of a cooperative society is to provide to its members the best service at the cheapest price. Whereas, the purpose of a private enterprise is to maximize profits and produce the biggest dividends for its shareholders. Although 'profit' conception in a cooperative society is generally relegated to something as a bye-product incidental to business yet it cannot be denied that the development and progress of the society hinges on one criterion, that is the profit-earning power. How can we expect a cooperative society with small capital to stand up in competition against enormous odds without giving due attention to the 'profit' factor which solely generates the internal strength?

Reasons for determining financial & economic criteria

A business enterprise bears a close analogy to a human body. Before a would-be doctor is taught how to cure or how to prevent an illness he has to spend time studying and understanding the structure, functions and methods of operation of the various organs of the body and the manner in which they affect one another and the body as a whole. Same is true of a business enterprise. In order to understand fully about the health of our enterprise we have to know about its objectives, structure, functions and the methods of operation. In the light of the objectives we draw up policies, plan and co-ordinate activities

and finally check up the performance against plans. It is the last, i.e. the controlling process with which we are concerned here.

We take A B Central Multipurpose Society Ltd which performs three distinct functions, namely.

- (a) Supplying agricultural inputs e.g. various kinds of fertilizers, seeds and insecticides, diesel, etc. to primary cooperative societies.
- (b) Supplying grocery items, e.g. kerosene oil, soap, tea, salt, etc. to primary & cooperative societies.
- (c) Marketing agricultural produce, e.g. rice, sugarcane and jute supplied by primary cooperative societies.

#### Source of Basic Information

The usual financial and statistical statements prepared by the societies generally are not frequent and good enough as worthy guides. The statements have to be so designed and prepared as to show distinctively the 3Ps, i.e. position, progress, and prospects. This is only possible when the accounting system is geared to produce the requisite information. In a multi-purpose society this work is rendered more difficult because of the diverse activities undertaken by it. Unless the statements truly reflect all the activities separately, it is not possible to judge the efficiency or otherwise of the society as a whole. Any efforts to evaluate the working of the society in the absence of detailed information is bound to create misleading results. Therefore, if a reliable idea of the society's efficiency from its accounts is to be gathered, it is necessary that the economic environment and the components of accounts, i.e. Trading, Profit and Loss Accounts and Balance Sheet for at least three years must be studied.

#### Economic environment

The economic environments can be elicited by answering to the following questions:

1. What are the climatic conditions during the year under review?
2. Is there any Government's incentive in the form of:
  - a) increase in the prices of agricultural produces - in which the society deals?
  - b) decrease in the prices of fertilizers and seeds?

3. Is there any general rise in the yield of certain products due to better seeds & availability of suitable fertilizers?
4. Is there any rise in the purchasing power of the people in the area in which the society is situated because of government's public expenditure or other reasons?
5. What is the over-all picture of business activity in the area?

If the managing committee of the Central Multipurpose society says yes to all these questions, we should be sure that our society will have fared well. But, how well? There is no exact answer to it without ~~exactly~~ examining the accounting and statistical statements that we can discern the trend.

Cooperative

The final accounts of A.B. Central Multipurpose/Society Ltd. for the last 3 years are given at the end. From the accounts different ratios and percentages are produced to deduce the trends of equity, liquidity, activity and earnings.

Increase in membership and Share Capital

The records show that there were 420 members in the primary societies covered by the Central Society in 1968 as compared to 252 in 1967 and 196 in 1966. This shows that the economic impact of the society in the area rose by 28% in 1967 as compared to 1966 and by 66% in 1968 as compared to 1967. This also indicates that the society's impact was greater in 1968 than in 1967 which augurs well. Likewise, the share capital has also increased in the same proportion.

Own capital: Borrowed capital (Equity Ratio)

By own capital we mean share capital, reserves and undistributed surplus. The balance sheet tells us that the position during the three years was:

	<u>1966</u>		<u>1967</u>		<u>1968</u>
Own Capital:	34,380		43,080		85,340
		Ratio		Ratio	
Borrowed Capital:	141,620	0.17:1	1,77,760	0.25:1	1,17,080
					0.73:1

Thus, own capital was 1/6th in 1966, 1/4th in 1967 and 3/4th in 1968.

This shows marked improvement from 1966 onward. This ratio is one of the most important criteria in indicating credit strength and of great use in measuring the capital structure and the long-run solvency of the society. As to what constitutes the standard ratio of own and borrowed capital, no hard and

fast rule can be laid down. The general principle to be kept in mind is that debt should be kept within such limits that the society can confidently face adverse possibilities without fear of stopping operations. The higher this ratio, the stronger would be the financial position.

#### Reserves to Share Capital

The position is:

Share Capital:	<u>1966</u> 19,600		<u>1967</u> 25,200		<u>1968</u> 42,000	
Reserves	4,780	Ratio 0.25:1	17,880	Ratio 0.71:1	63,340	Ratio 1.5:1

It will be seen that in two years the Society's reserves have leapt from mere 1/4th to 1 1/2 times of Share Capital. This is a fairly good position.

Reserves are funds given by share-holders on which they are not entitled to any dividends. The higher the reserves, the stronger is the financial position. It should, however, be seen whether the reserves have been expended on the acquisition of fixed assets or held in liquid form represented by current assets. A judicious balance has to be struck.

#### Current Ratio i.e. Current assets : Current liabilities

Since funds to be used in paying the current liabilities must be obtained from the liquidation of current assets, the "Current ratio" is exceedingly important to short-term creditors. The ratio is an index of the Society's ability to pay maturing debts. The current ratio of our Society was:

Current Assets:	<u>1966</u> 1,55,000		<u>1967</u> 2,05,840		<u>1968</u> 1,76,320	
Current Liabilities:	1,41,620	Ratio 1.09:1	1,77,760	Ratio 1.16:1	1,17,080	Ratio 1.5:1

The Society was in a pretty tight financial position in 1966 when its current assets just covered the current liabilities. In other words, it had no working capital. The position improved quite a good deal in 1968 when the current assets covered the current liabilities by 1 1/2 times. A financial analyst would term a 2:1 ratio good. However, 1.5:1 is a satisfactory ratio in a cooperative venture.

Acid Test Ratio

This is a supplementary ratio of the current ratio but it measures the immediate solvency or debt-paying ability of the Society. To compute this ratio, inventory figures are excluded from the current assets. The position of the Society was:

	<u>1966</u>		<u>1967</u>		<u>1968</u>
Current Assets minus Inventory:	56,200		73,640		56,620
		Ratio		Ratio	
Current Liabilities:	1,41,620	0.4:1	1,77,760	0.4:1	1,17,080
					0.5:1

The society's cash resources were only 2/5th of the current liabilities in 1966 and continued to be so in 1967. They improved a little in 1968 but even then they are 1/2 of the current liabilities. In order to be satisfactory, the immediate cash resources should at least cover entire current liabilities, i.e. a ratio of 1:1.

Each asset: Total assets

A ratio thus obtained would show what proportion of money was tied up in stocks, debtors, advances and fixed assets and how they change from year to year.

Debtors: Total Assets

	<u>1966</u>		<u>1967</u>		<u>1968</u>
Debtors:	55,860		73,180		55,940
		Ratio		Ratio	
Total Assets:	1,66,000	.34:1	2,20,840	.33:1	2,02,420
					.27:1

Inventory: Total Assets

Inventory like debtors is another item which absorbs enormous liquid money and the ratio of inventory to total assets must be closely watched preferably month by month. The society showed the following position:

	<u>1966</u>		<u>1967</u>		<u>1968</u>
Inventory:	98,800		1,32,200		1,20,200
		Ratio		Ratio	
Total Assets:	1,66,000	0.6:1	2,20,840	0.6:1	2,02,420
					0.6:1

cont.....page 6

The inventory remained static at 3/5th of total assets during all the 3 years. Apparently this does not seem to be a healthy sign but it should not cause any alarm, because the size of inventory must also be examined in the light of sales figures. This aspect is being discussed at length at a later stage.

The above were some of the ratios concerning balance sheet alone. Now we switch over to important ratios relative to trading and profit and loss statement exclusively and also in combination with balance sheet.

Net Profit: Total capital employed

This ratio measures the earning power and provides an indication of economic productivity of the capital. The society showed the following ratio:

Net Profit:	<u>1966</u> 1,380		<u>1967</u> 14,400		<u>1968</u> 29,500	
		Ratio		Ratio		Ratio
Total Capital Employed	1,66,000	0.01:1	2,20,840	.07:1	2,02,420	0.14:1

It is obvious that the Society was in a precarious condition in 1966 with only 1 % net profit on total capital employed. It showed marked improvement next year by having 7% net profit. The position still improved in 1968 when net profit was 14% on total capital employed.

Net Profit: Net worth

This is another measure of earning power of the Society in which the members would be particularly interested because it represents their own money. The position was:

Net Profit:	<u>1966</u> 1,380		<u>1967</u> 14,400		<u>1968</u> 29,500	
		Ratio		Ratio		Ratio
Net Worth:	24,380	0.03:1	43,280	0.33:1	85,540	0.35:1

Thus, net profit improved from 8% in 1966 to 35% in 1968 which is a fair return from every standard.

Net Profit: Members equity

This is still another measure which might interest the members more than anything else. After knowing the net profit as a percentage to their own investment, they can compare it with what they would have otherwise got if they

had invested the money in a bank or elsewhere. The position was:

Net Profit:	<u>1966</u> 1,880		<u>1967</u> 14,460		<u>1968</u> 29,500
Share Capital:	19,600	Ratio 0.1:1	25,200	Ratio 0.6:1	42,000
					Ratio 0.7:1

It will be seen that the members earned a net profit on their investment from 10% in 1966 to 70% in 1968. This shows the amazing profit-earning power of the business. The members could not possibly earn an equivalent rate of profit on their investment elsewhere.

#### Percentage Net operating Profit To Net Sales

This percentage indicates what portion of the sales income is left after all costs have been deducted, to give as dividends to the members and earmark for future development of the society. It is one of the most important and useful criteria, being an indication of cost control and sales promotion. The position was:

Net Operating Profit:	<u>1966</u> 1,080		<u>1967</u> 13,260		<u>1968</u> 27,900
Net Sales:	2,58,600	Percentage 0.04%	3,81,800	Percentage 9%	5,07,000
					Percentage 5.5%

The Society had a fraction of 1% net profit on net sales in 1966. This showed very bad position indeed because of low gross margin and high costs. There was a marked improvement in 1968 when net profit was ~~5%~~ 5.5%. Although the profit margin was still low as compared to private businesses, but as a Cooperative's motto is "Service" as against "Profits", a 5.5% net margin was good enough.

#### Percentage Gross Profit To Net Sales

This is another important barometer by which <sup>trading</sup> results are measured.

The Society showed the following performance:

Gross Profit:	<u>1966</u> 17,600		<u>1967</u> 33,200		<u>1968</u> 51,200
Net Sales:	2,58,600	Percentage 6.9%	3,81,800	Percentage 8.7%	5,07,000
					Percentage 10%



There was a steady improvement in the gross profit margin in the three years. But for a better appreciation it is necessary to appraise three departments separately. Taking the supply, grocery and marketing departments individually the position emerged as follows:

Supply

Gross Profit:	<u>1966</u> 5,400		<u>1967</u> 8,600		<u>1968</u> 12,000
Net Sales:	68,400	Percentage 8%	85,600	Percentage 10%	1,34,400
					Percentage 9%

Grocery

Gross Profit:	1,800		2,800		5,400
Net Sales:	18,000	Percentage 10%	23,200	Percentage 12%	35,000
					Percentage 15%

Marketing

Gross Profit:	10,400		21,800		33,800
Net Sales:	1,72,200	Percentage 6%	2,73,000	Percentage 8%	3,37,600
					Percentage 10%

Although over-all percentage of gross profit to Sales showed an upward trend from 6.9% to 8.7% in 1967 and from 8.7% to 10% in 1968, the make-up by departments revealed that the supply department did not fare well in 1968 as the gross margin decreased from 10% to 9%. This information would have remained hidden had not department-wise gross profit been ascertained. Even this analysis is not enough. The rupee-value of sales figures does not in fact portray true conditions. The management must also know what were the quantities of each commodity handled during the three years. A comparison of quantities between different periods would make it possible to appreciate whether more produce was marketed, more agricultural inputs were supplied and more grocery was sold. If that were the case, the Society had really progressed and made good impact in the area. If not, the increase in sales value over the period was just due to high prices and not due to any extensive economic impact of the Society.

Percentage Debtors To Sales

This is a good measure to judge ~~whether or not~~ whether or not the credit control has been exercised judiciously. Too often credit is granted merely to complete a sale or attract a sale without considering the cost involved in extending and collecting it.

The Society's position was:

Debtors	<u>1966</u> 55,860		<u>1967</u> 73,180		<u>1968</u> 55,940
		Percentage		Percentage	Percentage
Sales	2,58,600	22%	2,81,600	19%	5,07,000
					11%

It was not a bad performance in 1967 when the debtors to sales decreased from 22% to 19% but the Society did exceedingly well in 1968 when the debtors went further down from 19% to 11%. It was a good sign of credit control that despite the sales rising appreciably over the years, the debtors were decreasing.

There is another variation of the measure to judge the efficiency of the credit control. Here we look into the number of days of total sales in year-end debtors. This figure can be found by the following formula:

- (i) Total Sales ÷ No. of selling days in a year i.e. 300 days  
(ii) Debtors + Product of (i) above

Applying the formula to Society's figures for the 3 years we have:

(i)	$2,58,600 \div 300 = 862$	$3,81,800 \div 300 = 1,272$	$5,07,000 \div 300 = 1,690$
(ii)	$55,860 \div 862 = 65$ days	$73,180 \div 1,272 = 57$ days	$55,940 \div 1,690 = 33$ days

The average day's total sales in year-end debtors were 33 days in 1968 as compared to 65 days in 1966 - a marked improvement.

The above measure is based on year-end data. Using fiscal year-end data as a basis for the measure automatically makes the financial position appear more favourable than is normally the case. Some societies may be indulging in the practice of improving year-end position over the normal condition which may be termed as "window dressing". In evaluating the Society's credit control policy, this improved year-end condition must be taken into consideration if an accurate evaluation is to be made.

#### Inventory turnover

Here we come to a very important measure. Inventory turnover relates inventory size to sales volume. It is a measure of the use of inventory capital and high turnover is associated with good management and should result in higher net margin. As inventories are carried generally at or near cost, it is more accurate to use "cost of goods sold" rather than "sales" as the

denominator. If sales are divided by average inventories, the turnover ratio will be overstated to the extent of percentage make-up.

While a high inventory turnover is generally considered a criterion of effective inventory management, an extremely high turnover may indicate inadequate or even poor service. A secondary society which is generally out of stock cannot serve its patron primary societies. When a patron obtains the unstocked item elsewhere, it may be prone to purchase other items too from other sources thus further reducing the volume of sales.

Turnover comparisons for total inventories of all departments together are quite often meaningless because the proportion of sales and inventories represented by different departments vary so greatly.

The turnover ratio of our society as a whole was:

	<u>1966</u>		<u>1967</u>		<u>1968</u>	
Sale	2,41,000		3,48,600		4,55,800	
Inventory	98,800	2.4 times	1,32,200	2.6 times	1,20,200	3.8 times

There is a marked improvement in the turnover in 1968 and this is confirmed by the business activity reflected in the Profit and Loss Account.

However, a better picture emerged if the turnover of the three departments was obtained separately. This was:

	<u>1966</u>		<u>1967</u>		<u>1968</u>	
<u>Supplies</u>						
Sale	63,000		77,000		1,22,400	
Inventory	35,000	1.8 times	47,400	1.6 times	25,800	4.7 times
<u>Grocery</u>						
Sale	16,200		20,400		29,600	
Inventory	2,400	6.7 times	4,800	4.3 times	2,600	11.4 times
<u>Marketing</u>						
Sale	1,61,800		2,51,200		3,03,800	
Inventory	61,400	2.6 times	80,000	3.1 times	91,800	3.3 times

It is stated above that turnover comparisons of total inventories of all departments together are often meaningless. This statement is borne out

when an analysis of inventory turnover was done for each department. While over-all inventory turnover showed improvement from year to year but the fact was that not all departments showed improvement constantly. The turnover of Supplies Department was bad in 1967 as compared to that in 1966 but improved three times over in 1968. Same was the case with the Grocery. Only Marketing showed constant improvement. Therefore, a detailed analysis only can provide a correct picture of the affairs.

#### Expenses : Sales

Profits can be increased two ways, either ~~by~~ by getting more sales and more profit margin on one hand and/or by reducing expenses on the other. Therefore, in order to increase profits a constant surveillance is required to be kept on expenses. One of the common ways is to compare each expense as a percentage of sales over a period of time. Percentages <sup>have</sup> ~~was~~ been shown in the profit and loss account itself. Any adverse trend can be noticed in time, causes located and corrected. However, some expenses by nature are fixed, some semi-variable and some variable within certain ranges of activity. In order to have a complete control over expenses, expenses must be distinguished by their behaviour.

So far we have been discussing the efficiency of our central multi-purpose society by the nature of activities it undertakes. That is not enough. All the activities should be further analysed by primary societies. All the purchases, sales and expenses will be segregated according to primary societies. The resulting figures will throw up the primary societies which have done better than others. Therefore, the records of the central society should be so designed as to yield all data relevant to itself and also to primary societies.

These were some of the many financial and economic criteria by which the efficiency of a Society can be judged. Applying same criteria to the AB Central Multipurpose Society we have found that the society has done fairly well in the year 1968 and has a good out-look for the future.

86

A B Central Multipurpose Cooperative Society Ltd  
Trading Accounts  
For the years ended 30th June.

	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>
<u>Supply Department</u>						
To Opening Stock	47,400	35,000	24,800	By Sales	1,34,400	85,600
To Purchases	1,00,800	89,400	73,200	By Closing Stock	25,800	47,400
To Gross Profit	<u>12,000</u>	<u>8,600</u>	<u>5,400</u>			
	<u>1,60,200</u>	<u>1,33,000</u>	<u>1,03,400</u>		<u>1,60,200</u>	<u>1,03,400</u>
<u>Grocery Department</u>						
To Opening Stock	4,800	2,400	2,800	By Sales	35,000	23,200
To Purchases	27,400	22,800	15,800	By Closing Stock	2,600	4,800
To Gross Profit	<u>5,400</u>	<u>2,800</u>	<u>1,800</u>			
	<u>37,600</u>	<u>28,000</u>	<u>20,400</u>		<u>37,600</u>	<u>20,400</u>
<u>Marketing Department</u>						
To Opening Stock	80,000	61,400	35,200	By Sales	3,37,600	2,73,000
To Purchase	3,15,600	2,69,800	1,88,000	By Closing Stock	91,800	80,000
To Gross Profit	<u>33,800</u>	<u>21,800</u>	<u>10,400</u>			
	<u>4,29,400</u>	<u>3,53,000</u>	<u>2,33,600</u>		<u>4,29,400</u>	<u>3,53,000</u>
					1,72,200	61,400
					<u>2,33,600</u>	<u>2,33,600</u>

87

A.B. Central Multipurpose Cooperative Society Ltd  
Profit and Loss accounts  
For the years ended 30th June.

	1968	Page of sale	1967	Page of sale	1966	Page of sale	1968	1967	1966
To Salaries	10,040	2.0	9,580	2.5	9,120	3.5	12,000	8,600	5,400
To Bonus to Staff	2,140	.4	760	0.2	-	-	5,400	2,800	1,800
To Electricity	420	.1	380	0.1	360	0.1	33,800	21,800	10,400
To Water	120	-	120	-	120	-	51,200	33,200	17,600
To Rent	-	-	960	0.2	960	0.4	-	-	-
To Entertainment	880	.2	620	0.2	480	0.2	800	700	500
To T.A.	1,140	.2	760	0.2	520	0.2	800	500	300
To Cartage	3,880	.8	2,720	0.7	1,680	0.6	-	-	-
To Audit fee	300	-	200	-	200	-	-	-	-
To Stationery	480	.1	360	0.1	320	0.1	-	-	-
To Depreciation	160	-	100	-	100	-	-	-	-
To Interest	1,560	.3	1,820	0.5	1,880	0.7	-	-	-
To Leakage	01,280	.3	900	0.2	460	0.2	-	-	-
To Bad Debts	900	.2	660	0.2	320	0.1	-	-	-
Net Profit c/d	29,500	-	14,460	-	1,880	-	-	-	-
	52,800	-	34,400	-	18,400	-	52,800	34,400	18,400
To Dividends payable	4,200	-	1,260	-	196	-	29,500	14,460	1,880
To Welfare Reserve	2,950	-	1,446	-	188	-	440	254	262
To Building Reserve	5,900	-	2,892	-	376	-	-	-	-
To General Reserve	16,224	-	8,676	-	1,128	-	-	-	-
To Undistributed surplus	666	-	440	-	254	-	-	-	-
	29,940	-	14,714	-	2,142	-	29,940	14,714	2,142

A.B. Multi Purpose Central Cooperative Society Ltd  
Balance Sheet  
As on 30th June

	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1967</u>	<u>1966</u>
Sundries Payable	5,060	2,320	1,100	680	340
Creditors	82,520	1,40,640	1,12,520	21,800	39,280
Bank Overdraft	21,300	24,600	28,000	34,140	33,900
Government Loan	8,000	10,000	-	-	-
Provision for Depreciation	660	500	400	25,300	47,400
Welfare Reserve	4,676	1,726	280	2,600	4,800
General Reserve	27,760	11,536	2,860	91,800	80,000
Building Reserve	9,778	3,878	986	12,000	11,000
Undistributed Surplus	666	440	254	1,600	1,000
Share Capital	42,000	25,200	19,600	12,000	3,000
	<u>2,02,420</u>	<u>2,20,940</u>	<u>1,66,000</u>	<u>2,02,420</u>	<u>1,66,000</u>

89

NATIONAL SEMINAR ON CO-OPERATIVE  
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Problems and Trends in Agricultural  
Co-operatives in East Pakistan.

