

SPEECHES
ON
COOPERATION

19

Cooperative
Development
in the
Eighties



Speeches by :

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19. Cooperative Development in the Eighties

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at the Open Asian Conference on Cooperative Management,
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Cooperative Development in the Eighties

My association with cooperatives is almost 25 years old. I was appointed Registrar in as early as 1954. When I think of the changes that have taken place in the cooperative movement over these 25 years, I wonder whether in 1954 I could have ventured to say something about what would happen to cooperatives in the 60's or in 70's. In any event, I am not too sure I would have been on the right track. Therefore, now when things are even more complex than they were 20 or 25 years ago, one must confess in all humility that we do not know enough as to what might happen to the cooperatives, to the environment in which the cooperatives operate and so on over the next decade. In fact, things change so fast that the next 10 years will perhaps see more changes than the last 100 years have seen. In this fast moving world, any kind of forecast-

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ing exercise, any kind of effort to project what might happen to an institutional system like cooperatives becomes very very difficult. What I say is subject to this obvious limitation.

When I think of cooperative development in the 80's, I am not thinking of the entire cooperative movement. I do not think one can think of entire cooperative movement in this Region because the movement embraces all kinds of activities, all kinds of sectors. If one were to discuss the housing cooperatives in the 80's, one would have one kind of focus. If one discusses urban consumer cooperatives, one would have another kind of focus. If you are thinking of thrift and credit societies you have still another kind of focus. Therefore, I thought that perhaps the best way to discuss is to think primarily of agricultural or rural cooperatives because they are the most important for a large part of this Region in terms of membership, activities and importance.

Cooperative development in the Region in the 80's can probably be discussed around three principal questions : (1) What will be principal characteristics of the socio-economic environment in the 80's in which agricultural or rural cooperatives operate? What will be main problems or challenges which the rural economies of the countries in this Region face or the problems or difficulties which will spill into the next decade from the decade which is going out? In other words, what are the problems external to the cooperative movement? (2) What will be or what is the identification of

problems which are internal to the cooperative movement and which will spill into the 80's and which to some extent might get accentuated or enlarged as the 80's proceed? (3) What will be the reaction of the cooperative movement? One way of dealing with this last question, which is perhaps the hard core question, is to try and see what will happen if the past is projected into the future. Another would be to try and say what the cooperatives ought to do to be able to react more meaningfully to the problems that will arise in the 80's. One would be merely a projection of the past and the other a deliberate planned effort to adequately meet both external and internal challenges.

Taking up the first question first, it is not easy to generalise about the socio-economic problems of this Region because, in some ways, the problems of rural economics differ. We have on the one hand a country like Japan as part of this Region. On the other hand, there are the developing countries, most of which have common problems.

While cooperators, are discussing cooperative development in the 80's, others engaged in the economic activities are discussing similar questions in meetings of the FAO, UNIDO, ESCAP and so on. Discussions are taking place on what will happen in the 80's, and what will happen in the two decades following the 80's and even what will happen in the two decades following the 90's. In fact, FAO has produced a very interesting document for a World Conference on agriculture in 2000 AD. Very recently the UNIDO drew up a document

called "Industries in 2000 AD". The ICA has set up a small group to prepare a document "Cooperatives in 2000 AD". I happen to be a member of that group.

Cooperatives must take cognisance of the situation that may emerge. The most striking feature of the socio-economic environment in which cooperatives will operate, has the following three or four characteristics. First, all cooperators must pointedly take cognisance of the fact that all the world population of the poor people, 89 per cent are living in countries represented in this Region, i.e. India, Bangladesh, Pakistan, Sri Lanka, Indonesia etc. The numbers are very striking. The South Asian countries have 350 million poor persons. East and South-East Asian countries have 168 million poor. This is the size of the population which is projected as at the end of 1979 and which will spill into the 80's as one basic contour of the rural economy within which the cooperatives will operate.

The second, almost equally staggering, set of numbers which present the kind of socio-economic backdrop is with regard to the position concerning under-nourishment. There is a very interesting analysis available. Of the total population of developing countries comprised in this Region, nearly 22 per cent have their food intake which is below the desirable nutritional level. The number worked out by the UN Agencies is that these countries roughly account for nearly 415 million under-nourished. This is for all the developing countries taken together. But, in this

region something like two thirds of this number is accounted for.

Another most distressing feature is the degree of unemployment and under-employment in the rural economy in these areas. I have some ready numbers in respect of India. I think one can look for similar numbers for other countries. In India, we have estimated in the Planning Commission that, as at the end of 1978, the total number of persons unemployed in the country was nearly 20 million. This is in terms of what is known as person-years. To this, over the next two decades, the total addition of the labour force which will seek employment, will be of the order of 70 million.

Now this is the type of the problems which the cooperative movement in individual countries as well as in the groups of countries represented in the Region will have to take note of.