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After independence the Co-operative Movement in East Pakistan was in a moribund condition. Out of 32000 cooperative societies 27000 were functioning as agricultural credit societies with unlimited liability. The concept of unlimited liability credit societies could not gain popular support from the poor farmers with limited holdings. They were in confusion about the objectives of such cooperative societies for the fulfilment of promise towards better living. Credit societies with unlimited liability became synonymous with joint farming denying the privileges of private ownership. The Central Co-operative Banks were also in a state of financial bankruptcy with no Apex Bank. With a view to remedying these defects the East Pakistan Provincial Co-operative Bank was organised during the month of March, 1948. Reorganisation at the lower level was translated into action through gradual liquidation of village societies with unlimited liabilities by the limited liability cooperative Societies at the union level. The process of liquidation continued for several years. The Pakistan Agricultural Enquiry Committee of 1951-52 headed by Lord Boyd Orr recommended that government should take positive steps in developing Multipurpose Societies at the Union level, instead of the former village based credit societies.

Because of lack of leadership in the rural areas the Committee suggested that government officers should work as Secretary of the Rural Multipurpose Societies. With gradual training of farmers, Government control from the societies should be relaxed. By 1953-54, 2949 Union Multipurpose Societies were organised in East Pakistan. These societies had no significant credit operation. From the year 1948-49 to 1958-59 only a total amount of Rs.1,06,71,000/- was channellised through Union Co-operative Multipurpose Societies.

Though the Union Multipurpose Co-operative Societies were organised at union level, these institutions were not considered as the sole agencies for channelling agricultural credit. Taccavi loans were the strong rivals of Co-operative Credit and later on Agricultural Development Finance Corporation



was started for giving loans to the agriculturists. The growth of these credit societies may be reflected from the following table :-

<u>Year.</u>	<u>No. of societies.</u>	<u>Membership</u>	<u>Share Capital.</u>	<u>Deposit.</u>
1954-55				
1959-60	3711	773,218	61.57	5.45
1960-61	4034	888,135	84.64	16.81
1961-62	4078	964,635	161.63	21.82
1962-63	4098	996,536	107.47	34.54
1963-64	4200	1,015,821	117.87	45.96

The rate of progress with regard to the Central Co-operative Banks is shown below :-

<u>Year.</u>	<u>No. of Banks.</u>	<u>Share Capital.</u>	<u>Deposits.</u>	<u>Working Capital.</u>
1959-60	56	30.27	45.42	345.86
1960-61	60	35.75	45.42	517.24
1961-62	60	37.53	70.34	469.36
1962-63	62	40.21	81.89	635.91
1963-64	62	47.82	86.82	665.80

(amount in lakhs of rupees)

Though the Union Multipurpose Credit Societies and the Central Banks grew steadily in stature, they confined their operation mostly to the sphere of Short term loans. The operation of these societies suffered from several limitations. Firstly, their functions were concentrated mostly on credit to. Credit was not preceded by preparation of production plans for proper utilisation. Study reveals that in the absence of farm guidance, 70/75 percent of the credit was utilised for consumption purposes which produced negative benefit in the sense that members were saved from going to the indigenous money lenders to borrow at the high rates of interest.

Secondly, intimate primary contacts among the members of the primary societies could not be ensured. As a result the basic disciplines like thrift regular meetings etc. did not become a regular features. In the absence of adequate financial support the formation of capital suffered.

Several factors might be attributed towards the growth of credit societies on the lines enunciated above. Firstly, uncontrolled irrigation in the absence of controlled irrigation. In the absence of controlled irrigation the farmers

did not like to invest adequate amount for the increase of production. Secondly, Sub-division and fragmentation of land holdings stood in the way of formation of well-knit small cooperative societies. Lastly, lack of improved agricultural technique did not attract the farmers to plan their farming on a planned basis.

A new chapter has been opened up in the growth of co-operative movement of the province through the rise of village based cooperative societies. The experiment started in the Kotwali Thana of Comilla district. The main feature of the new experiment is that primary societies are organised at the village level which is supported by a strong cooperative federation at the thana level charged with the responsibilities for the dispensation of credit, training and service facilities. Though mingling up of credit function with business like marketing and mechanisation is not non-controversial from banking point of views the new system has got several special advantages for integrated agricultural development. Village based cooperative societies can promote primary contact among the members and fulfill in a better manner preconditions like weekly meetings, thrift deposits etc. During the period from 1962 to 1968 1427 primary credit societies and 36 thana cooperative Association were organised. A total amount of Rs. 228.23 lakhs was disbursed as agricultural credit to the member of these societies. The net result has been the following.

Year	Total no. of village based Agri. Credit Societies.	Loan disbursed to members. (Rs. in lakhs)	Total savings deposit. (Rs. in lakhs)	Total amount of share capital. (Rs. in lakhs)
1962-63	36	3.55	0.87	0.41
1963-64	130	4.64	1.71	0.74
1964-65	162	4.09	2.00	1.17
1965-66	265	7.21	2.13	1.52
1966-67	499	25.59	8.72	3.69
1967-68	1367	78.63	18.93	9.85
1968-69	1427	104.52	45.29	13.67
		228.23		

During the year 1968-69 a new dimension of outlook arose from the horizon of cooperative movement in East Pakistan. About 7800 irrigation societies were organised for the supply of credit, fertilisers and other agricultural inputs. A total number of 1.40 lakh farmer members were financed to the tune of Rs. 2.07 crores. The main feature of the programme was that a production plan was prepared for each individual farmer in which the requirement of credit under different heads was defined clearly and credit was disbursed with specific objectives for increasing

agricultural production. The success of the programme of Supervised Credit operation through cooperatives has been amply demonstrated by the fact that repayment reached a level of 80% of the total disbursement.

The trends of the recent development seems to be in favour of agricultural credit societies with the following features :-

Firstly - village based small societies capable of promoting intimate primary contacts among the members and basic cooperative discipline like thrift, of weekly meetings etc. Secondly disbursement of credit after the preparation of production plans for utilisation of specific objectives for increasing agricultural production. The emphasis for utilisation should be on productive purpose rather than meeting the consumption requirement.

Thirdly a look towards the self-sufficiency and prospects for self-dependence through capital formation.

The agricultural credit cooperative societies have been faced with some acute problems in the process of development. Firstly, the production credit operation cannot achieve good success without being linked up with marketing. A Scheme namely "Development of Co-operative Credit and Marketing Structure in East Pakistan" was launched with the objectives of linking up credit with marketing operation. Central Marketing societies have been organised under the scheme for development of cooperative marketing. The success on this aspect though has not been very commendable any future programme for the development of agric. Co-operatives in East Pakistan should lay increasing importance on marketing.

(2) Extreme limitation of controlled irrigation areas has stood in the way of growth of agric. cooperatives at an accelerated rate. Out of total cultivated area 225 lakhs acres of land in the province, only 9 to 10 lakh acres are under controlled irrigation. The absence of controlled irrigation creates uncertainties about the volume of agricultural output and consequently affects the formation of capital adversely.

(3) Too much emphasis on credit has been considered to be another drawback in the development of Co-operative Movement. The agricultural cooperative movement should put reliance on training and extension function along with credit operation.

(3) The Land Tenure System of East Pakistan is not considered to be conducive for free growth of cooperative movement. A large number of farmers have been cultivating the land of others under "Borga" system. Lack of personal ownership and absentee ownership cannot promote the spontaneous response for cooperative movement. Any land reform on the principle of "Land to the Tillers" is expected to produce salutary effect on the growth of cooperative movement at an accelerated pace.

(4) Co-operative Education : Lack of proper knowledge about the principles of cooperation among the members is also considered to be stumbling block in the way of proper growth of cooperative movement. The success of cooperative movement lies in a proper reconciliation of individual interests with those of the group. A massive education programme on cooperation can put the movement on proper footing. For these, leadership among the members of the public need be encouraged and the task cannot be accomplished by the official patronage alone. The existing cooperative Unions need be reorganised on democratic principles so as to provide an effective support to the movement.

(5) Efficient management :-

At present majority of the cooperative enterprises have not been blessed with efficient management. Co-operative Movement cannot function in an isolated manner in agricultural field. Any success in the field of agriculture cooperatives will depend on activities in the fields of Marketing, Consumers and other Co-operatives. Without an efficient cadre for management the cooperative enterprises in other spheres cannot go along properly. The present day problem lies in building up a cadre of Managers who will work under the democratic control of the Managing Committees.

Technique of raising capital in a  
Central Multipurpose Society.

Mr. Shamsul Haq,  
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Rural Capital Cycle:

The subject of presentation may also be interpreted as capital formation in a Central Multipurpose society. This leads us to examine the situation of the capital cycle that exist in our rural areas which has direct relation with the East Pakistan Economy.

Let us see how it is. Ali is a farmer. He owns about an acre farm in village Subarnapur, F.S. Comilla Kotwali. He is a typical case of his village. By the time rain comes each spring, the fall crop has been consumed and Ali is without money. In some years he gets a job as a labourer in earth cutting for Gunti embankment or road construction of the local Union Council. This gives him enough income to buy food. But every spring he has to go to see "Bazal Majumdar" the local money lender, to get money to make a crop.

Ali borrows as little as he thinks, he can, to get by from Bazal Majumdar, usually it is Rs.150/- to Rs.200/-. Even for so little Ali's word has no value. Bazal Majumdar knows that in the last 10 years Ali has not been able to repay his loan punctually on four separate occasions. So Bazal Majumdar asks Ali to execute a deed of sale for  $\frac{1}{10}$ th of an acre of his land. This Ali does gladly. Ali readily agrees to pay 4 maunds of polished rice after the harvest for use of two hundred rupees. Technically it is rent for the land Bazal has taken as security for the loan. If Ali can pay Bazal in full with interest following the harvest, he will have his land returned to him.

Let us see what does Ali do with his two hundred rupees. First, he buys food, then some clothing for his family. Then he buys seed, some muster oil cake and rent a pair of bullocks to plough his land. He gets along as cheaply as he can. He can't afford better. Sticking to the most elementary method, he harvests his crop. Except for variations caused by the weather, this crop is like the one last year and the year before. He cannot afford to experiment with new methods. He is lucky if the crop yield is up to the average. When the crop is threshed and dried, Bazal drops in at Ali's place and collects his 4 maunds of rice. If the crop is good Ali also repays the principal and gets his land back.

Most of the actual farming in Comilla Thana is done by farmers like Ali. There are many villagers even less land than Ali. These men will pay almost any price to get land to grow a crop. Any person like Bazal who is fortunate enough to have a few acres of land, can earn much more by renting his land to his neighbours than by working it himself.

Bazal Majumber inherited 7 acres of land from his father. He has been able to purchase 2 acres of land for himself since he has been on his own. He does not work with his hands. He does not have to. He rents the land for Rs.250/- per acre in advance because it is good land and can grow two crops regularly. He does not need all the cash he receives for rent from 9 acres, so he used to loan them again to farmer like Ali at 2 Mds. of polished rice rate. Each acre of land which he handles in this way earn him about Rs.400/- per acre. He could not have been sure of earning this much per acre. He could not have been sure of earning this much per acre even with most modern agricultural methods had he farmed the land himself. Under the circumstances Bazal did the wise thing. He let others take the risk of failure. This was good management.

It is obvious that a village can't have more than it produces. If it could ~~XXXX~~ produce more, it could consume more. Because Ali has no extra money to invest in better seed and fertiliser, he can't produce more. And Bazal finding it more profitable to invest in Ali's misery than in his own land, the product is a thin pie, whose slices are unequally distributed in the village economy.

The only hope of making the whole pie bigger, thicker and richer is to make it possible somehow for more investment to be put into the land. This would increase production for the whole village.

In an economy with land and capital shortage, and high risk in ~~XX~~ production, it would be too much to expect Bazal to turn away money lending and renting land in favour of better farming. The hope for increased production seem to lie with the man like Ali and little men like him.

Can Ali be taught to save money even from his small earning? Can he be taught to use loans derived from these saving for investing in farm production? These are the questions before us to answer.

#### Scope for village savings:

From the case above, we know that many farmers pay out as much as a third of their gross income each year for payment of interest.

(3)

If these interest rates could somehow be lowered from the present 60% or 100% per year down to something reasonable, say 12% to 15%, farmer like Ali's income would be increased by almost half.

If by some miracle Ali could then be induced to save this extra money rather than spend it, as he certainly otherwise would and if he could further be persuaded to invest these savings in better seed, more personal income could be tripled or possibly increased more than that.

The scope for accumulating savings in the village is large. The problem is to break the cycle of paying out a third of the crop for interest. If instead of this the money could be saved and productively invested, and much of the increased production saved and productively invested again, dependence on Bazal for money to grow the next crop would be unnecessary.

Four conditions must be met in order to achieve this production break through. (1) There need to be a fund which can be drawn upon to make loans to Ali at low interest rate (2) Ali must be both willing and able to save the money which ordinarily he would have paid as interest to Bazal (3) Ali must be both willing and able to invest the savings in better methods of agriculture (4) Ali must be willing and able to repeat this process again and again.

In the light of the above, it seems obvious that much depends on the ability of an organisation like Central Multipurpose Society (1) to get low interest rate loan into Ali's hand and (2) to train Ali how to save and use money affectively. Ultimately, however, much will depend on Ali's ability to learn how to do these things for himself.

#### Designing Savings System.

The big job is to change Ali from a helpless peasant, the victim of his own ignorance and his environment, to a man who could think of himself and who could think of himself and who could manage and control his own affair.

Such radical change in Ali would have to be brought about slowly. Ali might back slide or rebel, so the system would have to include built in means to protect both Ali from himself and the system for Ali.

Contd.....4.

From this thinking a supervised savings and investment system was established to help ment like Ali to become a new kind of village man. A village cooperative group was established in Comilla to help - train /li in the xx new ways. A Bank was set up to hold /li's money and make it spending difficult. A training system was established to encourage and build the new ways and to discourage the old. The heart of the system at all levels was training, training and more training.

#### Cash savings Technique

In the Comilla Co-operatives, a good organizer tells the members of his group "No man is too poor to save, so you too should save". The organizer builds up an area of social approval about small savings. Week after week this exhortation of the organizer in the General meeting of the village cooperatives gives the members an atmosphere of savings and makes the members tempted to deposit something, however little, to his own account each week in his xxxx savings pass book.

Such savings, if done properly, doesn't amount to very much in accumulated funds, but it does develop the habit of saving. Savings habit can be taught. Cumulative savings of Comilla cooperatives at a glance may give some light on the potentialities that exist in rural areas of East Pakistan,

#### Cumulative small weekly savings deposit as on 31.12.69

<u>Nature of societies</u>	<u>No. of societies</u>	<u>No. of members</u>	<u>Cumulative savings.</u>
Agriculture-	311	11,162	12,50,94/97
Special type (Non-Agri.)-	82	3,968	4,65,833/86
Employees-	6	590	58,596/23

#### In-kind Savings Technique

The teaching of cash savings habit is to restore the lost confidence of the subsistence and below level subsistence farmers. There has been complete frustration prevailing among them. The cash savings may not have saved very much money for the individual but it makes a different kind of man out of him.

The purpose of In-kind savings, on the other hand, is to accumulate large sums of capital which can be saved to invest in the village economy. Since time began; it seems to our farmers, paddy has always been paid out to the landlord and the money lender. The trick then, of getting in-kind savings is to replace the money lender and the landlord by the cooperative.



This is what was done in some villages of Comilla Cooperatives. They were encouraged to set up traditional Gola (i.e., grain storage system), members' grain meant for repayment of loan, release of land, seasonal deposits, future investment etc. was stored in this cooperative gola and sold subsequently instead of selling just after the harvest. This cooperative storage and sale brought them a premium varying from Rs.5/- to 6/- per Md. within a short period of 4/5 months. This cumulative premium amounting to Rs.3,500/- was the capital earned by this system for further investment in the village economy. The importance of Gola is not its better grain storage facilities, but rather the achievement of savings which it permits under the control and guidance of the Cooperative itself.

The village Gola programme:

A simple home grain storage programme was tried out in Comilla. The plan worked like this: the members of a village cooperative were asked to pledge that they would set aside some grain in their own homes as savings. They agreed to deposit the sale proceeds in their cooperative accounts whenever the grain was sold. In spite of the fact that the system was purely voluntary about one fourth of the pledges made actually resulted in sales proceeds being deposited in the bank. This gave encouragement to the idea of setting up an improved storage system by later part of 1961.

In 1962, two new storage systems were tried out. The first consisted of asking village cooperatives to deposit their group grain deposit in a godown at the godown of the supporting cooperative federation. Several cooperatives participated in this experiment. This idea had two drawbacks however. First, it required hauling the paddy a long distance just to store it, second, the Central Cooperative Federation did not have the experienced personnel required to handle the stored grain properly. Village cooperatives probably could do a better job of this.

The second system was to encourage individual village Cooperatives to set up their own group storage places in their village. They were encouraged to build new storage Gola. The village cooperative was asked to find a gola or build or build one, and place the cooperative's grain in it. They were asked to place a lock on the gola. The lock would have two keys. One key would be held by the village cooperative; the other key would be held by the Central Co-operative. An agreement was entered into between the Central Co-operative and the village Cooperative that the grain would be sold only by mutual

mutual agreement and the sale proceeds would be deposited in the Bank of the Central Cooperative.

An agreement was also reached between the village co-operatives and the Central Cooperative that loan could be taken against this stored grain amounting to upto 60% of the harvest time value of the grain. Many members took advantage of this agreement to get loans.

In late May, 1962 the grain stored at the Central Cooperative began to be sold. Much of the grain was moved from Comilla by tractors - trailers by the Central Cooperative to the large grain market (Hajiganj, Chowmuhani). The price was good, about Rs.19/- per Md. about Rs.6/- higher than the price of the grain deposit. After meeting the haulage charge of approximately Re. 1/- per Md., the societies participated made good amount of capital.

#### The food Bank technique capital formation.

The Scheme that was finally worked out by the Central Cooperative was as follows:-

A village cooperative needing food would be loaned some paddy or other grain. When the next harvest came in, the village would repay the loan. In addition 5 seers of paddy would be paid as interest for each maund of paddy borrowed i.e. 1/8th of the grain borrowed. In addition 10 seers of paddy would be deposited per maund borrowed as a Food Reserve Deposit. This would belong to the village cooperative, but would be held by the Central Cooperative in its godown. This was found effective with successful results. The villagers having to pay 100% interest on food loans, as used to be the case, in Comilla villages, they now could get food at 12½% interest plus building a food Reserve stock of their own.

726 Mds. 20 srs. of Rice to 22 village cooperatives brought in 9 months  
91 Mds. paddy as interest and 181 Mds. 24 srs. as Food Reserve deposit in 1962 July.

#### Designing of the Bye-laws for raising capital.

The Bye-laws of the Central Co-operative was framed to undertake two distinct tasks, first, to help the members to attain greater skill in the use of better and ideas. Second, to help the members to accumulate capital so as to put the new ideas and methods to work.

Contd...7.

The Bye-laws stressed the use of sound business methods, for example they specified that all borrowers must put up several forms of collateral against any loan taken. It provided that loans should be given primarily to increase production. All sales of the Central Cooperative to be in cash. Each member society borrowing money had to create a Reserve Fund.

The Bye-laws also stressed the need for a member societies to use Central Cooperative as an agency for the accumulation and investment of capital.

Such primary society has to purchase Rs.50/- in capital share as its admission fee to to the membership of the Central Cooperative. Next each member society has to pay an annual membership fee of Rs.50/- each year thereafter and each member of member society a membership fee of Rs.5/- each year.

Each member society, before it can borrow money from the Central Cooperative, has to purchase capital stock share in the Central Cooperative equal to at least 5% of the principal of any loan applied for. Cumulative share Capital of Comilla Cooperatives as on 31-12-69 is given below:-

	<u>S.C.C.S.</u>	<u>Member.</u>	<u>Total amount of share</u>
Agriculture	311	11,162	8,14,195.00
Special type	82	3,968	3,94,555.00
Employees-	6	590	22,420.00

Raising of capital by utility service.

Societies having better leadership and management skill are raising capital by developing institutional facilities in the shape of irrigation services, tractor cultivations, plant protection services to non-members at a premium rate over the rate available to members and created sizeable capital 5 societies by now have been able to built their own cooperative office-cum-fertiliser shop within a short period of last 4/5 years. As many as six primary non-agricultural (Special type) societies are having their own office-cum-Garage out of the business income.

Supervised credit system-

Lastly & not the least is the credit system of Comilla Cooperative which is based on the principles of ~~xxxxx~~ regular thrift deposits, group planning, adoption of improved method and productive investment. During the past it has not been possible to build a viable system of rural credit for many reasons, the Chief being the absence of the banking habit among

the Farmers. They do not make any deposit. How can there be credit without deposit? Secondly, the majority of the farmers on account of their meagre production (as stated before) do not appear attractive to the bankers.

The Central Association examines the growth of society's deposits and its production plan and fixed a loan ceiling. Regularity of deposits, adoption of improved methods, good plans of investment and punctual repayment of loan are proclaimed as the criteria of credit worthiness. Deposits of the members are held as collateral for the loan given to the members.

"No deposit, no credit" is the slogan of the Comilla Cooperative.

- N. H. Khan,  
Joint Chief Loan Officer,  
Agri.Dev.Bank of Pakistan,  
D a c c a.

Gentlemen, before going in to the technique it is worthwhile to discuss briefly about marketing co-operatives. Although the Co-operative movement is 66 years old in our country marketing activities are practically a recent development. History of Co-operative movement in our country is mainly the history of credit Co-operatives. The necessity of linking marketing with credit has long been felt but the activity on the marketing side was very much limited. In western countries producers' marketing Societies have grown spontaneously. The producers felt the urge to have their own marketing organisation to save themselves from exploitation by middlemen and traders. They realised the benefit and they have successfully developed marketing side. Our agriculturists are all along being exploited. They do not get fair price for their produce as they have not the boarding and bargaining capacity. They borrowed for their productive operation but cannot repay their loans as they do not get fair price for their produce. They are compelled to sell their produce in the lowest market immediately after harvest. The fruit of farmers' toil is thus eaten up by the middlemen and traders. The farmers remain poor. Marketing Co-operatives at producers level can substantially improve their lot but unfortunately there is no urge among our agriculturists for organising marketing co-operatives. As a matter of fact entire Co-operative movement is something thrust from the Government and it has not taken any root in our soil as yet. Lack of selfless workers, good and honest organisers and bad management are the features of our Co-operatives. Hasty organisation of bad societies have acted against healthy growth of Co-operative movement in our country. It is therefore, not unnatural that the marketing co-operatives face difficulties and problems.

I will now discuss the problems that the Societies under Credit and Marketing Scheme may face and try to suggest some ways and means to solve these problems.

Credit and Marketing Societies have dual objectives. On the one hand it aims at effecting realisation of loans advanced to the members and on the other sale of members produce at the best possible price by holding back the stock for sometime till the market of a particular produce is favourable. The profit made by the Societies goes ultimately to the member in proportion to his contribution. In the absence of the marketing side a member obtaining credit from the Society has to repay the loans with interest by selling his surplus produce in the market just after harvest when the price of his produce is usually too low. In such circumstances he has to part with a considerable part of his produce to repay the loan. The marketing co-operative purchases members' produce at the prevailing market price and (contd...2)

the value is adjusted against the loan. The loanee member does not get any immediate benefit but he can expect additional money against the same stock out of the net profit by the Society by selling the stock when the market is favourable. This being the position and objective there should not be any difficulty for the marketing co-operative to procure members' produce. But since our agriculturists are proverbially poor, and majority of them do not produce enough marketable surplus and are handicapped in many ways this simple logic does not appeal to them. There may be difficulties in procuring members' produce due to the following reasons :-

- (a) The member may not produce enough marketable surplus.
- (b) The member due to his financial circumstances and absence of repaying capacity may avoid repayment and default in delivering his produce.
- (c) The godown of the Society may not be suitably located. If the cost of transport to Society's godown is higher than the cost of transport to the market, the member may avoid delivering the produce to the Society.
- (d) The member may not have enough confidence in the management and he may not be hopeful about the future gain.

Policy and procedure should, therefore, be so designed as to counter-act the above. The following measures may be suggested :-

- 1) While organising Credit and Marketing Societies, the organiser should explain the object to the prospective members and bring home to them the benefit of the scheme.
- 2) Proper assessment of members expected produce should be made. Only those persons who produce marketable surplus of the particular commodity to be dealt with should be enrolled as members and loans granted to them on condition that the loan should be repaid by delivering the produce for production of which loan has been granted. While making such assessment allowance should be made for shortfall in production due to unforeseen circumstances.
- 3) In selecting personnel for management of the Society care should be taken to ensure that only people enjoying confidence of the members are in the managing committee.
- 4) The Society must have a godown to store members' produce and the godown should be located preferably at the market place. The membership should be limited to areas feeding that particular market.
- 5) Stock should be received at the godown at the ruling market price. If any member is willing to deliver the goods in excess of what he is required to deliver by way of repayment of loan, the Society should be ready to accept that and pay cash for the excess quantity delivered.

(contd...3)

- 6) As soon as harvest is over the management should notify the members reminding them to deliver their produce. If necessary personal contact should be established.
- 7) During the procurement season the Society should have salaried staff to receive members' produce, bag them and stock them in the godown quality or variety-wise.
- 8) As the Primary Society will be a small unit with limited scope of business, it will not be possible for them to handle marketing of the produce profitably. For this purpose there should be a Central Society - preferably one at each thana Headquarters at the biggest market place in that thana. This Society should be charged with the responsibility of stocking the produce collected by the Primary Societies of that thana and arranging disposal of the stock when the market is favourable.
- 9) The business at the Central Society must be run by salaried manager and staff with experience of trade of the particular commodity. Agricultural produce is liable to damage and deterioration, loss in weight due to evaporation of moisture content immediately after harvest, insect infestation etc. and proper measures need be taken while in storage to avoid loss. Only persons experienced in the trade can be expected to be able to take proper care and avoid loss.
- 10) The Primary Society should not hold the stock for long. It should be lifted by the Central Society at weekly rests or even earlier if circumstances permit. There may arise some problems in transactions between the Primary and Central Society. The problem relates to price, loss in weight, handling cost, transport, etc. Within the organisation, the principle should be that the Central Society should lift the stock from the Primary Society at purchase price plus cost of bagging, transport, charges if stock is delivered at the Central Society's godown and a margin to enable the Society to maintain accounts as handling cost. It may happen that the produce has been purchased at one rate but a higher rate is shown - higher charges may be made for bagging handling and transport. This should be guarded against.

As I have said earlier, agricultural produce is liable to lose weight while in storage, whatever short may be the period. The Central Society has to take the likely shortage into account and determine the price payable for the stock. Here, again, it may happen that shortage is unusual which may be due to pilferage of stock. If the Central Society is to pay all the unusual charges, it will not be able to make profit and the whole object of the scheme which is to give the members the benefit of high price will be frustrated. In order to avoid such position the following steps may be suggested :-

- (a) The Central Society should keep regular market intelligence in respect of each market during the procurement season and while lifting stock from each society check the price charged with the market rate as available with them.
- (b) It will be advisable to buy the gunny bags by the Central Society and supply them to Primary Societies. The cost of bagging and handling should be fixed before-hand.
- (c) Maximum shortage on account of drying up of moisture should be fixed.
- (d) It would be better if the Central Society has its own means of transport both for procurement and marketing of the goods. It will therefore, be advisable to lift the stock from the godown of the primary society by society's own transport. Where this is not possible, maximum transport charges admissible should be fixed.
- (e) The margin to be allowed to the Primary Society should also be fixed.
- (f) Ordinarily, the member will deliver goods enough to repay the loans and no payment should be involved. The Central Society shall pay for handling etc. only to the Primary Societies and such payments should be made at the time of lifting the stock.

All agricultural produce can not be marketed in the form as these are received. Some require assortment and gradation to fetch best price. The society must have men experienced in making assortment and grading. There are some produce which require processing for better market. It is better not to go in for marketing of those produce which require processing unless experienced staff are available and arrangement can be made for processing.

Profit in trade depends in selling the goods at the right time and in the right market. For this purpose the society must keep information about market of the commodities dealt with. The manager must know the market where the best price is obtainable. It is often found that wrong speculation is made and goods have to be sold at a price lower than what they could have fetched had they been sold at the right time. An experienced manager well versed in the trade and equipped with market intelligence can make the best sale. Decision in this regard should be taken by the management according to the advice of the manager and promptly. Experience has shown that at times decision is delayed resulting in huge loss due to fall in price.

It may be mentioned that success in business depends on reputation and honesty. The goods delivered must be according to the quality for which contract has been made. If the society can earn the reputation of supplying goods of contracted quality, it will always get market for its stock and at good price.

I would like to add that success in developing marketing co-operative depends on incentive to the individual grower member. (contd....5)



That incentive is share of handsome profit. The organisers must display their ability and earn reputation by actual distribution of share of profit to the members. If the pioneer marketing co-operatives can show that the members can get the best price of their produce less the cost of management and handling there is no reason why the members should not be induced to sell their produce to their own society. This is possible if the Societies are well managed and managed by persons experienced in trade.

Gentlemen, I have tried to make it clear in this paper that sound organisation and efficient management are the two essential requisites for success of credit and marketing co-operatives. Marketing co-operatives are no less essential than credit co-operatives for the welfare of our farmers. Marketing co-operatives and credit co-operatives should go hand in hand for real benefit of the members through co-operative movement. They should be made to feel sense of participation in it. However, the leadership should initially come from the co-operative Department as initiative at the grass-root level is lacking. The managers and other personnels should be trained up after their careful selection. Technical Supervision should be provided to the business according to their needs. If leadership, management and supervision are provided properly, there is no reason why credit and marketing co-operative will not be a success.

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RELATIONSHIP BETWEEN THE CENTRAL COOPERATIVE BANKS  
AND THE CENTRAL COOPERATIVE MULTIPURPOSE SOCIETIES

- A.A.M. Inaul Huq \*

The main object behind giving credit to the farmers is to improve their standard of living by increasing their income through increased production. But this basic object will remain unfulfilled in case credit is not linked up with marketing. If production increases with no corresponding arrangement for storage and providing holding power to the farmers, it is quite natural that the increased production will bring down prices and will thus increase the miseries of the farmers. Production credit to be useful and effective must be linked up with marketing with a view to ensuring availability of fair price to the farmers for their produces.

Most of our farmers are very poor and as such they are obliged to sell out their produces immediately after harvest with the result that the traders get enormous opportunity to become rich at the expense of the poor farmers. Such a situation is not conducive to create a real urge in the minds of our poor farmers to devote themselves whole-heartedly to the improvement of agriculture and spend enough money for this purpose.

It is, therefore, absolutely necessary that side by side with the cooperative credit structure an effective and useful marketing structure should also exist and function.

There is no denying the fact that under the "Credit & Marketing Scheme" brought into operation during the IIInd & IIIrd Plan periods, a separate marketing structure has been developed in East Pakistan. This is a three-tier structure with the East Pakistan Provincial Marketing Society at the apex level, Central Multipurpose

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\* The author is the General Manager, East Pakistan Provincial Cooperative Bank Ltd.

Societies at the secondary level and Union Multipurpose Societies at the primary level. But it must be admitted that this very important sector of the Cooperative Movement in East Pakistan could not as yet be in a position to render any useful services to the farmers although godown facilities to some extent and some funds were provided to the Union M.P. Societies and Central M.P. Societies <sup>/by the Govt.</sup> under this scheme to facilitate marketing operations.

When I say so I do not mean that the Cooperative Marketing Structure in East Pakistan has no activity at all <sup>at their credit.</sup> I know very well that some of the Central and Union M.P. Societies in different parts of the province had earned good profits by doing good business through individual effort. <sup>/But the fact remains that</sup> they made purchases and sales in the open market just like any other businessman with the sole object of making profit and for no other reason. When I say that the marketing structure in East Pakistan could not render any useful services to the farmers I mean that the marketing structure failed to do anything to help the farmer-members of the Union M.P. Societies to get a better price for the crops raised by them. There was no organised attempt or effort from their side to buy or keep in deposit the agricultural produces of the farmer-members during the harvest time with a view to saving them from the exploitation of the traders and at the same time ensuring availability of better and higher prices to them for their produces. The cooperative marketing organisations are essentially meant for serving this purpose. They are not meant for earning easy profit by making purchases and sales in the open market. If our marketing organisations remain satisfied by taking this kind of activities, then, I should think, they should not exist at all.

marketing society will pay them the extra amount after charging a commission for rendering service. This is how the marketing societies could help the farmers in getting better price for their agricultural produce. But this procedure of organising marketing operations could be possible only through collaboration with the local Central Cooperative Banks.

For undertaking marketing operations lot of planning and preparations will have to be done by the marketing societies. Adequate finance and storage facilities will have to be arranged in advance. Such planning can be done by them only through intimate collaboration with the Central Cooperative Banks. Credit cooperatives now issue loans to the farmers on the basis of production plans prepared for each of them. So, they possess a fairly good record of land owned and crops grown on such land by each of the farmers. From the record of income & expenditures of the farmers similarly maintained by the Credit Cooperatives, it is also possible to determine what quantities of different crops are likely to be offered to a particular Marketing Society for handling and disposal. The Central Multipurpose Societies cannot draw up any workable plan of work without collecting these statistical data and informations from the Central Cooperative Banks. So, they have to come together and collaborate.

If the crops of the members of the credit cooperatives are to be lifted by the marketing societies they will have to collaborate in matters of accounting also because a large portion of such crops will come by way of repayment of loans to credit cooperatives. Chaos & confusion will prevail in case such collaboration cannot be developed.

Let us hope that the Central Cooperative Banks and the Central Cooperative M.P. Societies will start working together with the ultimate object of helping the farmers to produce more and to get better price for their increased production.

I have a strong feeling that the situation in the marketing field has remained so precarious only because no relationship of any kind has as yet grown up between the Central Cooperative Banks and the Central Cooperative M.P. Societies.

The activities of the Central M.P. Societies can definitely be expanded and put on the right track in case they cultivate intimate collaboration and relationship with the Central Cooperative Banks. In fact, such collaboration is essential in order to make the efforts of both the organisations fruitful from the point of view of creating a happy and prosperous peasantry.

If there is close collaboration between the Central Cooperative Bank and the Central M.P. Society, it is quite possible on the part of a Central Cooperative Bank to arrange issue of loans through its affiliated primary credit societies to the farmers on getting undertakings from them to the effect that the entire loans or a portion of such loans would be repaid in kind or that all their marketable surplus crops would be sold to the marketing organisations. This will enable the marketing organisations to collect a large quantity of crops from the farmer-members. If the crops are deposited against repayment of loans, no payment will have to <sup>be</sup> made to the farmers by the marketing society against the crops deposited. When the marketing society has sold the crop later in a favourable market the sale proceeds of the same will be adjusted against their loan accounts with the credit society. The marketing society will charge a commission for rendering this valuable service to the farmers. But if the farmer-members deposit any quantity of crop the value of which is beyond the limit of their dues to the credit society by way of loans, the marketing society should make available to them the market price of such excess crops deposited, in cash. When the crop is actually sold out at a higher price later on, the

Comilla Techniques of Assessing Loan Requirements  
of the Members with special reference to Agricultural  
Production.

Mohammad Ullah,  
Director,  
A.C.F. Ltd.  
Comilla.

East Pakistan lives in her villages - about 55 thousand in number inhabited by 61.40 lakhs of agricultural families depending on 21.7 million acres of land. 88% of the total population in East Pakistan depend on agriculture partly or wholly. Among these farmers 5% to 10% might own 10 acres to 15 acres of land. 70% of them are small farmers having 1½ to 3 acres of land. The rest 20 to 22 p.c. are landless farmers. So, the vast majority of the total farming population are small farmers groaning under the pangs of social and economic depression. Though you are fairly aware of this deplorable plight, I like to pin point the basic problems which afflicted our farmers and crippled our national economy.

Abject poverty

Our farmers are living in abject poverty, Average rural per capita income is about Rs.200/- which is half the national average. Most of our farmers are below subsistence level and they have no means to invest in their principal occupation.

Shortage of Capital :

Shortage of capital, low productivity and rural indebtedness - these are the characteristic features of our agriculture and these are inter-related also. As the vast majority of our population are small farmers, they lack capital. They can hardly feed themselves from one season to another. So they need capital both for consumptive as well as productive purposes. Till now the big farmers, i.e., the surplus farmers are main source of capital. The big farmers earn both ways. They take 60% to 80% interest on loan and sometime, as traders, they squeeze out the meagre source of the small farmers. As there is no capital to hold on their produce, they are to dispose them off at low price because they are to meet their dire needs immediately after harvest. Small farmers always remain under the economic grip of the traders and money lenders. Failure of crop always make his life more deplorable. Extremely high rate of interest takes away 60% to 80% of his income; traditional method of cultivation results in low productivity. His economic difficulties are always being multiplied.

Monsoon Agriculture:

You know that our agriculture depends on the whims of nature. If nature smiles our farmers also smile. Lands remain idle for half of the year keeping our farmers idle. They get no work as there is no irrigation system. We have plenty of water resources but it is a pity, that our farmers are to shed tears during the dry season. This is also a draw back of our agriculture.

Lack of Lendership:

There is no disciplined leadership to motivate the farmers to make a concerted effort to free them from the sub-human condition. So they have no guidance for emancipation. They suffer from feuds and factions, litigations, jealousy and distrust against one another.

Lack of Education:

The percentage of literacy is extremely low among the peasants. They have no sense of values of life. They do not know modern techniques. They consider innovation as irreligious. Their creative talent is suffered by superstition.

The above problems are now universally accepted and serious attention is now being paid to bring about a change in the socio-economic life of the peasants.

Our Govt. is also frantically trying to do some good to the bulk of our population. But it is a stupendous task to carry it through. We must know how to combine to combat the situation.

We have very efficient Co-operative Department, we have large number of good co-operators, we have very efficient Agri. Department, we have sincerity and devotion of our govt. to improve the conditions of the farmers. But you all know what are the achievements.

It is also an accepted truth that we could not mobilise our people to combat the poverty, we have no institution to link up between the policy and the people. There is no doubt that the development process needs people's enthusiasm and their direct participation to make the schemes but failed to have an all round attack on them to make our way to success. It needs institution from lower level.

Now I tell you something about what we have been doing in Comilla to tackle the problems of these small farmers. This is a comprehensive, integrated and co-ordinated approach to alleviate the conditions of our rural people, i.e. the agriculturists. But before I begin, I will try to give you some idea about the Comilla Kotwali Thana, the area of operation of this development activities. According to the 1961 census, Kotwali Thana is comprised of a total population of 1.55 lakhs excluding the municipal and cantonment areas. These people live in 149 census villages. In all there are 23,000 farm families living on a total farm area of 42,500 acres of which 38,000 acres are actually cultivated - the rest being occupied by hills and forests. Here the average land holding is 1.7 acres per family which is also very unevenly distributed among the farmers. A good number of them are landless farmers who subsist mainly on crop-sharing or seasonal "pattani" of lands belonging to the big farmers.

At the time when the rural development project was started these small farmers had to go to the surplus farmers for capital for land and bullocks. Their misery knew no bounds when there were floods or excessive rain fall. As they had to always depend on monsoon crop they had to run a risk. The mighty Gumbi was taken to be the source of sorrow. Any breach of embankment of the Gumbi used to inundate their hearth and home with a colossal damaged to their crop. This continued year after year, but they had no other alternative. They were about to abandon the farming and going away for other means of livelihood. Agriculture meant for them more and more indebtedness.

### Project Launched

In this socio-economic situation an integrated comprehensive rural development project was launched at Comilla under the guidance and leadership of Dr. A.H. Khan in 1960 which was subsequently approved by the govt.. The objective was to find out ways and means of ameliorating the conditions of the rural people without any drastic change in the administrative and social system.

### Salient features of the Project:

#### (1) People's Participation:

I have already told you that people's participation is essential for effective execution of any Development Project. I have also mentioned that our people are disorganised, they have no leadership, and there is no institution to give them support. So, we decided to start from the very bottom and have organisation at the grass-root. Accordingly, in Comilla a two tier co-operative system with village based primary co-operatives supported by thana level central association was organised to mobilise local talents and local resources. In the thana level we have number of nation building departments like thana agriculture officer, thana animal husbandry, thana fishery officer and thana plant protection officer to make best use of these thana officials were brought together institutionally at the thana council and put together in the same campus and made a team to co-ordinate with the thana central association for co-ordination and training. The thana officers are experts in their respective subjects and can play the part of teachers and guide to the people and thana council is a body of elected representatives has been made responsible for coordination of the different departmental activities. Elected representatives, departmental officers or integrated and concept of the thana training and development centre was evolved. This is called T.T.D.C. This another institution was created and brought into full play.