This in turn determines what are the principal tasks and social which the people of these countries and cooperatives as representing a large segment of people will have to deal with. A large part of employment growth will necessarily be in the agricultural sector. As far as one can see, in most parts of these countries the employment that may be generated in the organised sector of the economy, in the industrial sector, is very small. For instance, we have computed for India that if industrial production grows roughly at about 7 per cent per annum, which is a reasonably high rate of growth, the growth in employment in the organised

sector of the economy is only about 12 per cent. In other words, for the entire and additional labour force, as much as over 80% must get gainful employment in rural economy in non-organised sector of the economy, or what you can call informal sector of the economy. Therefore, a great deal of the employment development is linked to development of agriculture irrigation, development of allied activities and so on and so forth.

The other major task is that of distributive justice. The problem is how to redistribute the purchasing power among the mass of the people so that you have greater equality and greater nutritional intake among the mass of the people in this region. It has been projected that, in this region, the population will grow roughly at about 2% per annum. If some of these tasks are to be met, the economy must grow at a certain order to generate necessary surpluses for this purpose. The historical growth rate in this Region for all countries taken together has been somewhere around 4.7 per cent. There is a potential for growing at 6.8 per cent. I am mentioning these figures largely to highlight that there is a large problem of increasing agricultural development per cent but more than that of redistributing the gains of the agricultural production among those who ought to be beneficiaries of this process, the small farmers, the marginal farmers, the agricultural labour, the rural artisans and so on and so forth. This is where I think a whole set of tasks are involved. First of all, purely economic tasks will be devolving on the cooperative movement—the cooperatives role in providing credit, in providing agricultural inputs, in pro-

viding marketing and processing. This, of course, is well known but I want you to have a feel of the kind and the size of operation that will grow in the 80's and 90's. Of the increased production that will come about in these countries over the next decade, only about 28% will be accounted for by area increase. As much as 72% will come by increases in yields—that is greater productivity. Now if that is to fructify, a great deal of expansion of irrigation, of use of irrigation, of use of inputs and of irrigation facilities etc. will be involved. By way of illustration, the figures of fertilisers are somewhat like this. In 1979 the quantity of fertilisers used in developing countries would be around 19 million tons. This would have to increase to roughly about 94 million tons by 2000 AD.

Now let us consider the specific problems the cooperatives will be confronted with as instruments of economic and social growth in the 80s. Some problems are internal. Mr. Rajaguru has prepared an excellent paper which deals with a large number of such problems.

Cooperatives have been busy with certain activities like credit and processing facilities. The next decade will see a very large expansion of these activities. This means the cooperatives will have to do much more than what they have been doing. But it is not going to be merely a differences in quantities. It will almost mean a qualitative change as large managerial inputs will be needed to handle the large volumes of business.

Cooperatives will have to operate in an environment where the political leadership will be concerned with measures which have a considerable direct bearing on removal of poverty and unemployment from the rural agricultural economy. In this context, there will be a certain amount of scrutiny of the functioning of the cooperatives as the decade progresses. Most of the countries represented here had the old British Cooperative Legislation which talked of a cooperative member as a person of limited needs. This was a definition which had some kind of social orientation. It indicated some body prone to exploitation and who can, therefore, join hands with his fellow members and organise services and economic activities for himself and for his colleagues. As things have progressed, one wonders whether cooperatives still retain that kind of a moral-cum-social-ideological orientation. The FAO report says many agricultural cooperatives in different parts of the world "seem to be operating in such a manner as to strengthen the position of the rural elite thereby accentuate the problems of inequality in this sector of the economy".

The cooperatives will have to rationalise their structure, develop a very proper kind of integration between the apex society and the primary societies, eliminate some of the middle tiers and develop professional cadres.

The principal question all over the world, especially this part of the Region, is : does the cooperative movement have any clear vision of the kind of socio-econo-

mic system it is trying to promote or has it reduced itself to a way of conducting business? Is it just that it observes certain rules and procedures and regulations, say "one member one vote", limited returns on share capital etc? If a joint stock company were to observe all these rules, does it become a good cooperative? In the 80's will the cooperatives only become bigger and bigger or will they become cooperatively better?

The ICA has its membership drawn from large parts of the world and to date the membership of the affiliated organisations of ICA is around 346 million. In terms of sheer numbers, it would constitute a largely populated country if all these cooperators were living in one country. Yet one is left with a question mark. Why does a worldwide movement with such a large membership not command adequate voice or adequate influence in the shaping of policies? Basically, while cooperatives in some ways have some common points, they do not articulate them adequately or do not seem to develop enough measures to forge some kind of unity and solidarity as a system of developing an economic organisation which will have some common points of a kind of social vision. Therefore, the net result is that a very large well-organised cooperative movement somehow manages to make a rather limited impact on the total situation.

Cooperative Development in the Eighties

The subject assigned to me is one that calls for a kind of forecast which hopefully will be fair and reasonable over the next ten years. Having neither a crystal ball nor any of the other apparatus used by the professionals in divining the future, I must submit that my amateurish attempt would be fraught with many an error and even inconsistencies. However, to do what justice I can to the subject assigned to me, I shall try to make a brief survey of the recent past in respect of the overall trends and development in the economic field in this part of the world and thereafter venture into some speculations which I sincerely hope will hold good, if not for the decade we are concerned with at least for a few years in the eighties.