's village is a cohesive unit, the villagers know one another, they have mutual confidence and understanding among themselves. So it was easy to organise them into a homogeneous group and to motivate them to co-operate among themselves for their all round development.

This village group is a base for ~~xxx~~ training and build up leadership. These village-based co-operative societies have their weekly meeting on a specific day and time all around the year. We call it education discussion session. This is being done by the villagers themselves with Managers and Model Farmers as their guide. They discuss their problems, try to solve them jointly and this is a continuous process. They elect their own representatives - Chairman, Manager, Model Farmer, Village Accountant and Pump Driver to perform different functions for them.

I shall try to describe very briefly the roles of these elected representatives towards the management of the co-operative groups.

(a) Manager:

Manager is link between the village and the C.A. At the T.T.D.C. he is being trained regularly once a week in co-operative principles and practice, improved method of cultivation, credit - supervised and preplanning by the group, capital formation, joint planning, conduct of weekly meeting, account-keeping, marketing of agricultural produces etc. as a villager himself, he knows his village problems including his own and discusses these problems with his teachers. He is also being refreshed with new skills and methods to solve them. He goes back to his own village and discusses with his fellow co-operators in their own language and attitude. He is a friend, philosopher and guide to his society.

(b) Model Farmer:

He is supposed to be best farmer of his village. He may be called a technical man in the agriculture line and we train him up as the village extension agent. Like the Manager, he is also elected by the members of his village co-operative. His exclusive job is to disseminate the knowledge, skill and to change the attitude of the farmers of his village towards the adoption of all improved practices.

This functionary is given training in all practical aspects of agriculture and his training is both theoretical and practical. The theory classes are held at the T.T.D.C. and he attends the classes there regularly and attends the village training centres specially run for providing practical training in agriculture. On his return to his village, he discusses the same topics with his fellow farmers at the weekly meeting of his co-operative society. He extends the improved practices by two ways- (i) through discussion and (ii) through demonstration in his own farm. ~~xxxxx~~ Farmers may forget or disbelieve what they hear, but they believe when they see the results of the improved practices in their fellow-farmers fields.

I may mention in this context that in Comilla Kotwali Thana no U.A.A's are posted for carrying on the agricultural extension works as we find them in all other thanas of East Pakistan. But I can assure you that the farmers of Kotwali have adopted more improved practices than the rest of the farmers in the Province. This is all due to this effective system of using local talents for bringing about a change in the old method of production.

(c) Pump Drivers:

To run the Deep Tube-wells and low-lift pumps, we have picked up the local farmers as employee from each village co-operative society had given them proper training and now we have been successfully utilising them as Pump Drivers and Mechanics. This may be called a complete innovation in the field of technological change and mechanising our agriculture with the help of local farmers. Being himself he takes keen interest in his work because his efficiency also helps him.



(4)

(d) Central Association:

For better management and support, all the village based primary Co-operative societies need be federated with a Central Cooperative Association at the Thana level. The village societies are small and their resources are meagre. But their Central Association is strong enough to carry on and discharge many complicated jobs. These are banking, training, research and agricultural extension, machine stations, marketing and processing etc. All these are meant to support the primary societies.

The Central Association in close co-ordination with the T.T.D.C. arranges for the training of the co-operators, provides credit, supplies improved agricultural machineries on hire, provides marketing facilities, supervises the accounts-keeping of the primary societies and helps the development of water resources. The govt. officers of the nation-building depts. posted at the thana level help the C.A. in carrying out the training programme by acting as teachers and guides. Moreover, the elected representatives of the Thana Council also help the C.A. in formulating plans for the infra-structure development in the villages. The sum total of all these services and supplies are that the farmers of Kotwali Thana have now completely switched over from the monsoon crop to the year-round cropping patterns.

(e) Banking:

You all are aware of the idigenous monetary transaction in the villages. As these poor people in the village have no knowledge and ~~scope~~ scope to get the benefit of modern banking service, neither the banks can afford to serve the small farmers; they cannot mobilise the small savings in the village. So, to introduce modern banking system which is essential for any effective modern credit operation, a rural banking system by small savings is in operation in Comilla. Every member is to deposit at least, 0'50 paisa every week in the weekly meeting. Manager gives entry to individual Pass Books of members and keeps accounts and all the savings are deposited in account of the Central Association in the weekly training day. Village Accountants examine the accounts and maintain it. This savings is tied with the loan Ceiling. In the weekly meeting Savings and loan Ceiling are discussed for future need for loan. This policy of capital formation is undoubtedly encouraging. More than 1/3 of the loan is covered by this savings. This mobilisation of internal capital extends the facilities of installation of processing and industrial units along with the availability of requirement of capital for credit to the farmers.

(f) Trainings:

Like all other developing nations we lack in technical know how. We need it in all levels. In higher level it might be easier to organise training courses and equip persons with technical knowledge. But it is very difficult to reach technical knowledge in the village. So the Central Association evolved a massive training programme to produce technical people like, managers, model farmers, drivers & mechanics. I hope you all agree the technical skill in the village level is a must for introducing any programme to improve the agriculture. We cannot change agriculture without removing the back-wardness of the farmers. These model farmers, tractor and pump drivers are members of primary societies and they are responsible to their respective societies. Their training is a continuous process, they are to attend classes one day in a week. They carry training materials and knowledge to their fellow members to train them in their weekly meeting. This continues week after week and keeps the villagers informed about the latest developments and trends. They also raise their own problems for instructions and guidance. Thus the training centre provides platform for all departmental officers of the thana to infuse and defuse new ideas and methods. This helps get rid of stagnation which is the real hindrance to execute development programmes.

(g) Member Education :

I have already referred to the training and weekly village meetings of the cooperative societies. This will indicate how the village itself has turned into a virtual place of training, I shall now try to present something more about the member education of these cooperative societies in addition to what they learn from the regular training activities.

These are Regional Discussion meetings and the Annual Cooperative Rally which are organised with a view to reaching the whole members at a time. In these meetings and Rally, discussions are held on various organisational and technical matters. Here the members are given the opportunity to raise any question concerning them and their answers are given from the management side. Thus a strong channel of communication has been developed for exchange of opinion between the general members and the management side. Over and above, Exhibitions are held during the Rallies where operations of the modern agricultural tools and implements are demonstrated and the farmers get convinced to make use of them. We also publish a monthly journal in which we publish our accounts, education materials, achievements, problems and its solutions.

Gathering of some of the regional meeting, exceeds 15,000.

We make these meetings interesting by cultural functions, dramas, folk songs so that people feel to attend. We have also group meetings of the Managing Committee Members and try to develop the team spirit and leadership. I think, our attempts are not without positive results.

(h) T.T.D.C.

With the addition of the Thana Central Association with existing nation building departments it has opened a new dimension to conduct the development activities. It is the place of coordination between the villagers on the one side and the Thana-level govt. officers and elected representatives of the local self-govt. organisation on the other. The Thana Head Quarter has changed its character of having the police station only responsible for law and order maintenance to a virtual place of training, education and motivation. Central Association being the place of business organisation of the farmers, Govt. Deptts. can conveniently work in collaboration with the C.A. These two organisations are located in the same place with the same objective. This makes the thana-level nation-building officers of the Govt. work effectively and fruitfully. The creation of T.T.D.C. and Central Association have removed the isolation of the people from the govt. organisation. Here the thana level govt. officers are good trainers. They train 312 Managers almost same number of model farmers, pump drivers, irma teachers, women organiser, youth club leaders and village accountants. Thus in this integrated approach Thana Head Quarters is playing the role of a mass education centre for achieving economic emancipation of the vast majority of our people. Moreover, Thana Council provides useful support to these village cooperatives by building infra-structures such as road, culverts, bunds, irrigation channels, drains etc.

(i) Agricultural Extension:

Our farmers are naturally intelligent, gregarious, argumentative and hard working. If they are convinced that some thing is undoubtedly profitable to them they accept it. But things must be simplified through action and instruction. The Central Association maintains a demonstration farm for giving practical training to the village leaders. This demonstration is also being conducted by the model farmers in all the societies. This way the agricultural extension work has been simplified and made effective. Thana officers also get an useful platform to have a close link with the people. They now play the role of successful teachers and can observe the fallow up closely and efficiently. See, from the Appendix

Process : - easy but disciplined. Productive use of credit and joint planning involved educational and training programme and close continuous supervision. So that credit can be made secure by a increase production through increase production and method.

( See Appendix - 'C' ).

(m) Results & Achievements:

As a result of this coordinate approach, we have been able to achieve the following results which, if measured in the context of the present socio-economic set-up, will be considered as a land-mark in the history of cooperative movement in East Pakistan. These are :

- (i) We have brought about 40% of the total land of Kotwali Thana under irrigation as compared to 7% of the province.
- (ii) About eleven thousands members of 312 primary cooperative societies have built up a huge capital of more than Rs.17 lakhs through their regular and compulsory savings. This members' savings is more than one-third of the total loan advanced.
- (iii) The average production of rice during the last Boro Season was over 40nds. per acre in the case of cooperative members as compared to the provincial average 21nds. per acre.
- (iv) Tractors, pumps, sprayers, threshers etc. now extensively in use by the Comilla farmers and the use of fertilizers and insecticides have gone up appreciably.
- (v) A good cadre of local functional leaders have emerged in the villages.
- (vi) Social services have been improved in the villages along with the economic gains of the farmers. These are :
  - (a) A massive programme of mass literacy has been containing through these village cooperative to remove illiteracy from the villages with the help of the traditional Imams of the mosques.
  - (b) Women upliftment programme has been launched to organise the village women. They are given training regularly in vegetable gardening, poultry-keeping, sewing, maternity and child care and accumulating savings. This has changed the domestic environment of the villagers.
  - (c) Youth upliftment programme is also running side by side to build up the future citizens of the country.
- (vii) The success of the Comilla Approach in Comilla Kotwali Thana has enabled this programme to widen its area. This programme has been extended to all the Thanas of Comilla district and three other Thanas in the Province. Appendix 'D' will show the result.
- (viii) Irrigation has now become a catch-word for the Comilla Kotwali farmers and they recognise it as their way to prosperity. By growing IRRI and other high yielding varieties they raised a third crop worth about Rs.80 lakhs last year. This year, they are expected get a third crop worth 1.50 crores by extending irrigation to about 15,000 acres of land by using 168 Deep Tube-wells and 110 low-lift pumps. River Gunti has now turned into source of happiness as the water is being used for irrigation purposes. I think, the perpetual river of sorrows, i.e. the Gunti, will not have adequate water to cater the irrigation requirements.

Appendix below will show the achievements on different aspects.

APPENDIX - 'A'

	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69
Insecticide & Fungicide (Lbs.)	27,000	11,070	18,800	20,126	25,941	57,611	50,100
Fertilizer (Mds)	21,900	21,074	24,203	27,998	42,852	48,354	50,202
<u>Irrigation:</u>							
Deep Tube Wells used	2	12	34	25	46	91	126
Area Covered (acres)	36	424	1006	1127	2350	3891	6203
Surface Pumps			3	4	17	37	67
Area Covered (Acres)			129	178	726	1292	2323
<u>Improved seeds sold to members:</u>							
Rice (Mds)					13,830	1,034	646
Potato (Mds)					5,778	5,042	3,458
Jap. Vegetables (Lbs)					132	237	226
<u>Increase in average yield (Acre)</u>							
<u>Aus Paddy:</u>							
Non-members			13.7	21.2	20.0	14.7	14.62
Co-op. Members			17.6	25.9	25.3	20.5	16.26
<u>Amon Paddy:</u>							
Non-members		22.2	23.1	19.8	19.7	25.3	17.87
Co-op. Members		27.7	25.7	22.1	22.1	29.6	21.18
<u>Boro Paddy (Third crop)</u>							
Non-members				18.70	11.80	15.53	29.36
Co-op. Members				21.90	18.10	25.25	40.00
<u>Improved Agril. implements in use of Co-op. members.</u>							
		188		27	872	252	

APPENDIX - 'B'

	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69
Tractor Cultivation	1,529	1,583	2,620	1,583	2,620	4,840	-

APPENDIX - 'B'

Cumulative No. of societies	110	122	152	158	226	261	307
Cumulative No. of members	3156	3833	4910	5161	8462	11518	11675

Capital Formation:

AP-e

Share & Savings	110942	135151	551672	484228
	(Cumulative Balance - 15,86,952)			

Loan Issued (Rs)	385764	519789	725276	795984	1670651	4244447	2930223
Loan Realised (Rs)	216592	236756	552069	659581	971589	1801727	2307626

APPENDIX 'D'  
GROWTH OF CO-OPERATIVE SOCIETIES.

Name of Project	1961-62	1965-66	1966-67	1967-68	1968-69	Cumulative Balance				
	Societies	Members	Societies	Members	Societies	Members				
Laksem	35	951	52	1114	92	2715	55	2758	234	7538
Chandina	44	1124	36	830	25	559	18	805	123	3319
Sarail	51	1706	32	1004	66	1892	21	936	172	5548
Hajigonj	34	1308	49	769	82	1262	53	137	210	4569
Que sba	41	1308	22	378	14	369	23	511	100	2560
Brahmanbaria	42	1269	46	1246	62	1872	34	1192	184	5569
Chandpur	35	1065	26	560	55	1468	24	692	100	3975
Laksem	56,974		53,439	Growth of Shares & Savings		1,82,328	3,77,199		6,59,990	
Chandina	49,332		64,343		1,22,570		1,81,874		4,18,128	
Sarail	64,515		76,958		2,20,723		2,15,939		5,78,135	
Hajigonj	42,820		16,638		1,01,942		3,42,500		5,03,900	
Que sba	43,193		53,338		33,136		68,014		1,98,184	
Brahmanbaria	55,141		71,091		1,95,054		3,00,921		6,22,266	
Chandpur	43,665		22,915		74,718		1,93,990		3,35,490	

Name of Project	1951-52	1955-56	1956-57	1957-58	1967-68	1968-69
Leksam	96650	4957	201435	608750	240100	1744550
Chandina	112400	18591	342150	1110228	368477	1194950
Sarail	136925	9957	376177	145714	309387	1112030
Hajiganj	195470	20951	22513	43654	1033368	1539915
Quasba	1007714	8909	192475	89975	233971	341410
Brahmanbaria	156440	16619	321005	132403	925245	1452450
Chandpur	26000	13858	54471	21456	220150	102207
						866775
						249410

TRACTOR CULTIVATION

Leksam	75	262	1,740	5,317
Chandina	87	362	1,460	655
Sarail	191	417	2,500	4,925
Hajiganj	57	371	2,772	7,623
Quasba	276	359	1,224	1,583
Brahmanbaria	80	1,180	3,034	3,157
Chandpur	275	434	575	3,868

TRACTOR CULTIVATION

Leksam	435	450	635	1,051
Chandina	159	350	834	521
Sarail	190	417	541	2,463
Hajiganj	76	959	1,376	1,456
Quasba	180	310	427	500
Brahmanbaria	142	224	826	739
Chandpur	50	300	490	338

Lecture outline

TECHNIQUES AND PROCEDURE FOR ASSESSING LOAN REQUIREMENTS

by

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NEW DELHI

INTRODUCTION

1. The countries in South-East Asia share with their neighbours the appellation of under-developed economies. Their economies are characterised by under production, and their agriculture by low yields. The appallingly low yields in agricultural production in the Region reveal the under-capitalised nature of agriculture.

2. The extent of land holdings are small and consequently the farmers incomes are also low. They are barely sufficient to meet the families subsistence expenditure.

3. Due to the small holdings and consequent low income, accumulation of capital is almost impossible. As a result of these conditions rural people linger in chronic indebtedness. To break this vicious circle of low production and poverty and the consequent state of permanent indebtedness, the agricultural producers need to be given an opportunity to obtain the required capital at terms favourable to them.

Assessment of loan requirement of farmers

The assessment of loan requirements of the farmers have to be done on the basis of their individual production plans which should be drawn up in conformity with the production plans of the society's area.

In drawing plans the first step that should be taken is to determine the society's goals. To engage in an activity without set goals, the attainments of which must be the constant endeavour of those who are engaged in it, will be like walking along a blind alley.



Advantages of goals.

1. The goals would help to understand clearly the result that must be achieved by an individual or an organisation engaged in a certain activity.
2. They provide the basis for planning the activities of an organisation.
3. The setting-up of clear goals would automatically prescribe the path to be followed to achieve these goals. They will help to determine the policies that should be followed to achieve the desired results.
4. They will also indicate the organisational structure and the facilities required for the achievement of the results.
5. They will help to coordinate the activities of an organisation. If there are no set goals, each department may act at their own initiative and ideas, which may result in the wasteful expenditure of the organisation's energy and resources.
6. They provide individual motivation. Unless one knows one is engaged in an activity in order to achieve a certain end, his work will be aimless. But if a person has in mind that he is working for the achievement of something, he will take calculated action and do his best to achieve it.
7. Goals provide standards against which results can be compared and checked.

The determination of goals presupposes ~~that~~ the knowledge of the problems of the farmers which the society is striving to solve. We shall limit ourselves here to the problems of the farmers in the field of credit.

They may be listed as :

- a) Inadequacy of credit facilities
- b) Unsuitability of credit
- c) The difficulties of obtaining agricultural production materials and their high cost
- d) Inability to save for accumulation of capital

The goals of the society should be actually to solve their problems.

They may be listed as follows :

- a) Supplying timely credit at reasonable rates of interest
- b) Supervising the use of credit to ensure that they are properly used.
- c) Provision of extension facilities to advice the farmers in modern techniques of cultivations.
- d) Reducing the price and improving the quality of the purchases of the members.

Once the goals of the society is determined production plans should be drawn up in order to achieve the goals. Preparation of the production plans involves gathering information regarding the resources available for production, various crops that can be raised, and determining the methods and techniques of cultivation to be adopted for increase production and determining capital and input requirements etc.

Individual plans

Individual production plans for the farmers should be drawn up in conformity with the overall plan of the society's area. The agricultural extension people should actively help the farmers in drawing up realistic plans for increase production.

The individual plans will help in analysing the adequacy of the farm families resources and what assistance they should receive from the society etc. It enables the farmers family to think through its farm operation and to determine improvements, adjustments, etc. that need to be effected.

The credit requirements of the farmer must be assessed on the basis of their production plan. The farmer has to be financed in order that he is able to implement the improved methods of cultivation envisaged in his production plan in conformity with the over all development plan of the area.

At the early stage of development greatest care should be exercised in assessing his loan requirements and credit should

be limited to the minimum possible extent. His repaying capacity which depends on the anticipated crop should be an important factor in determining his credit limit.

At the early stage of development when agriculture is at a subsistence level, giving credit for the purposes of consumption is absolutely necessary. If the cooperatives do not meet the requirement of the credit for this purpose the farmer will naturally be compelled to seek the finances from the private moneylender and the disastrous result on the borrower in borrowing from this source need no explanation. If credit is extended to meet the cost of the hired labour there is no reason why credit should not be extended to meet the expenses for food etc. of the farm family who supply the requirement of labour in the farm.

The comparatively less participation by the borrowing members in the institutional purchases of agricultural inputs and in marketing in societies where all these functions are undertaken is primarily due to inadequate lending that compels the farmer to resort to private trader and moneylender for a part of his credit and input requirements.

In all cases the credit requirements should be assessed on the basis of the farmers actual requirements and his repaying capacity which depends on the anticipated crop and the consequent earning capacity and the surplus income. The use of the repaying capacity as the basis of determining the creditworthiness is more appropriate in a programme of development for, with such a basis the credit of a member depends on the extent to which he takes loans for productive purposes.

It should be emphasised that this calculations of the farmer's creditworthiness on the basis of his repayment capacity will have meaning only when the farmer is provided with adequate facilities for obtaining his farm inputs at reasonable price and at required time and facilities for marketing his produce which enables him to obtain the best possible price for his produce.

Another factor that need to be taken into account in assessing the credit requirements of the farmer is the extent to which he can finance his agricultural operation through his savings. At the early stage of development the farmers income is so low he hardly has any savings. Infact in most cases he is in perpetual state of indebtedness. With the provision of institutional credit accompanied by an integrated arrangements for supply of farm inputs and marketing of produce the farmer will start to receive increased income a part of which, under proper guidance he will be able to save.

109

Technique of effecting loan recoveries (in relation to the problem of over dues and bad debts.).

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Gentlemen, while talking about the technique of handling recovery of loans I must say that Agricultural credit is a highly complicated matter and it is more so in the conditions prevailing in East Pakistan where the agriculturists are predominantly poor, illiterate and mostly subsistence farmers whose income as well as farm-size is one of the poorest in the world. They require loans at every step but very few have repaying capacity. The clientele of the credit giving agencies may be classified in the following categories:-

- 1) Those who generally have marketable surplus and have repaying capacity.
- 2) Those who have repaying capacity under normal circumstances but in case the harvest is bad due to any natural calamity not only do they lose their repaying capacity but require loans for their maintenance
- 3) Those subsistence farmers who have hardly any repaying capacity and can repay their loans from additional income derived after utilising the loans.

Majority of the loanees fall under categories 2&3.

This being the economic condition of the borrowers, it may be appreciated how difficult it is to achieve satisfactory recovery of loans. Any agency charged with the responsibility of financing the agriculturists must bear in mind the economic condition of the clientele and advance cautiously in a planned way from the very beginning to avoid piling of over dues and investment becoming bad.

Good recovery of loans depends on sound investment. Therefore, the 1st step for recovery begins at the time of investment. Lending must be good. The following may be said to be the criteria of good lending:-

- 1) The loanee must be credit-worthy. By the term credit-worthy, I mean that he must have some asset, he should be a man of good reputation in financial dealings and he should be a good industrious farmer;
- 2) The loanee should have the repaying capacity for loan or potential repaying capacity;
- 3) Loan must be given for productive purpose;
- 4) Loan should be adequate to meet the legitimate requirements for the specific purpose ;
- 5) Loan must be made available at the appropriate time and
- 6) Repayment of instalment should be fixed keeping in view the estimated surplus income and at the time when he is expected to get the sale price of his cash crop. The time fixed should not be just after harvest, it should not be too late either. Since most of our borrowers have marginal repaying capacity or only potential repaying capacity or only potential repaying capacity, it is essential that the loan is for productive purpose only so that by utilising the loan, he can earn additional income to repay the loan therefrom. It is equally necessary to provide adequate loan to meet the requirement. If the amount of loan is less than what is required he will either produce less than what is estimated or he will borrow the same from other sources and may be at a higher cost which will reduce his repaying capacity resulting in default of repayment of instalments. Timely payment of loan is no less important. If loan is not made available at the right time and given at the time when the requirement is over, the loan will be <sup>diverted</sup> directed for consumption purposes and he will not be able to repay the loan. Since the

diverted

Since the farmers are proverbially poor and their needs are many, there is a tendency among the farmers to obtain loan for production purposes and spend it for consumption needs. They should not, therefore, be given the scope of diversion and loans should be made as far as possible in kind.

While catering to the credit needs of the subsistence farmers who do not possess repaying capacity normally and whose repaying capacity depends on increased production, greater care is needed. The credit giving agency should prepare production plan for such farmers. They should be given proper guidance to produce more from their farms to repay the loans and loans should be given only to those who are agreeable to accept the production plan and operate accordingly.

As you are aware, it is not possible to disburse all loans in kind, loans for cattle purchase, levelling of lands and even seeds have to be distributed in cash. There is ample scope of diverting cash loans. The next step, therefore, is to check the utilisation of cash loan. The credit giving agency must supervise the utilisation of credit for the specific purposes. So far as the co-operation is concerned, it should not be difficult to supervise the utilisation of credit. The Management of primary societies must take steps in this regard.

As for the subsistence farmers whose repaying capacity is dependent on operation according to production plan, close supervision at every stage is vital and it should be done.

If the aforesaid steps are taken then under normal circumstances a satisfactory recovery can be expected. Repayment instalment will have to be fixed at a time when the loanee is expected to get the proceeds of his cash crop. The agriculturists are generally apt to forget that they have to repay the loan. So, as soon as the harvest of the crop from which they are expected to repay the loan starts, a notice should be given to each borrower indicating the amount to be repaid and the date of repayment. If the loanees do not repay on due date, immediately another notice should be issued and simultaneously arrangement for personal contact should be made. It is the experience that agriculturists complain of low market price of the produce at the time of repayment and wait some time for a better market. There are farmers who, if time is given, hold back their produce and sell when the market is a little high and repay their loans. But if time is given to the subsistence farmers, they sell their produce piecemeal to meet their requirements and ultimately default repayment of loans. Therefore, in such circumstances each case may be considered on its merit. It should, however, be the aim to recover the loan from the particular cash crop. Once it is sold and sale proceeds is otherwise spent loan will go in default.

There may be cases that loanees having repaying capacity and means to repay may wilfully default. Such wilful defaulters should be sternly dealt with. In the first instance they should be persuaded to repay the loans. If persuasion fails immediately legal steps should be taken and loans recovered. Experience shows that credit agencies are hesitant in taking legal steps and such steps are taken as a last resort when loans are on the verge of being time-barred. If a loanee fails to repay the loans due to damage of crop etc. leniency is understandable but hesitancy in taking action against wilful defaulters is unpardonable. Such inaction tempts the other borrowers to default and acts very seriously against repayment discipline. Drastic action against wilful defaulters in time helps a lot in maintaining repayment discipline among the clients and such action should be taken without any hesitation. This will ease the recovery problem considerably.

The repayment behaviour of the loanee is influenced by his confidence in the credit institution about future financial accommodation. The farmer requires loans every year for his agricultural operation as he can not guarantee adequate income to build up his capital. Soon after he repays a loan, he requires loan for his next operation or for replacement of his plough animal, etc. If he can be sure of getting loans for these purposes from the credit giving agency, he will repay his loan. If he has any doubt about it he will prefer to hold back the money. So, to effect good recovery it is essential to create that confidence and supply regular credit to good paymasters. In this connection it may be stated that there is a practice to refuse credit to a society which fails to repay a minimum percentage of loan with the result that the members who have repaid loans do not get fresh loan for their genuine needs. This practice is meant to recover loans from defaulters through moral persuasion of other members. This may produce good effect at times but to my mind, it is better

(3)

it is better not to refuse loans to good paymaster<sup>lines</sup> but

Even after the above <sup>steps</sup> ~~stage~~ have been taken there may be loans in default, I have dealt with action to be taken against wilful defaulters. Loans may remain in default due to following other reasons:-

- (1) Income of the loanee may fall short of estimate and
- (2) There may be damage to crop resulting in the loss of repaying capacity.

There are the two possibilities of default if condition of loaning were rightly observed. Such cases have to be handled with proper investigation and correct assessment of circumstances. In such cases the repayment should be suitably spread over a number of years and fresh loans should be granted to enable them to carry on. Revised production plan should be drawn up and operation strictly according to such revised plan should be ensured and guidance should also be given to minimise the expenses.

Gentlemen, you will appreciate that the administration of agricultural loan is highly technical and full of complications. Organisation administering credit must have trained people to select good loanees and assess their financial position correctly as also to give their proper guidance to operate in a planned way to maximise income and to follow up the operations. Lack of proper guidance and supervision will land the organisation in great difficulties. Over dues will mount up and loans will even turn bad.

Co-operatives have the advantage of the intimate knowledge of the financial condition and character of their loanees. All that is necessary is to select good people as member and avoid bad people in the first instance. Secondly, they must have trained personnel to give guidance to the members and supervise their activities. The management of the primary societies can select good people but they must get assistance from the central societies and co-operative department for the other part.

Gentlemen, I have explained to you some of the basic requirement of credit business. It cannot be said that these are exhaustive and no better ways and means can be evolved in handling agricultural credit more efficiently. I have spoken from my experience in the field of agricultural credit. You are already in the line and have more intimate knowledge about the behaviour of the farmers in financial matters. I hope to enrich myself with your experience.



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## FARM GUIDANCE OF AGRICULTURAL COOPERATIVES

by

Shiro Futagami

### I. CONCEPT OF FARM GUIDANCE

Farm guidance is agricultural advisory services through cooperatives integrated with credit, supply, marketing and other activities of cooperatives. The concept of farm guidance was conceived from the experiences of Japanese agricultural cooperatives. Farm guidance is also indispensable to an integrated approach of multi-purpose cooperatives.

In most of the countries, agricultural advisory services are undertaken by the government through its agricultural extension offices and the contents of such government agricultural extension work may vary from country to country. It may be mentioned in general that most of these governmental extension work are rather confined to the technical aspect of agricultural production such as improved production techniques, use of improved inputs etc. with a view to increasing agricultural production. However, it was often found that such extension work had not made desired impact on the improvement of agriculture or farmers' economy. The important thing is that there will be no positive response from the farmers who make the final decision on the practical application of new production techniques unless more attention is paid, along with such extension work, to the economic aspects of application with proper provision of facilities such as credit, supply, marketing etc. whereby the farmers may be ensured of better economic return out of their increased produce.

In pre-war Japan agricultural advisory service was undertaken by separate organisation supported financially by the government and after the World War II agricultural cooperatives re-started under the new Agricultural Cooperative Act with an objective of increasing agricultural productivity as well as economic and social standard of farmers. Hence, guidance services was newly added to the traditional services of agricultural cooperatives. Such guidance services are to educate the farmers in order to raise the economic and social conditions of farm household, which may include both production and living aspects of farmers. Therefore, guidance services of agricultural cooperatives in Japan are divided into two: guidance on farm management improvement and guidance on home-life improvement, and the former is called as farm guidance.

Thus the farm guidance is used in the context of cooperative agricultural advisory service for the improvement of farm management of individual farmers with an emphasis on its economic aspects while the agricultural extension service is referred to governmental agricultural advisory service on production techniques.

## II. OBJECTIVES AND PRE-REQUISITES

The main objectives of farm guidance services of agricultural cooperatives are to increase economic return of individual farmers out of their produce, to improve the living conditions of the farming community for which the cooperative is serving, and to contribute for the improvement of national economy. In order to attain these objectives, farm guidance calls for specific objectives to generate an interest and willingness among farmer members for improving their farm management and to induce them to undertake improvement programme. For this purpose, cooperatives have to extend assistance to farmers in an integrated way in the fields of credit, marketing, supply and technical know-how. It is only when this assistance is properly given to farmers, that farm guidance services of agricultural cooperatives will have real impact on the improvement of farm management. In short, farm guidance means a two-way communication accompanied by goods, money and technical



know-how between agricultural cooperatives and their members. Provision of farm guidance with cooperative activities will increase farmers' knowledge and skills and also change their attitudes. This implies that farm guidance is an educational process.

However, before implementing farm guidance to increase the efficiency of farm management of individual farmers through farm planning and provision of various cooperative services, it requires serious planning such as assessment of the actual resources available in terms of material, financial and human, determination of quantity of production on the basis of price structure and demand in the market, estimation of additional requirements and services needed for such production, and formulation of a production plan including budget of individual farmers and of whole community.

Farm guidance activities may include most of the aspects of agricultural management such as (a) land improvement, (b) selection of crops to be produced and bulk production, (c) production and management programme of the whole village and that of individual farmers, (d) standardization of quality of agricultural produce and agricultural inputs, (e) joint utilisation of machinery and labour, (f) improvement of production techniques of farmers, (g) joint grading and checking facilities, and (h) cooperative (joint) production. Agricultural cooperatives should decide the priority areas of the above in which they should direct their attention taking their economic and organisational conditions into account and establish a close collaboration and coordination with other agencies which are concerned with the improvement of agricultural production. Also marketing, supply and credit businesses of agricultural cooperatives need to be well integrated.

An important pre-requisite for successful farm guidance activities is the existence of a common policy among different types of societies operated in the same area, or different sections such as marketing, supply and credit of a multi-purpose cooperative, to which all cooperative activity must be directed. Without this the farm

guidance will be a waste of time and money even if the society could have competent personnel for farm guidance. For instance, in case the cooperative expert of farm guidance visited a farmer who holds small piece of land without much produce to sell and he advised the farmer to start poultry farming with loans from cooperatives and the loan to this farmer was rejected by a person in charge of advancing loans because of the small size of the land the consequent and low production capacity of the farmer, that farmer naturally loses his trust on the farm guidance expert. There are many other problems and difficulties with which the farm guidance experts are confronted in their task.

In most cases, the failures in farm guidance activities are due to lack of coordination among different agencies or different activities of cooperatives or lack of understanding on farm guidance by leaders of the society. These defects of societies and leaders may tend to put more emphasis on the increasing of marketing of commodities that are more profitable for cooperatives without paying due attention to the needs of farmers or what farmers are expecting from the society. But the increasing of the business volume of the society only may not succeed in maintaining the farmers loyalty to and the confidence in the society unless the society extends the services they need. It is the farm guidance activities of the society that enables it to make an integrated approach to farmers and to make real contribution to the betterment of farmers.

### III. PROGRAMMING OF FARM GUIDANCE

The promotion of farm guidance activities of a society would not succeed merely by recruiting a competent person and assigning this special task to him. Farm guidance should be an integral part of the whole cooperative activities. In view of this, various steps to be taken in programming will be: (1) to analyze the factors affecting farm management, (2) to make long-term production and management programme of farmers on the basis of prevailing local conditions as

well as the above analysis, and (3) to make the business programme of a society according to the assessment of the needs of individual farmers with reference to their production and management programme.

1. LONG-TERM FARM MANAGEMENT PROGRAMME

A. CONSIDERATION AND ANALYSIS OF BASIC FACTORS  
AFFECTING CONTENTS OF FARM GUIDANCE

Before the formulation of long-term farm management programme, changes of some basic factors should be taken into consideration. These factors are:

(1) External Factors

- a) Change in demand for agricultural products with special reference to the commodities produced in the area where the society is operating business. The changes in demand for agricultural products may call for changing the pattern of farm management from small individual production to large-sized production so as to ensure economic advantages and to increase the commercial value of the products.
- b) Trends of processing industries of agricultural products and changes of consumption pattern. They may make it necessary to improve the quality, to standardise products, to reduce production cost, and to supply continuously sufficient quantity of products. For this purpose, production programme for wide area is more effective.
- c) Changes in distribution systems - cold chain, super-market etc. which may necessitate the establishment of an effective organisational system with a view to integrate various functions such as credit, supply of inputs, farm guidance and marketing so that agricultural cooperatives may play a more important role in the field of production and marketing and may strengthen their bargaining power.
- d) Development of agricultural production techniques and mechanization of agriculture which might require the promotion of joint efforts among farmers who are engaged in production of the same line of commodities to attain the maximum economic benefit. It is important to organise farmers into groups according to the types of commodities they produce.

- e) Trends of agricultural policies at national and secondary level, which may some time make it necessary for the society to adjust their activities so that the society can play a more important role in the total agricultural development programme.

(2) Internal Factors

a) Agricultural Land:

Pattern of land ownership and utilization, effect of industrialisation or urbanisation which will affect the pattern of farm management and the scope of mechanization in the future. Land consolidation, farm road, irrigation and drainage facilities which are also important elements for agricultural modernisation.

b) Farm Labour:

Changes of farm labour resources in an area and the major factors responsible for the changes.

c) Agricultural Capital:

Machinery and facilities needed for long range improvement of farm management, assessment of capital owned by farmers taking into consideration the crops they produce and farm labour available. Either the individual farmer or the cooperative society should be responsible for the capital accumulation required for the improvement programme.

d) Crops:

Types of crops grown in an area, their production and marketing situation, profitability, adaptability to the natural conditions, trends in the market, and feasibility of farm management improvement with a view to determine the crops in the future. Any other crops to be introduced.

e) Farmers:

Degree of willingness of farmers for improving their farm management, income structure, pattern of farming, responsible person within a family for decision-making on farm management, any

individual or a group of farmers who has a keen interest in improving their farm management in order to forecast the pattern of farm management in the area in future. What farmers expect from cooperatives in regard to farm guidance.

B. FORMULATION OF FARM MANAGEMENT IMPROVEMENT PROGRAMME OF MEMBERS

(1) Classification of Farmers:

It is the farmers themselves who decide finally what, how much and when to produce. Any good production programme does not help at all unless the farmers have sufficient willingness for its implementation. Therefore, the classification of farmers may be made according to the extent of willingness into the following three categories:

- a) Expansive Re-production Oriented
- b) Simple Re-production Oriented
- c) Reductive Re-production Oriented

This classification will be useful for designing tailor-made programme on farm management improvement.

The farmers under (b) can be shifted into (a) group if desirable conditions are created and the farmers under (c) may look forward to leaving the farm if any opportunity is given. Hence, farm guidance should be concentrated on those farmers who are under (a) and (b).

(2) Target for Income:

Expenditure of a farm family will change year after year and in 5 to 10 years they may need to spend considerable amount of money for the marriages of their children or for the repair of their houses etc. Their family composition may also be changed. A farmer must at least get an income from their farm to meet their family expenses. The minimum target for income will be at the level where the net income is equal to family expenses.

But such income does not assure the accumulation of capital for expansive production.

Therefore, the target amount for income should be calculated so as to ensure the minimum accumulation of capital. The following figures are to be worked out for use as basic data for the calculation of target amount.

- a) Agricultural income = Agricultural Gross income - Cost of Production.
- b) Income per head =  $\text{Agricultural income} \div \text{No. of persons engaged in farming in a family}$ .
- c) Income per day =  $\text{Agril. income} \div \frac{\text{Total working hours of the family}}{8 \text{ hours (per day)}}$
- d) Income per acre =  $\text{Agril. income} \div \frac{\text{Cultivated land area or total number of livestock}}{\text{or per head of livestock}}$
- e) Cost of production per acre or per head of livestock =  $\text{Total agricultural management cost} \div \text{Cultivated land area or total number of livestock}$ .
- f) Rate of income =  $\text{Agricultural income} \div \text{Agricultural gross income}$ .
- g) Total family expenses = Expenses per head x number of family members.
- h) Saving (or loss) = Agricultural income - Total family expenses.
- i) Target amount of income = Agricultural management cost + total family expenses + (amount of investment x rate of interest and risk).

In case a farmer finds it difficult to attain the target under the present condition of farm management, it must be considered to expand the size of cultivation or change the crop into other profitable crops or to introduce a complex farm management (+ x system). Complex farming is to introduce another type of farming in addition to the principal crop to secure additional income. In this case various combination of farming may be envisaged. The

following table is an example of rice production as principal crop combined with pig breeding by size of management.

(Unit: 1,000 Yen)

	Size	0.5 hectares	0.7	0.9	1.1	1.3	-	1.9
Rice	Income	180	252	324	399	468		700
Pig	Number	260 heads	224	188	152	116		0
	Income	520	448	376	301	232		0
	Target	700	700	700	700			700

In considering such combinations, attention is to be paid to equalize the labour requirements, throughout the year. Also land condition, technical level, capital and labour resources of the farmer should be taken into consideration.

### (3) Long-Term Farm Management Programme of the Farmer:

Long-term programme should be formulated on the basis of the data or factors mentioned above for the period of the next 3 to 5 years. Contents of the programme should be as simple as possible.

The following are the suggested items to be taken into consideration while making long-term programme.

- a) Land Utilization and Land Improvement Plan
- b) Family Labour and Hired Labour
- c) Cultivation Plan
- d) Purchase Plan of young livestock and Breeding Plan
- e) Feed Production Plan
- f) Agricultural machinery and facilities (to be owned individually or jointly)
- g) Improvement of cultivation or breeding techniques
- h) Work plan by types of crops
- i) Purchase plan of production materials
- j) Marketing plan of produce
- k) Financial plan of production

- l) Repayment plan of loans
- m) Cash payment plan of family expenditure
- n) Plan of income and expenses.

#### (4) Standardization of Farming Pattern

The farm management programme prepared by an individual farmer may vary according to the ability of each farmer and such diversified pattern of management will make it difficult for cooperatives to perform effective services to farmers. Therefore, it requires the revision or the adjustment of the individual plans with a view to reducing the number of farm management patterns and standardizing them.

The concentration of the same pattern of farm management in one locality will increase the work efficiency in the field of farm guidance and also makes it easier to standardize the production techniques, to utilize the facilities jointly and to establish the common interests among the farmers. Also, the concentration of production will strengthen the bargaining power of agricultural cooperatives in the field of marketing.

In deciding major crops to be produced in the area, it must be considered whether the quantity of the products are sufficient for efficient marketing, whether demand and price in the market are favourable and whether the climate and the soil are suited for the crops, etc.

#### C. FORMULATION OF FARM MANAGEMENT PROGRAMME BY CROPS:

In view of the fact that efficient marketing is an important element in successful implementation of the programme and that superior quality, constant supply of sufficient quantity, competitive price, etc. are essential factors in successful marketing, farm guidance of agricultural cooperatives must put an emphasis on the



following points :

- (1) Increase of production;
- (2) Labour saving-land consolidation and mechanization;
- (3) Reduction of production costs;
- (4) Quality control.

#### D. FORMATION OF COMMODITY GROUPS

Another point that must be kept in mind in formulating farm guidance programme is to organise the farmers in the area according to the line of crops (commodity groups) they are cultivating. Such groups of farmers may maintain much stronger unity because of their common economic interests and become a cell among the members to initiate the implementation of such a long-term programme. This will be the only way for the small farmers to strengthen their competitive power in the market.

The groups will also be of immense importance as nuclei for imparting improved techniques of production and various information relating to their farm management and production as well as in assessing the real needs of the members. General tasks of these groups may be as follows:

- (1) Study of improved production techniques and of management improvement.
- (2) Joint action - purchase of seeds and young livestock, selection of production and marketing materials, raising funds, selection of markets, decision of marketing conditions, joint marketing and joint works.
- (3) Joint ownership of machinery and other facilities and their utilization.
- (4) Representation of the interest of members.

## 2. BUSINESS PROGRAMME OF COOPERATIVE SOCIETIES

### A. PLAN OF PRODUCTION AND MARKETING FACILITIES

In successful implementation of a long-term farm management programme, provision of various new facilities and improvement of existing facilities will be needed. The facilities may be owned by individual farmers, groups of farmers, agricultural cooperatives or government agencies at local and national levels. In deciding the establishment of the facilities it must be carefully considered whether they can serve sufficiently the following purposes:

- (1) To supplement or replace the agricultural labour.
- (2) To control over-investment of farmers and to reduce the cost.
- (3) To increase the commercial value of the products.
- (4) To market in favourable terms.
- (5) To contribute to raise technical standard in the area.
- (6) To serve as a key base for farm guidance activities.

Other important aspects to be taken into consideration in planning the establishment of facilities are the following:

- (1) Whether it is indispensable for increasing productivity of major crops.
- (2) Whether there is a strong demand for the facility among members and assurance of its full utilization.
- (3) Whether continuous and stable production of crop for which the facility is established, is ensured under the long-term production programme.
- (4) Whether management of the facility is economically feasible.

The types of facilities that may be required :

- (1) Facilities for work:  
Workshop, Centre for utilizing machinery, Land consolidation facility, Joint insecticide facilities, Mixing plant for fertilizers, Mixing plant for feedstuffs, Transportation facility, etc.
- (2) Cultivation or breeding facilities:  
Joint seed bed, Joint breeding facility, Hatchery, Artificial insemination centre, Silo, Pond, Irrigation and draining facility, Green house, etc.
- (3) Processing facilities:  
Drying facility, Processing facility for fruits, vegetables and livestock products, etc.
- (4) Facilities for assembly and marketing of products:  
Assembly centre, Grading and packing facility, Livestock market, Fruits and vegetable market, etc.
- (5) Storing facilities:  
Agricultural warehouse, Grain silo, Cold-storage, Warehouse for production material, etc.
- (6) Maintenance facilities:  
Repair shop for agricultural machinery, Mobile repair shop, etc.
- (7) Sales facilities:  
Retail store for agricultural products, Mobile store, etc.
- (8) Other facilities:  
Wire communication facility, Joint cooking facility, Nursery school, Meeting hall, Training centre, etc.

B. MARKETING, SUPPLY AND FUND PROGRAMME

Agricultural cooperatives must coordinate and integrate marketing, supply and credit programme while promoting farm guidance so that these integrated functions may induce farmers to make more efforts to improve their farm management.

(1) Marketing Programme:

Effective performance of agricultural cooperatives in the field of marketing is a very essential element in successful farm guidance activities and vice versa. With regard to the marketing activities of the cooperatives, following are some of the questions that need to be looked into. Are present performances, in the field of marketing, in accordance with marketing strategy? Are not cooperatives functioning as mere procurement agents? Are not cooperatives waiting for members to bring their products whatever they may be rather than to procure those commodities with commercial value in a systematic way? Are not cooperatives concentrating their procurement only on those under the government control so that cooperatives may be ensured more commission income if they handle more?

In many cases the following points are mentioned as obstacles for better marketing activities:

- a) instability of market price;
- b) traditional and inefficient performance of wholesale market;
- c) lack of members' loyalty towards cooperatives;
- d) difficulty of production and shipping control;
- e) unstandardized quality;
- f) low rates of business commissions.

These are more or less the result of inefficient marketing and not the causes of inefficiency.

The following questions may indicate some strategic points in marketing. Marketing programme must be carefully formulated on the basis of a scientific analysis of prevailing conditions and possible future trends and must show a course of action to attain the target laid down in the

## long-term production programme:

- a) Has the society introduced any systematic and organisational measure for improvement of farm management to increase production of commodities with higher commercial value so that farmers may be more competitive in the market?  
- Planned Production.
- b) Has the society made any analysis in long-range of the trends of general demand and supply and of the trends of other producing areas and markets and is the society taking any flexible approach in the day-to-day marketing performance?  
- Market Research.
- c) In order to get high credit on the commodities delivered by the society, is the society making any effort to improve its functions regarding standardization of varieties, quality control, grading, packing and for constant supply of sufficient quantity through the society?  
- Standardization of Products.
- d) Has the society given any guidance to the members regarding a course of action to improve their farm management according to the farming condition of each member and particularly regarding the reduction of cost?  
- Setting up of Farm Management Index.
- e) Is the society making sufficient public relations of the products and giving enough information to the members?  
- Public Relations and Communication.
- f) Is the society making any study for formulation of long-term policy regarding the selection of better markets, method of marketing, channel rationalization, etc.  
- Selection of Market.
- g) Has the society taken any action, such as planned production to deliver the products at the right time, appointment of sales agent or establishment of contacts with bulk buyers?  
- Market Promotion.

h) Is the society developing various facilities required for better marketing in a systematic way?

- Development of Marketing Facilities.

i) Has the society considered any measures to compensate for the risks in marketing caused by price fluctuation in addition to the systems provided by the government?

- Risk Bearing in Farm Management.

**(2) Programme for Supply of Production Material and Funds:**

Supply of production material through agricultural cooperatives is another important function in helping farm management improvement of members. According to the farm management programme of the individual members, the assessment of real requirements should be made and accordingly the supply programme is to be formulated.

The groups of farmers organised by types of crops may also play an important role in making better supply programme through arrangements for joint supply of farm requisites. Also, the farmers may avoid unnecessary investment or unnecessary purchase of requisites.

Agricultural cooperatives have another important task of providing credit to members for the implementation of farm management programme. Assessment of financial requirements of members is to be made as accurate as possible on the basis of the farm management programme to attain the target.

**IV. CONCLUSION**

Agricultural cooperatives have as their own objectives, the increasing of agricultural productivity as well as the raising economic and social standard of farmers. However, in most of the countries in the Region it is difficult for farmers to improve their farming conditions by their own efforts and their process of

production is compelled to be restricted to simple reproduction on account of the small size of farming.

The important task of agricultural cooperatives is to change such simple reproduction process into dynamic expansive production. Farm guidance activities to be undertaken by such agricultural cooperatives must be a process of implementation of programmes for modernization of agriculture and positive educational programme to promote such modernization with the provision of technical know-how.

Therefore, the farm guidance is neither to preach nor to enforce and dictate the farmers, but to generate the interests and willingness among them towards farm management improvement and to show them the scientific facts in order to induce them to take initiative for action.

For the achievement of the desired result in farm guidance activities it is very important to take into consideration and follow carefully various steps and measures mentioned in the paper in programming farm guidance services.

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A/20th September 1968

OUTLINE LECTURE ON "FUNCTIONS OF THE MANAGERS AND  
THE BOARD AND THEIR RELATIONSHIP"

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ICA Regional Office & Education Centre  
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1. General Structure of Organisation for Control

General Meeting

Board of Directors - Sub-Committees

Manager

Managerial staff and general staff

2. Duties of the Board

The Board shall consider and make necessary decisions regarding the following matters:

a) Management and administration

- i) Election of Chairman (Secretary, Treasurer) and Sub-Committees
- ii) Hire and discharge of the General Manager
- iii) Decision of management policies, rules and regulations outlining the duties of the manager and the employees.
- iv) Consideration of reports from the manager and the Sub-Committee.
- v) Looking after and protection of the properties of the society.



- vi) Decision regarding the investments, borrowing and loaning of the society.
- vii) Preparation of agenda, and recommendations regarding necessary steps for expansion of activities to the general meeting.
- viii) Recommendation regarding allocation of surplus.

b) Business Activities

- i) General supervision over the business activities of the society and the work of the managers.
- ii) Consideration of business efficiency and quality of services to the members.
- iii) Supervision over the supply and marketing activities in general manner.
- iv) Maintenance of closer relationship with higher level organisations.
- v) Watching of performances in accordance with laws and regulations and decisions of general meeting.

c) Membership relation

- i) Keeping up of closer contact between the society and the members and developing of members' loyalty to the society.
- ii) Consideration of services (prompt and courteous) to the members and equal treatment of the members.
- iii) Approval of new members.
- iv) Consideration of effective performance of education.

3. Tasks of the Sub-Committees

Board of Directors elect various sub-committees to make their administrative control more effective, with duty to report to the full board and make definite recommendations to them.

a) Management or Control Committee

- i) To supervise the management once a month more closely by checking vouchers, the account receivable, etc. or by approving weekly or semi-monthly all disbursements, etc.

- ii) To prepare matters for full board meetings so that final decision may be reached with less discussion and less loss of time.

b) Auditing Committee

- i) To secure a competent auditor to audit the account of the society.
- ii) To make a preliminary audit to see checks, invoices and other vouchers are in order and properly classified.

c) Inventory Committee

To supervise the taking of all physical inventories.

d) Other Committees

- i) Buying Committee
- ii) Marketing Committee
- iii) Pricing Committee
- iv) Membership Committee, etc.

4. Control of Business of the Society by the Board

Supervision or control by business activities of the society is one of the most important functions. This important function of the Board shall be performed through the examination of the Manager's Monthly Report, bearing following points in mind for constant observation:

- i) Cash
- ii) Gross margin
- iii) Operating expenses
- iv) Inventories and the rate of stock turn
- v) Account receivable
- vi) Source of supply

Monthly Report of the Manager (General)

- i) Volume of business for the month
- ii) Cash on hand
- iii) Bank statement reconciliation
- iv) Account receivable
- v) Bad account collected
- vi) Account payable
- vii) Note payable
- viii) Purchase of commodities during the month
- ix) Additions to property
- x) Other financial statements
- xi) Complaints
- xii) Personnel (if any change)
- xiii) Labour conditions
- xiv) New member
- xv) Educational report

5. The Functions of the Manager

a) Planning

- i) To forecast economic, social and political environment
- ii) To set up short and long-term targets to attain the objectives of the society.
- iii) To decide plan of work to attain the targets
- iv) To work out the budget for the plan

b) Organising

- i) To decide on positions to be filled and on duties and responsibilities attaching to each one.
- ii) To provide means of coordination of work and efforts in different sections of the society.

c) Staffing

- i) To establish positions and duties and responsibility
- ii) To find out proper or right person for each job.

d) Direction

- i) To provide day-to-day direction of work
- ii) To maintain good communication
- iii) To clarify the delegated power and responsibility
- iv) To help in improving the skills
- v) To encourage his staff to do best possible job
- vi) To maintain discipline

e) Control

- i) To determine how well jobs have been done and what progress is being made towards the goals.
- ii) To know whether the performances of the society is deviating from the plan.
- iii) To make his staff report of the performances
- iv) To make adjustment if any deviation emerged

f) Innovation

- i) To develop new ideas
- ii) To stimulate others to develop and carry out innovations

g) Representation

- i) To collaborate with other societies
- ii) To keep close contact with higher level organisations

6. Relationship between the Manager and the Board

It is essential to the success of cooperatives that the Manager and the Board maintain and develop a good relationship between them.

The basis for such relationship is that both the board and the manager know and understand fully their own duties and responsibilities. It is also important that each knows, respects and understands the respective duties and responsibilities of the other. From this point of view duties and responsibilities may be summarised as follows:

a) The Board

- i) Ultimate responsibility for all operations of the society
- ii) Goals to meet objectives
- iii) Necessary changes in long-term objectives and plans
- iv) Operational policies, regulations and programmes
- v) Appointment of competent manager
- vi) Appraisal of operations
- vii) Delegation of responsibility and power to the Manager

b) The Manager

- i) Supply of information needed for long range planning to the board.
  - ii) Recommendation of specific goals to the board
  - iii) Assistance to the Board in making policies, regulations and programmes
  - iv) Recruitment of personnel
  - v) Supply of information needed for appraising the operation
  - vi) Responsibility for the operation as delegated.
-



GROUP A

Suggest the role the cooperatives can play in paddy marketing in East Pakistan ? What pre-requisites ? What problems ? What methods and techniques ?

123

National Seminar on Cooperative Management  
East Pakistan

( 19.1.70 - 1.2.70)

Report of Group A.

Date 23.1.1970

Sub:- Cooperatives can play a great role in paddy marketing in East Pakistan. This is also necessary for linking the credit with marketing operations at the growers level.

Members present:

- |                            |             |                              |
|----------------------------|-------------|------------------------------|
| 1. Mr. Md. Rustan Ali Khan |             | 6. Mr. Osman Sarwar Khan Ch. |
| 2. Mr. Md. Nurul Hoda Khan | - Secretary | 7. Mr. Md. Aftabuddin        |
| 3. Mr. Ali Hassan          |             | 8. Mr. Baushan Ali           |
| 4. Mr. Anwar Khalid        |             |                              |
| 5. Mr. A. Hakim            | - Chairman  |                              |

Cooperatives can play a great role in paddy marketing in East Pakistan. This is also necessary for linking the credit with marketing operations at the growers level.

Pre-requisites.

- 1) Honest endeavour
- 2) Awareness of the growers
- 3) Availability of necessary good funds.
- 4) Availability of godown and transport facility
- 5) Availability of business personalities from cooperators or in paid employees
- 6) Effective coordination between cooperative credit & marketing societies.

Problems

- 1) Want of persons having sound business knowledge
- 2) Lack of financial incentive for the Managing Committee members and paid Officer for better workings.
- 3) Rate of interest on Government loan is very high
- 4) Interference and ~~excessive~~ <sup>excessive</sup> control on business by officials & official formalities.
- 5) Lack of effective coordination between marketing cooperatives.
- 6) Competition with the private businessman.

Methods:

- 1) Selected varieties of paddy should be procured.
- 2) Wide publicity should be given amongst the members.
- 3) Assessment of production and supplies on the one hand and market on the other should be made before hand.
- 4) There should be particular trademark.
- 5) 75% of the market value should be made against members supplies immediately and balance after sale of the stock.
- 6) Outstanding loans should be deducted by instalment against each supply.
- 7) There should be proper arrangement for stocking, gradation and sampling.
- 8) In surplus areas processing of rice may be taken as and when needed.
- 9) Maximum turn over to be aimed at.
- 10) Special quality of rice to be procured & processed for exports.

National Seminar on Cooperative Management  
East Pakistan

(19.1.70 - 1.2.70 )

Report of Group B

Date 23.1.70 at 10 A.M.

Sub:- How best the Managing Committee can control the business activities of a Multipurpose Cooperative Society.

Members present :

1. Moulana Kasimuddin Ahmed - Chairman
2. Khandaker Lutfar Rahman - Secretary
3. Mr. Agha Fuad Sami
4. Mr. K.M. Mashihur Rahman
5. Mr. A.H.M. Ali Hafez
6. Mr. Golam Mostafa Chowdhury
7. Mr. Maniruzzaman Khan

1) The Managing Committee will be constituted from amongst the members who have preliminary knowledge about the affairs of the business. Registrar may also appoint additional directors as per rule who have some experiences

Functions of Managing Committee :-

- a) The Managing Committee shall formulate and implement the policies
- b) It shall elect its office bearers from the members as per by laws of the Society.
- c) It shall appoint salaried and non-salaried staff who are honest, efficient and suitable man for the management
- d) Managing Committee will see that there will be no nepotism and favouritism in the administration.
- e) Managing Committee shall control business management & prepare maintenance & accounts of the Society.
- f) Managing Committee is to appoint an internal auditor from amongst the member to check the workings of the society periodically as per plan and policy of the society and report to the Managing Committee for action. And for statutory audit Managing Committee auditor from outside if & when necessary.
- g) Managing Committee shall prepare Annual report and lay before Annual General Meeting for approval.
- h) Managing Committee shall insure its properties against any loss.
- i) Managing Committee may form a business subcommittee from among themselves if it is found necessary for expediting the business work smoothly.
- k) Manager/Secretary will act according to the act, rules and bye-laws of the Society.



124

National Seminar on Cooperative Management  
East Pakistan

(19.1.70 - 1.2.70)

REPORT OF GROUP C

Date 25.1.70 at 10 A.M.

Sub:- We are now working as a cooperative in East Pakistan but we are using primitive methods in agriculture. We propose to mechanise our farming and also introduce other modern techniques. How should we plan our activities for the two/three years ahead?

Members Present :

1. Mr. S.M. Elias - Chairman
2. Mr. Mian Md. Nuruzzaman
3. Mr. Abdullah-Al-Baqui
4. Mr. Abdul Moyeed
5. Mr. A. F. Sami
6. Mr. A.H. Prodhan
7. Mr. Syed Ali Ahad
8. Mr. Endad Ali

90% of the people of Pakistan are agriculturists and earn their livelihood from agricultural products. As such the Cooperative Movement being essentially a movement for the people and by the people must concentrate its mainstream of activities to this sphere of the country. We are happy to note that in the recent times Agricultural Cooperatives have become the most active and important organisation of this movement in Pakistan. But our endeavours in this sphere shall not bear any fruit unless and until mechanised farming are introduced in this country and latest discoveries of science are brought in force to help our cause, so that we can make our agricultural operations economic and capable of competing with the world market.

But we would like to impart a very timely and important note of caution here. It should be borne in mind that in introducing mechanised farming in our country the present system prevalent in the country should not be subjected. Farmers here have adopted methods based on the experience and sagacity of their forefathers, which again bears the imprint of valuable experience of centuries. Science and mechanism are usually imported from the West - but their application in this country cannot be successful if they are not used and applied keeping in view the peculiarities and pre-requisites of our country. Keeping in mind the above points we suggest that plans for mechanised cultivation should not come from above nor a uniform plan should be adopted for the entire province not to speak of the entire country. Condition of land & environment differ from district to district even.

Under the circumstances our recommendation will be :-

- a) To form Thana Thana Teshil Cooperative (Mechanised Agriculture) Societies in our opinion considering the expenses involved less areas of land be under a cultivation than in a Thana /Tehsill will not be economic.
- b) These Thana/Teshil Societies shall include the areas presently under irri-Cooperative block the Societies of which blocks shall be amalgamated in this Societies. Then throughout the first year they shall try to include as much land as possible within the societies area of operation.
- c) Then after the total area of land is determined the Society shall prepare a comprehensive plan for

- 1) number of kind of produces to be produced
- 2) Agricultural implements and other machins to be required
- 3) number of deep tube-wells - drainage canals and specially reservoirs of water
- 4) Fertilisers
- 5) Pesticides
- 6) Spares of machineries
- 7) D. Oil etc.
- 8) number of **trained** mechanics to be required for effeciently operating machines
- 9) number of managers and other staff. - these staff should be well paid - in terms of fixed salary as well as certain percentage of commission if and when there will be profit on the produce.

Then these societies based on these data should prepare a budget and **after** taking into consideration the resources in their disposal request the Government, or such other competent agencies for 1) Financial help 2) Supply of machineries 3) Seed 4) Fertilisers etc.

A. Coordination Committee should be formed at the Thana or Subdivisional level with the representatives of the agencies concerned.

These Thana Tehshil Societies should be given all necessary powers to receive these help directly from the agencies concerned. Government or Cooperative Department should assuen the role of helping financial matters There should not be questions of controll / sanction etc. which creates unnecessary delay result is in the failure of such societies.

The Societies before stating their operation must make arrangements with the aid of Govt. department of such other agencies -

a) To train the number of mechanics required for cooperative. The machines have the soil of the land under area of operation tested by requesting the Government or such other agency

7) B) Establish workshop well stocked with necessary spare parts and D.Oil Depots in centrally located places within their area of operation

8) Fertilisers and pesticides must also be stocked beforehand in this manner so that there is no unnecessary delay or hindrance once the operation starts.

9) The Societies must have the entire cash requirement for the year in question placed beforehand and not in instalment .

10) They must have complete freedom to manage their finance and such other affairs as decided from time to time by their own managing committees.

However, it is our considered opinion that these operations cannot be successfull if suitable arrangements are not made for the marketing of the produces to be produced by and in these area of operations under mechanised cultivation. Hence facilities for storage and marketing shall have to be arranged beforehand for these areas of operation.

125

National Seminar on Cooperative Management  
East Pakistan

(19.1.70 - 1.2.70)

Report of Group B

Date 23.1.70 at 10 A.M.

Sub:- How best the Managing Committee can control the business activities of a Multipurpose Cooperative Society.

Members present :

- |                                |             |
|--------------------------------|-------------|
| 1. Moulana Kasimuddin Ahmed    | - Chairman  |
| 2. Khandaker Lutfar Rahman     | - Secretary |
| 3. Mr. Agha Fuad Sani          |             |
| 4. Mr. K.M. Mashihur Rahman    |             |
| 5. Mr. A.H.M. Ali Hafez        |             |
| 6. Mr. Golam Mostafa Chowdhury |             |
| 7. Mr. Maniruzzaman Khan       |             |

1) The Managing Committee will be constituted from amongst the members who have preliminary knowledge about the affairs of the business. Registrar may also appoint additional directors as per rule who have some experiences

Functions of Managing Committee :-

- a) The Managing Committee shall formulate and implement the policies
- b) It shall elect its office bearers from the members as per by laws of the Society.
- c) It shall appoint salaried and non-salaried staff who are honest efficient and suitable man for the management
- d) Managing Committee will see that there will be no nepotism and favouritism in the administration.
- e) Managing Committee shall control business management & prepare maintenance & accounts of the Society.
- f) Managing Committee is to appoint an internal auditor from amongst the member to check the workings of the society periodically as per plan and policy of the society and report to the Managing Committee for action. And for statutory audit Managing Committee auditor from outside if & when necessary.
- g) Managing Committee shall prepare Annual report and lay before Annual General Meeting for approval.
- h) Managing Committee shall insure its properties against any loss.
- i) Managing Committee may form a business subcommittee from among themselves if it is found necessary for expediting the business work smoothly.
- k) Manager/Secretary will act according to the act, rules and bye-laws of the Society.

National Seminar on Cooperative Management  
East Pakistan

( 19.1.70 - 1.2.70)

Report of Group A.

Date 23.1.1970

Sub :- Cooperatives can play a great role in paddy marketing in East Pakistan.  
This is also necessary for linking the credit with marketing operations  
at the growers level.

Members present:

- |                            |             |                              |
|----------------------------|-------------|------------------------------|
| 1. Mr. Md. Rustan Ali Khan |             | 6. Mr. Osman Sarwar Khan Ch. |
| 2. Mr. Md. Nurul Hoda Khan | - Secretary | 7. Mr. Md. Aftabuddin        |
| 3. Mr. Ali Hassan          |             | 8. Mr. Raushan Ali           |
| 4. Mr. Anwar Khalid        |             |                              |
| 5. Mr. A. Hakim            | - Chairman  |                              |

Cooperatives can play a great role in paddy marketing in East Pakistan.  
This is also necessary for linking the credit with marketing operations at the  
growers level.

Pre-requisites.

- 1) Honest endeavour
- 2) Awareness of the growers
- 3) Availability of necessary good
- 4) Availability of godown and transport facility
- 5) Availability of business personalities from cooperators or in paid employees
- 6) Effective coordination between cooperative credit & marketing societies.

Problems

- 1) Want of persons having sound business knowledge
- 2) Lack of financial incentive for the Managing Committee members and paid Officer for better workings.
- 3) Rate of interest on Government loan is very high
- 4) Interference and exercise control on business by officials - official formalities.
- 5) Lack of effective coordination between marketing cooperatives.
- 6) Competition with the private businessmen.

Methods:

- 1) Selected varieties of paddy should be procured.
- 2) Wide publicity should be given amongst the members.
- 3) Assessment of production and supplies on the one hand and market on the other should be made before hand.
- 4) There should be particular trademark.
- 5) 75% of the market value should be made against members supplies immediately and balance after sale of the stock.
- 6) Outstanding loans should be deducted by instalment against each supply.
- 7) There should be proper arrangement for stocking, gradation and sampling.
- 8) In surplus areas processing of rice may be taken as and when needed.
- 9) Maximum turn over to be aimed at.
- 10) Special quality of rice to be procured & processed for exports.

National Seminar on Cooperative Management  
East Pakistan

126

(19.1.70 - 1.2.70)

REPORT OF GROUP 'A'  
ON SESSION NO. 14 HELD ON 26.1.70

Subject :- 1) Please discuss the importance of cultivating the habit of thrift among the farmer-members of cooperatives  
2) List various methods of operating savings schemes in societies.

Members present:

- 1) Mr. A. Hakin - Chairman
- 2) Mr. Murul Hoda Khan - Secretary
- 3) Mr. Rustan Ali
- 4) Mr. Ali Hossain
- 5) Mr. Nazrul Islam
- 6) Mr. Rausan Ali
- 7) Mr. Osman Sarwar Alam Choudhury

Crowding the habit of thrift saving among the farmer-members of Cooperatives is essential for formation of capital within the movement.

To make the scheme for thrift saving a success it is necessary that -

- 1) Proper education on cooperatives is imparted and utility of the scheme is made known to the members.
- 2) In each society suitable number of group meetings are arranged by the Managing Committee every week to provide member education and review of the working progress.
- 3) Pass book is issued by the society to the members to ensure members confidence in the affairs of the society.
- 4) Progress of members deposit is discussed in weekly meetings.
- 5) Payment of interest on deposits exceeding Rs.20/- is made in cash at the end of each year.
- 6) Proper amount of investment of the members deposit is made known to the member deposits.

The members of the group felt that Government subsidy was necessary for better management and smooth functioning of the primary societies.

NATIONAL SEMINAR ON CO-OPERATIVE MANAGEMENT, WEST BANGALORE,  
(19.1.70 to 1.2.70)

REPORT OF STUDIES ON THE SESSION 14.

Date: 26.1.70 at 3-30 P.M.

Sub: Importance of cultivation the habit of thrift among the farmer-members and the list of various methods of operating saving Schemes in Societies.

Present members

- |                                       |   |            |
|---------------------------------------|---|------------|
| 1. Mr. Maulana Kasimuddin Ahmed, T.N. | - | Chairman   |
| 2. Mr. Khendekar Lutfur Rahman,       | - | Secretary. |
| 3. Mr. Iqbal Fuad Sami                |   |            |
| 4. Mr. K.M. Masihur Rahman            |   |            |
| 5. Mr. Solam Mostafa Choudhury.       |   |            |
| 6. Mr. A.S.H. Ali Safar.              |   |            |
| 7. Mr. M. Ziaul Hoque.                |   |            |

Thrift is nothing but a saving which comes after meeting all necessary expenditure on the family which has importance for economic betterment of an individual. But in the case of a farmer the cultivation of habit of thrift is absolutely essential <sup>as well as</sup> adopting modern method of agriculture <sup>as well as</sup> his own economic upliftment. To cultivate the habit of thrift is dependable on the following conditions:-

Cash Saving:

Habit of cash saving will insure a dividend or interest out of it which ultimately may be invested in better agricultural enterprises. This may be operated by putting small saving in a box daily after meeting all necessary expenditure  
(2) by creating system of "Musti Rice Saving".

Kind Saving

Every farmer should deposit a small portion of his harvest to the society which will be sold and a small portion out of the sale proceeds of the sale will be kept as saving in the society.

- (2) Expenditure relating to social & other functions should be minimised.
- (3) Food Bank technique should be introduced. ✓
- (4) Bye-laws for raising capital should be formed.
- (5) Raising of capital by utility service is most important methods.
- (6) Expansion of Institutional credit sources must be easily available. ✓

Report of Group 'C' on Seminar No.14 held on 26.1.70.

Members present:-

- 1) Mr. Serajul Haq - Chairman
- 2) Mr. Abdullah - /1-Baqur - Secretary
- 3) Mr. Mujibur Rahman -
- 4) Mr. Abdul Moyeed, -
- 5) Mr. Abdur Rahman. *Chairman*
- 6) Mr. Sayed Ali Ahmed.

Sub:- 1) Importance of cultivating habit of thrift among the Co-operative farmers.

As we know - money is a matter of functions four - a medium, a measure a standard and a store. Here we see money has got certain contribution in every walk of our day to day life. So saving for to-morrow is a must for Co-operative farmers which may act as weapon to fight against his bad days in future life. The funds thereby created from thrift saving, may serve him against his hardship during natural calamity and the failure of crops which will not only help him for his existence but also he may come up in flying colour. But unfortunately most of our countrymen not to say of Co-operative farmers don't realise the importance of the same. As a result of which they are not saving minded and naturally they prefer happy-go-lucky life. Here lies the importance of cultivation of saving drive to our co-operative farmers. All out efforts should be given for cultivating the habit of thrift saving out of their limited income.

Sub:-2) List various methods of Co-operative Saving Schemes in Societies.

We have seen the importance of saving by the Co-operative farmers. Now the question is how to save and what may be the possible methods of Co-operative society suggested for accumulation of thrift savings by the different Cooperative farmers:-

- 1) *Compulsory* ~~Forced~~ thrift saving scheme is to be introduced to the Co-operative farmers.

Under this system every member will be liable to save and to deposit a certain amount of money within a certain period to be fixed by the Society concerned.

- 2) Regular group discussion are to be sponsored amongst the co-operative farmers. So that their habit of savings grow-up. Simultaneously this discussion will help to persuade them for saving.

- 3) Due importance are to be attached to the female members in the house ~~xx~~ of a Co-operative farmers by the Society. The female members cannot only contribute their substantial saving, but also can inspire the house-master

National Seminar on Cooperative Management,  
East Pakistan

128

( 19-1-70 - 1-2-70 )

Report of Group B on Session No.5.

Date of Meeting: 21.1.70 at 3 P.M.

Sub:- "The Socio-Economic milieu effecting the agricultural  
Cooperative Movement in East Pakistan"

- by Dr. A. Farouk.

Present members :

1. Moulana Kasimuddin Ahmed - Chairman
2. Mr. Agha Fuad Sami
3. Mr. A.H.M. Ali Hafez
4. Mr. Rejwan Ali Khan Chowdhury
5. Mr. Golan Mostafa Chowdhury
6. Mr. Khandakar Lutfar Rahman
7. Mr. Ziaul Haque
8. Mr. Maniruzzaman Khan
9. Mr. Mashihur Rahman

- 1) It is resolved in the meeting that the idea as discussed by Dr. Farouk is to be admitted and as far suggestion, they suggested that primary education to be given to the rural people on cooperative principles.
- 2) Due respects, honour & recognition to be given to those voluntary workers who are dedicating their lives for the cause of cooperative movement ( when any occassion arises to send deligates abroad - the cases of non-official cooperators should not be ignored.
- 3) Our people in all sphere must have plain living & high thinking.
- 4) Tolarence and freedom of thought & expression should be ideal of cooperations.
- 5) All possible means should be adopted to arrest corruption.
- 6) Cooperatives must avoid getting themselves rich quickly by unfair means.
- 7) Cooperative management should be made for the people and by the people. There will be minimum participation from the Government.
- 8) System of honorarium should be introduced for all cooperative - organization, so that they can work smoothly and efficiently.
- 9) Direct link incourse of loan from State Bank by the Central Bank should be set up to minimise the rate of interest and share for the healthy growth of the fund of primary societies.
- 10) To intensify the Cooperative propaganda it is suggested that Unions should be formed at thana level.
- 11) Compulsory cut in loan for fertilizers are depopularising the Cooperatives. As such entire loan should be given in cash under supervised credit.



National Seminar on Cooperative Management,  
East Pakistan

129

( 19.1.70 - 1.2.70 )

Report of Group on Session No.6.

Date of Meeting 21.1.70 at 3 P.M.

Sub :- Factors of strength & weakness of the Private Money Lender-cum-Trader.

- Dr. A.M. Moazzam Hussain.

Members present :

1. Mr. Shamsul Huq - Chairman
2. Mr. Nurul Hoda Khan - Secretary
3. Mr. Inwar Khalid
4. Mr. A. Hakim
5. Mr. Osman Sarwar Alam Choudhury
6. Mr. Roushan Ali
7. Mr. Ali Hossain
8. Mr. Mustafizur Rahman
9. Mr. Md. Rustom Ali Khan

Are the private money lenders-cum-traders rendering any useful service to the farmers ?

The private money lenders render some service to the growers no doubt. The institutional sources could not as yet be in a position to meet the credit need of all the agriculturists in the country side. The growers who cannot get any finance from institutional sources for various reasons can get the finance from private sources whenever needed. But such finance have got amongst others the merits and demerits as below :

- Merits :
- a) The finance is available at the place of the growers.
  - b) The finance is available at the time of need and in required quantity.
  - c) The finance is not subject to any formality.
  - d) The term of repayment is flexible.

- Demerits:
- a) The cost of credit is very high in terms of interest and security.
  - b) Such credit is made available to earn profit only.
  - c) Such credit does not aim at socio-economic growth.
  - d) Such credit degrades the social status of the borrower.
  - e) Such credit being easy to obtain invites wasteful expenses on ceremonies etc.
  - f) The productive utilisation of such credit cannot be ensured in great national interest and the borrower once indebted cannot get rid of the debt due to lesser and lesser income.

So long the institutional sources come up and meet 100% credit need of the growers, the services of the private money lenders-cum-traders is useful and necessary - and merely a necessary evil for the Socio-economic growth of the country.

Is it possible and also desirable to replace the private money lender-cum-trader by institutional services of rural credit ?

The elimination of the private money lenders by providing institutional sources is essential. They are to be replaced as quickly as possible. The process of elimination is to be gradual by widening the extent and scope of operation of institutional sources. The lending procedure by the institutional sources is to be designed meeting to the need of the growers and ensuring quick socio-economic growth in the country.

How to make the management of credit offered by cooperatives effective and enlarge the scope of their credit operation ?

The cooperatives were providing credit to the growers so long mainly in consideration of their repaying capacity and production proposals. Now loans are being given on the estimated cost of the production target of loan has increased many fold. To ensure effectiveness of the credit management it is necessary that -

- a) The credit is truly supervised.
- b) The loan policy is designed suiting to the used of the growers on the operational experience gathered at the "grass root level" and not on the influence from outside lacking cooperative character.

As regards enlarging the scope of credit operation the cooperatives may go a long way in mechanising agricultural operations and encouraging and organising the block agricultural farming groups in the country-side.

What role can legislation play in removing the ill effects of the system of private money lending prevailing in East Pakistan on farmers ?

The evil private lending as discussed is wellknown. The professional lenders know the pros & cons of the lending regulations. They keep themselves under the protection of law, and vary the term of the credit much to the disadvantage of the borrowers. They take the benefit of the borrowers helpless. The bad terms of credit do not appear in any loan paper so the illegal act cannot generally be proved in a court of law. A new enactment may also not be very much of use to protect the growers from the clutches of the private money lenders.

The expansion of institutional credit sources can eliminate the evil of private lending as a natural course.

The programme of the seminar do not provide the scope for discussion of the local management problem of the delegates in details. The members desired to hold one session exclusively for this purpose.

NATIONAL SEMINAR ON CO-OPERATIVE MANAGEMENT  
EAST PAKISTAN

(19.1.70 - 2.1.70)

Report of Group A on Session No. 21 & 22 held  
on 29.1.70

GROUP - A: What are the considerations a Co-operative society should take into account in assessing loan requirement of a farmer having uneconomic holdings for his over-all economic improvement?

Members Present:

- 1) Mr. A. Hakim
- 2) Mr. Md. Rustom Ali Khan
- 3) Mr. Ali Hossein
- 4) Mr. Kazi Kaisur Rahman
- 5) Mr. Md. Nurul Huda Khan
- 6) Mr. Md. Aftabuddin
- 7) Mr. Osman Serwar Chowdhuri
- 8) Mr. Rustom Ali

The points for consideration in assessing loan requirement of a member having uneconomic holding.

- (i) back-ground of the borrower
- (ii) interest & enthusiasm towards cooperative activities.
- (iii) present income out of his holding & subsidiary income if any, side by side with his present required expenses.
- (iv) estimated deficit at present.
- (v) outstanding liabilities if any.
- (vi) estimated requirement of credit for increased output to meet the expenses of bare maintenance, to meet deficiency & to provide some fund for his upliftment on a gradual process.
- (vii) estimate of extent of his repaying capacity.

In consideration of the facts, the members of the group felt that in such cases short loan term will not be suitable and considered that medium term loan in normal case may serve the purpose, well. For liquidation of outstanding liabilities Long-term loan may also be needed for improvement of the borrowers' economic condition as a whole.

NOTICIAL SEMINAR ON CO-OPERATIVES IN WEST BENGAL, INDIA  
(19.1.1970 to 1.2.1970)

Report of Group 'B' on Session No.21 and 22, held on 29.1.70.

Sub:- In our situation what are the factors that are to be dealt with on providing Supervised Credit for farmers.

Members present:

- |                                   |   |            |
|-----------------------------------|---|------------|
| 1. Moulana Kasimuddin Ahmed T.K., | - | Chairman   |
| 2. Mr. Khondaker Lutfur Rahman    | - | Secretary. |
| 3. Mr. Sholam Mustafa Choudhury   |   |            |
| 4. Mr. Agha Fued Sami             |   |            |
| 5. Mr. M. Zeiaul Haque            |   |            |
| 6. Mr. A.H.M.A. Rafez.            |   |            |

After a thorough discussion on the subject, it was suggested by the Group that the following factors should be dealt with for providing Supervised Credit.

1. Production Plan of the farmer must be made by the Society with the help of local agricultural experts. The following points should be considered in the Plan.
  - a) Quantity and cost of seeds, fertilizer and insecticides.
  - b) Cost of irrigation i.e. maintenance of machines and tools.
  - c) Cost of labour to be engaged on the farm.
  - d) Preparation of loan gazette periodically.
2. The loan should be paid according to the production plan in cash and in kind.
3. Periodical meetings should be held to discuss day to day problems of cultivation on training basis.
4. Proper and continuous supervision be made by the experienced staff from planning to production and harvesting of the crop.
5. Credit should be supplied to the farmer in proportion to his actual requirements.
6. Supplies and services must be linked up with the credit.
7. Recovery of the credit must be made within three months from the harvest of the crop.

NATIONAL SEMINAR ON COOPERATIVE MANAGEMENT  
EAST PAKISTAN

( 19-1-70 - 21-1-70 )

PROBLEMS FOR GROUP DISCUSSION

ON SESSION NOS. 21 & 22 :

GROUP - A: What are the considerations a Co-operative Society should take into account in assessing loan requirement of a farmer having uneconomic holdings for his **over-all** economic improvement ?

GROUP - B: In our situation what are the factors that are to be dealt with in providing supervised credit for farmers ?

GROUP - C: Please discuss the difficulties faced by a Primary Co-operative Society in recovering loans from members through moral persuasion and legal procedures, and list the remedies.

Question for Group Discussion

on

"The Socio-economic milieu affecting the agricultural  
Cooperative Movement in East Pakistan" by Dr. A. Farouk.

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Please list the steps that should be taken  
by the agricultural cooperatives in Pakistan to serve their members  
in solving their economic problems and discuss the reorganizational  
measures if any that should be effected in the cooperatives to enable  
them to undertake these steps effectively.

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Questions on the topic.

"Factors of strength & weakness of the Private Money Lender-cum-Trader".

- 1) Are the private money lender-cum-traders rendering any useful service to the farmers ?
- 2) Is it possible and also desirable to replace the private money lender-cum-trader by institutional services of rural credit ?
- 3) How to make the management of credit offered by cooperatives effective and enlarge the scope of their credit operation ?
- 4) What role can legislation play in removing the ill effects of the system of private money-lending prevailing in East Pakistan on farmers ?

National Seminar on Cooperative Management,  
East Pakistan, Dacca.  
(19.1.70 - 1.2.70 )

GROUP - A

1. Mr. Anwar Khalid
2. Mr. A. Hakim
3. Mr. Osman Sarwar Alam Chowdhury
4. Mr. Roushan Ali
5. Mr. Shamsul Huq
6. Mr. Nurul Huda Khan
7. Mr. Ali Hussain
8. Mr. Mustafizur Rahman
9. Mr. S.A. Mollah
10. Dr. Mesbahul Huq
11. Mr. Md. Rustam Ali Khan

GROUP - B

1. Mr. Agha Fuad Sami
2. Mr. Hasan Khan
3. Mr. Kh. Lutfar Rahman
4. Dr. A. K. Dewan
5. Alhaj Golam Mostafa Chowdhury
6. Mr. Rezwan Ali Khan Chowdhury
7. Moulana Kasimuddin Ahmed
8. Mr. A.K.M. Ali Hafiz
9. Mr. Maniruzzaman Khan
10. Mr. Ziaul Hoq
11. Mr. K.M. Mashihur Rahman

GROUP - C

1. Mr. Shah Md. Sayed
  2. Mr. Sayed Ali Ahmed
  3. Mr. Nuruzzaman Khan
  4. Mr. Abdul Moyeed
  5. Mr. Abdul Hoq Prodhan
  6. Mr. S.M. Elias
  7. Mr. Abdullah-el Baki
  8. Mr. Serajul Huq
  9. Mr. Mohammadullah
  10. Mr. Mujibur Rahman
-



135

National Seminar on Cooperative Management,  
East Pakistan

(19.1.70 - 1.2.70)

The National Seminar on Cooperative Management, East Pakistan, in its final plenary session, made in addition the following unanimous resolutions that -

- 1) For development and training in management skill and technical know-how, so necessary for efficient performance of a movement like cooperation, it is keenly felt that an Institute of Cooperative Management be set up immediately in East Pakistan if necessary, in collaboration with international agencies.
- 2) The Central Government be moved to exempt Income-Tax from the sale of goods produced by the industrial cooperatives to consumers.
- 3) Rickshaw-pullars' and motor-drivers' cooperatives which are running well be provided with adequate credit facilities by Government and in all areas where this class of wage earners is heavily concentrated, Central Associations be sponsored to provide credit, technical know-how and training facilities to their affiliates.
- 4) Willing Cooperators be appointed as fertiliser dealers.
- 5) The present trend of decentralisation of Cooperative activities with the organisation of small group societies be examined with all its aspects and in this light the future of Multipurpose Societies and Central Banks also be examined.
- 6) The achievements of Comilla approach in this regard be examined by a team of non-officials. The Provincial Union be requested to arrange it.
- 7) There be a separate Department for Cooperation under the Government of East Pakistan. The status of the Registrar of Cooperative Societies be upgraded to the rank of Divisional Commissioner, ~~to be appointed from the departmental officers.~~
- 8) In order to achieve the objectives of the Provincial Cooperative Union and the District Unions following steps are suggested:
  - a) The Provincial Union and the District Unions be adequately financed to enable them to arrange seminars, Convention etc. to take up education programme in order to attract the minds of the members towards Cooperation and thus to create leaders from lower level with the ultimate aim of making the movement a complete democratic and to make it free from the departmental control.
  - b) For training purposes the number of peripatetic units be increased so as to post one unit in each thana and be placed at the disposal of the District Cooperative Unions to work in conformity with their programme to cover up the entire number of members within a stipulated time.
  - c) The over due Cooperative Convention be held during this year to enable the movement to focuss its views on recent trend of cooperative development and other policy matters.
- 9) To bring further impetus in the movement the East Pakistan Provincial Cooperative Bank Ltd. be scheduled.

- 10) The Seminar felt that the prices charged by the EPADC from the Cooperatives for supply of fertilisers, diesel etc. are higher than the market prices and that the EPADC be moved to investigate into the matter in the interest of the farmers and the cooperatives as well.
- 11) Regular credit be given to the agriculturists on long term basis for which necessary funds be made available from the East Pakistan Provincial Cooperative Bank to the Land Mortgage Banks of the province.
- 12) The Weavers' Cooperative Societies in different stages be provided with subsidy of such as Manager, Godown, factories etc. just in time.
- 13) The landless farmers who take lands from land owners for cultivation by paying cash money well in advance be provided with credit in order to save him from the clutches of the private money lenders.
- 14) Long outstanding over-due loans be converted into long term loan to enable the creditors to repay their dues in instalments.
- 15) Before issuing loan in kind a special survey of soil of the area, requirements of fertilizers etc. be made and loan in kind be issued according to actual requirements. In case they can not consume whole of such requirements, credit vouchers be adjusted accordingly and interest be calculated on the amount consumed from the date of consumption.
- 16) There be massive financial allocations in the next 4th five year plan for conducting extension and training services institutionally to spread and strengthen cooperatives in grass-root with a view to enabling the cooperative institutions to have an over-all impact on the economic and social problems of the people.
- 17) A joint conference of authorities of the EPADC, B.D. & L.G. and Cooperative Department be held to consider and fix-up the managements of Power Pump with regard to its ownership, care and maintenance.
- 18) The Central Cooperative Banks and Multipurpose Societies need not be abolished but recognised to meet the changing needs of the movement.

#### THANKS GIVING

(a) The participants express their hearty thanks and congratulations to Mr. L. Gunawardena and Mr. Shire Futagami of the ICA and the fellow Cooperators of West Pakistan for their valuable participation and nice company given by them and request the participants of West Pakistan to convey the sincere feelings and greetings to the cooperators of West Pakistan. The Seminar conveys thanks to the resource persons who presented papers in the Seminar and also to those officials and cooperators who were kind enough to address the participants thus contributing enormously to the success of the Seminar.

(b) The participants take also the opportunity to record their gratitude to the East Pakistan Cooperative Union Ltd. for holding of this very useful Seminar and for its efficient management.

(c) The participants express their gratefulness to the East Pakistan Cooperative Insurance Society Ltd. for providing the venue and other required facilities for holding of the 14-day Seminar in the "Sanabaya Beema Bhaban".

Names of participants and officials attending the National Seminar on Co-operation Management in East Pakistan from January 19 to February, 1, 1970

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<u>I.C.A. Officials</u>	<u>Address.</u>
1. Mr. Lionel Gunawrdana,	Deputy Director, I.C.A. Regional Office, New Delhi.
2. Mr. Shiro Katagami,	Deputy Director, I.C.A. Regional Office, New Delhi.
<u>Participants from West Pakistan</u>	
1. Mr. Sh. Mohammad Jan,	General Manager, The Punjab Provincial Cooperative Bank Ltd. Lahore.
2. Mr. Hasan Khan,	Managing Director, Co-operative Consumers Whole Sale Society Ltd. Model Town, Lahore.
3. Mr. Sh. Muhammad Saeed, Advocate.	Vice-President, Co-operative Store & Director, Central Co-operative Bank Ltd. Jhang.
<u>Participants from East Pakistan.</u>	
1. Mr. A. Hakim,	Vice-Chairman, Dacca Central Cooperative Bank Ltd. Dacca.
2. Mr. M. Ahmad,	Secretary, Tejgaon Central Cooperative Multipurpose Society Ltd. Tejgaon, Dacca.
6. Mr. Khandaker Lutfar Rahman,	Vice-Chairman, Mymensingh Central Coop. Bank Ltd. Mymensingh.
7. Mr. Syed Ali Ahmad,	Secretary, Mymensingh (North) Sub-divisional Central Cooperative Multipurpose & Society Ltd. Vill & P.O. Bhaikandi Dt. Mymensingh.
8. Mr. Nuruzzaman Khan,	Director, Gopalganj Central Cooperative Bank Ltd. P.O. Gopalganj Dt. Faridpur.
9. Mr. Rustom Ali Khan,	Vice-Chairman, Faridpur Central Coop. Multipurpose Society Ltd. P.O. & Dist. Faridpur.
10. Mr. Naem Khan Fanni,	Vice-Chairman, Tangail Central Coop. Bank Ltd. and Vice-Chairman, Tangail Sub-Divisional Central Cooperative Multipurpose Society Ltd. P.O. & Dist. Tangail.
11. Al-Haj Serajul Huq,	Vice-Chairman, Comilla Central Coop. Bank Ltd. P.O. & Dist. Comilla.
12. Mr. Osman Sarwar Alam Choudhury,	Vice-Chairman, Cox's Bazar Central Cooperative Bank Ltd. P.O. Cox's Bazar Dist. Chittagong.
13. Mr. Mahmudul Huq,	Secretary, Feni Central Cooperative Bank Ltd. P.O. Feni Dist. Noakhali.
14. Dr. A. K. Dewan,	Vice-Chairman, Chittagong Hill Tracts Central Co-operative Bank Ltd. P.O. Rangamati Dt. Chittagong Hill Tracts.
15. Mr. Ali Hussain,	Secretary, Comilla Sadar (South) Subdivisional Central Cooperative Multipurpose Society Ltd. P.O. & Dist. Comilla.
16. Mr. Abdul Moyeed,	Secretary, Noakhali Subdivisional Central Multipurpose Society Ltd. P.O. Laxmipur. Dist. Noakhali.
17. Al-Haj Golam Mustafa Choudhury,	Chairman, Sylhet Subdivisional Central Cooperative Multipurpose Society Ltd. P.O. & Dist. Sylhet.

Contd....P/2.

# Dedicated management needed to run co-op. societies on sound line

By A Staff Correspondent



Mr. Shafiul Azam, the Chief Secretary of East Pakistan, is inaugurating the National Seminar on Co-operative management in Dacca on

January 19. The representative of International Co-operative Alliance is also seen in the picture.

Thank the members of the International Co-operative Alliance for their very kind collaboration. I hope the participants of the Seminar will take full advantage of deliberations and discussion in the Seminar in bringing about overall improvement in the management of their Societies so that their societies can play their rightful role in the country's agricultural and industrial development.

## L. R. Khan

Mr. L. R. Khan, Chairman East Pakistan Co-operative Union said: The importance of Co-operation in the evolution of our economic and social life has been increasing very fast. The economic life of the present civilised society is the re-

prise led to an unprecedented growth of industries in modern life. The inequality of wealth leads to frequent lock-outs and strikes resulting in suspension of work and consequent loss to the community.

In the agricultural sector production does not always ensure economic security to the farmers because of the lack of holding power and adequate marketing facilities. The regulatory measures adopted by the Government for the protection of the poor producers are rendered infructuous due to the unregulated operation of laws of demand and supply. These evils arising from the present organisation of society may be remedied through institutions based on co-operative principles.

Political theorists like Sir Henry Maine told us during 19th century that human society had been progressing from status to contract. The evolution enunciated above might have been the hall-mark of liberalism during 19th century political thought, but in the context of present social and economic developments free contracts between persons who were unevenly situated has become a thought of the die-harvis. Experiences reveal under the terms of free contract the economically strong always exacts better terms from the weak to the detriment of the latter. In our country the vast majority of the peasantry suffer greatly at the hands of the money-lenders under the terms of uneven contracts. The economic involvement of the said loss of the farmers had been estimated annually to the tune of more than Rs. 100 crores in East Pakistan alone. In the context of such social and economic circumstances isolated and powerless individuals can, by association with others and mutual support, obtain in their own degree the material advantage available to the wealthy or powerful persons and thereby develop themselves to the fullest extent of natural abilities. The forces of Co-operation generate united action based on self-reliance for the attainment of effective realisation of higher and more prosperous standard of life in the fields of farming, business, housing, fishing, cottage industry, etc. Judged from these points of view, co-operative movement is based on highest sense of morality and may be considered as the most intensive form of Moral Re-orientation.

Mr. S. M. Shafiul Azam, Chief Secretary, Government of East Pakistan said on Monday that absence of a skilled and dedicated management has stood in the way of running cooperative societies on a sound track in the country. In all the advanced countries of the world Mr. Azam said great attention was being paid for the development of management skill to run powerful cooperatives.

Mr. Shafiul Azam was inaugurating the fortnight-long seminar on cooperative management on Monday. Held at the auditorium of 'Samabaya Beema Bhaban' at Dilkhusa Commercial Area the seminar was jointly sponsored by the East Pakistan Cooperative Union Limited and International Co-operative Alliance.

The Chief Secretary said that under the government scheme to increase the production of food crops the cooperative societies have been advised to finance agriculturists on a large scale. He said that in the financial year of 1969-70 an amount of Rs 10 crores and 10 lakhs would be disbursed as production loans among the farmers through cooperative societies.

Speaking about the policy of the government towards the cooperatives, Mr. Azam said that the objective was to improve the lot of the common man.

Earlier, in his address of welcome, Mr. L. R. Khan, Chairman of the East Pakistan Co-operative Union Limited said that in the agricultural sector production did not always ensure economic security to the farmers. This was used in the absence of holding capacity of the farmers; the agricultural produces and adequate marketing facilities, he added. Mr. Khan added that these evils might be remedied through the institutions based on cooperative principles.

The function was rounded off by a session of songs on cooperation.

Following is the Inaugural speech of Mr. S.M. Shafiul Azam, Chief Secretary, Government of East Pakistan on the occasion of the inauguration of the National Seminar on Co-operative Management at Dacca on Monday.

The importance of sound management in business enterprise cannot be over-emphasised. Operational efficiency, development of technical skills essential to smooth and successful functioning of any industrial or commercial enterprise depends primarily on the nature of its management.

As you are aware, in all advanced countries where the cooperative movement has succeeded in building up successful cooperatives, great attention is given to the

development of management skill. Co-operative ventures, while being firmly based on co-operative principles, consistently try to develop and maintain a high standard of business management at all levels, and co-operative enterprises grow and develop in competition with the private sector through more improved techniques and operational efficiency.

In our country, co-operative societies have grown primarily to provide short-term loans to farmers and artisans so that they do not have to go the traditional money lenders charging an exorbitant rate of interest. Hitherto these Societies have been managed largely by local operators working in an honorary capacity with assistance provided by officials of the Co-operative Directorate. Absence of a trained and dedicated cadre has stood in the way of running these co-operatives on sound and efficient lines.

In pursuance of the Government policy of encouraging the growth of co-operatives as an important means of agricultural and economic development of the country, the character of co-operative societies is undergoing a radical change. Co-operative Societies are now being called upon to shoulder the responsibility of financing agriculturists on a massive scale under the government programme of increasing production of food crops. In the financial year 1969-70 a sum of Rs. 110 million are being disbursed as production loans to farmers through co-operative societies. The dimension of the programme will be expanding at an accelerated pace during the successive years. The old concept of Co-operative Societies functioning as mere agencies for distributing cash loan, much of which has been wasted in the past for unproductive purposes has been radically substituted by the emphasis on increased food production through the supply of tractors, power pumps, seeds and fertilizers to our rural masses. The co-operatives have now to play an increasingly important role in our national economy as vital centres of economic activity.

Side by side with the public and private sectors a co-operative sector is fast growing in East Pakistan, and the healthy growth of this sector can go a long way in bringing about a speedy development in the various spheres of our economics. I am happy to find that co-operatives are now entering such new fields as handicrafts and small scale industries, deep sea fishing and export of fish, distribution of consumer goods, marketing processing and storage, large scale industries like jute and textiles banking and insurance. With their increasingly complex activity, even the small co-operative societies can no longer be managed by part-time operators who cannot devote their whole time and attention to the development of the necessary technical and managerial skill, or by departmental officers coming from a different background of training and outlook.

A co-operative society, whatever its field of activity and

16. Mr. Abu Naser Ahmed Choudhury, Vice-Chairman, Firojpur Central Cooperative Bank Ltd., P.O. Firojpur, Dist. Barisal.
19. Mr. Abdur Rab Miah Secretary, Chakhar Central Cooperative Bank Ltd., P.O. Chakhar, Dist. Barisal.
20. Mr. Rousan Ali Secretary, Jessore Sadar Subdivisional Central Cooperative Multipurpose Society Ltd., P.O. & Dist. Jessore.
21. Mr. Abdullah-al-Bagai Vice-Chairman, Satkhira Central Cooperative Multipurpose Society Ltd., P.O. Satkhira, Dist. Khulna.
22. Mr. Rezwan Ali Khan Choudhury, Vice-Chairman, Kushtia Central Cooperative Bank Ltd., P.O. & Dist. Kushtia.
23. Mr. A.H.M. Ali Hafiz Vice-Chairman, Khulna Central Cooperative Bank Ltd., P.O. & Dist. Khulna.
24. Mr. Serajul Huq Bogra Central Cooperative Bank Ltd., P.O. & Dist. Bogra.
25. Mr. Md. Emdad Ali Rangpur Central Cooperative Bank Ltd., P.O. & Dist. Rangpur.
26. Mr. Moulna Kashimuddin Ahmed, T.K. Pabna Central Cooperative Bank Ltd., P.O. & Dist. Pabna.
27. Dr. Meshabul Huq Nowabganj Central Cooperative Bank Ltd., P.O. Chapai-Nowabganj, Dist. Rajshahi.
28. Mr. Farhed Ali Khandakar Rajshahi Central Cooperative Multipurpose Society Ltd., P.O. & Dist. Rajshahi.
29. Moulna Saifuddin Yahya, Shahzadpur Central Cooperative Multipurpose Society Ltd., P.O. Shahzadpur, Dist. Pabna.
30. Mr. Abdur Rahim Miah Satibari Central Cooperative Multipurpose Society Ltd., P.O. Satibari, Dist. Barisal.
31. Mr. Shamsul Huq KTCCA Ltd., Comilla.
32. Mr. Muhammadullah KTCCA Ltd., Comilla.
33. Representative from Agriculture Cooperative Federation Ltd. (Under KTCCA Ltd.)
34. Representative from Special Cooperative Federation Ltd. (Under KTCCA Ltd.)
35. Mr. Eadrudin Ahmed PARO, Comilla.

Alternative participants.

1. Mr. Abdur Rahman Khan Choudhury Director-in-charge, Kishoreganj Subdivisional Central Cooperative Multipurpose Society Ltd., P.O. Kishoreganj, Dist. Mymensingh.
2. Mr. Asaduzzaman Vice-Chairman, Kishoreganj Central Cooperative Bank Ltd., P.O. Kishoreganj, Dist. Mymensingh.
3. Mr. Ziaul Huq Director, Dewanganj Central Sugarcane Growers' Cooperative Society Ltd., Dist. Mymensingh.



Mr. Shafiqul Azam, the Chief Secretary of East Pakistan, is inaugurating the National Seminar on Co-operative management in Dacca on January 19, 1970. The representative of International Co-operative Alliance is also seen in the picture.

## Seminar on coopt. management from Jan 19

National Seminar on Co-operative Management in East Pakistan sponsored by the International Cooperative Alliance and East Pakistan Cooperative Union Ltd. will be held from January 19 to February 1, 1970 at the Samabaya Beema Bhavan, 24-25 Dilkhusa Commercial Area Dacca. The Seminar will be inaugurated by Mr. Shafiqul Azam, Chief Secretary to the Government of East Pakistan at 10 a.m. on January 19. The Seminar will be attended by two I.C.A. Representatives participants from both Wings of Pakistan

## National seminar on coop management opens in city today

(By Our Staff Reporter)

The National seminar on the co-operative management sponsored by the East Pakistan Co-operative Union in collaboration with International Cooperative Alliance will be inaugurated in Dacca today.

The seminar will continue for 14 days ending February 1. The seminar is expected to be participated by about 35 officials, non-officials, cooperators.

About 15 papers on 15 facets of cooperative management will be presented at the seminar. The seminar will be conducted by Mr. Lionel Gunawardana of the International Cooperative Alliance.

4. Mr. Nurul Huda Khan East Pakistan Provincial Cooperative Bank Ltd., Dacca.
5. Mr. Mio Serajul Huq Tongi Central Cooperative Multipurpose Society Ltd..
6. Mr. S.A. Mollah Deputy Registrar, Cooperative Societies(Extension)-in-charge, East Pakistan, Dacca.
7. Mr. Muniruzzaman Khan, Secretary, East Pakistan Provincial Cooperative Marketing Society Ltd.,
8. Mr. Hagan Mustafa Choudhury Assistant Project Officer (Credit & Marketing)
9. Representative of East Pakistan Agricultural Development Corporation.
10. Representative of Agricultural Development Bank of Pakistan, Dacca.
11. Representative of Thakurgaon Thana Central Cooperative Association Ltd.
12. Representative of East Pakistan Cooperative Insurance Society Ltd.
13. Representative of Police Cooperative Society Ltd.
14. Representative of Fishermen's Cooperative Society Ltd.
15. Representative of Austo Dairy, Tejgaon, Dacca.

Seminar Officials

1. Mr. S.A. Sefdar Deputy Registrar, Cooperative Societies-Vice Principal, East Pakistan Cooperative College, Kotbari, Comilla.
  2. Mr. Maniruddin Ahmed Assistant Registrar, Cooperative Societies-Principal, Cooperative Zonal Institute, Muktagacha.
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# Rs. 11 cr. to be disbursed as production loans thru co-op societies

(By Our Staff Reporter)

The Chief Secretary to the Government of East Pakistan disclosed here yesterday that a sum of Rs. 11 crore was being disbursed as production loans through the Co-operative Societies in the province during the current financial year. The dimension of the loan programme would be expanded at an accelerated pace during the successive years, he said.

The Chief Secretary was inaugurating a two-week national seminar on Co-operative Management in Dacca jointly sponsored by the East Pakistan Co-operative Union and International Co-operative Alliance. A large number of co-operators from both the Wings of the country in addition to representatives of the International Co-operative Alliance are attending the seminar.

The Chief Secretary said that the old concept of co-operative societies functioning as mere agencies for distributing cash loan has been radically changed and substituted by the emphasis on increased food production through the supply of tract, power pumps, seeds and fertilizer to rural masses. He said that co-operative societies were now being called upon to shoulder the responsibilities of financing the farmers on a massive scale for increasing food production. He said that side by side with the public and private sectors, a third sector i.e. the co-operative sector, was fast growing in East Pakistan and healthy growth of this sector could go a long way in bringing about a speedy development in the various spheres of our economy. He was happy to find that co-operatives were entering into sophisticated fields of handicrafts and small-scale industries, export of fish, distribution of consumer goods, marketing processing and storage, large-scale industries like jute and textiles, banking and insurance.

## TRAINED PERSONNEL

Emphasising the importance of trained managerial personnel the Chief Secretary said that administration and implementation of policies should be entrusted to highly trained managerial cadre for successful operation of this vital sector. Government had therefore, set up Pakistan Academy for Rural Development, one Co-operative College and 8 Zonal Training Institutes in the province for providing facilities for necessary training.

He indicated that the Comilla approach of co-operatives for agricultural development would be extended all over the province in the next few years. But its success would entirely depend on efficient management, motivation and dedication

of the co-operative personnel.

The Chief Secretary hoped that participants would take full advantage of deliberations and discussions in the seminar in bringing about over-all improvement in the management of their societies so that their societies could play their rightful role in the country's agricultural and industrial development.

## LIONEL

Mr. Lionel Gunawardana, Deputy Director, International Co-operative Alliance praised the development of co-operative movement in Pakistan and gave a brief outline of the activities of the International Co-operative Alliance.

The Chairman of the East Pakistan co-operative Union laid emphasis on the need for development of co-operative management as a specialised field. He hoped that the co-operators and the participants of the seminar would lay down some scientific guidelines for future development in this regard.