The decade that we will be concluding at the end of next month would be the Second Development

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Decade of the U. N. and the Cooperative Development Decade as declared by the ICA in 1970-71. In trying to make guesstimates for the future I believe this aspect too would be of relevance as the decade we are just completing is one where the U. N. world body and the ICA had emphasized as Development Decades. There is no such emphasis or underlining of intent in respect of the decade that is to follow. I, therefore, think that it would be appropriate to place before you the thinking behind the factors that led to the declaration of the 70's as Cooperative Development Decade (CDD) and leave it to you to judge whether within your own national environs, within your own movements, the CDD has had any special impact and if so whether in the ensuing decades the development process will be impaired by the absence of such focus. The intention behind the ICA's declaration of the 70's as the Cooperative Development Decade was "to undertake a concerted and intensive campaign for the promotion of cooperatives in developing countries. It was a means of channelling to developing countries that tangible help essential for bringing strength to the young cooperative movements in those areas." (ICA Studies and Reports, January 1971).

The 70's could, to my mind, be justly called the era in which most governments in the region accepted the cooperatives as a necessary instrument to ensure economic development of the weaker sections of the community and to usher in an era of equity and social justice. Many of the countries would have during this period made significant changes in their laws governing

the cooperatives and brought the movements under closer supervision and control by governments. The decade is characterized also by the emergence of very strong and large sized cooperatives, some of which are effective enough to compete with the growing strength of the Multi-Nationals whose pervading influence we had occasion to discuss at the last Open Asian Conference held in Bangkok, Thailand, in 1978. In many of the countries of the region, through a process of amalgamation of cooperative societies, especially in the agricultural sector, larger societies were created to perform the multifarious services at the village level. In the urban consumer movements, one noticed a trend towards the establishment of supermarkets, to effectively compete with the private sector. There has been also increased emphasis on the development of fishery cooperatives, industrial cooperatives and even housing cooperatives, but the achievements in these sectors have not been very encouraging in many of the countries of the region. At least in some countries positive steps have been taken to enter into joint ventures between cooperatives of different countries or between different cooperatives within a country or even between cooperatives and private entrepreneurs from other countries. Notwithstanding these developments in the fields of production, development of regional or international cooperative trade has been most disappointing. In fact, except for a few transactions on the basis of bilateral agreements between the cooperatives of two countries, the achievements have been poor. The international organisation set up to help inter-cooperative international trade has been compelled to find alternate

economic activities to keep itself going, because the member support and member patronage on which its success would depend, was unfortunately not readily forthcoming. However, though inter-cooperative international trade has been disappointing this does not mean that individual cooperatives, in many countries have not expanded their international trading activities even though with even this expansion, the share of the cooperatives in the international trade of the region would be quite insignificant.

The trend, therefore, in the development of cooperatives in many countries in the region has been towards the growth of the larger size cooperative, some with membership of over several thousands, and with the governments playing a dominant role in assisting their growth and also supervising and controlling them. Having identified this trend it is worthwhile taking a look at two important elements in a cooperative—its management and its element of democratic control. In a recent statement made by the Prime Minister of a very big democracy in the Region, he said “The Co-operative body seems to be doing all right—but the cooperative soul seems to have got lost.” This statement clearly illustrates the concern of many a cooperator in the region. As many of you are aware, there has been during this decade, a continuing debate, not only in this part of the world, but also elsewhere, about the substance of the cooperative, its role and content. With the increasing size of the cooperative society and control passing from the general body to a representative body and finally to bureaucrats or technocrats, the con-

tinuing debate has been, what is it that distinguishes a cooperative from any other organisation for economic activity, is democratic control any longer relevant, or should there be several concepts depending on the size of the organisation and the number and spread of its membership. This is a debate as mentioned earlier, not confined to this region but in fact having increasing emphasis in the developed world.

It is necessary to emphasize the need to professionalize management, especially to meet the increasing volume of business of the large societies. An area in which the cooperative movement in many countries have fallen short of expectations is that of the development of management cadres. Many movements had to fight hard for decades to break away from the heritage of the honorary office-bearer performing management functions. This was followed by the reluctance of the honorary office-bearers to fix attractive salaries for managers. Cooperative managers all over the region, by and large remained ill paid. As a result, cooperatives generally attracted the incompetent and the hangers-on. In many places the gap was filled by the deputation of government officers, on a temporary basis, to carry on until the societies were able to attract suitable managers to their cadres. The sad fact is that in many instances, the bureaucrat turned technocrat has come to stay. The societies and the movements are finding it difficult to shake them off. This is not to imply that the technocrat has not done a commendable job in either increasing the efficiency of the services rendered by the cooperative or in even increasing its

profitability. This they have done in many cases, but the overall effect on member relations, promotional prospects of the lower down cooperative employee and even growth of leadership has not been very encouraging.

According to the traditional concept, which still remains, the cooperative management is elected by the members from among themselves and is subject to control by the general body through its general meeting. This concept went through a gradual metamorphosis in some countries, starting with an occasional nominee on the board of directors from the government or the banks to safeguard the interests of the government or banks. A point was reached in the 70's when either the majority or the entire directorate was nominated by the government. Sometimes the persons so nominated came not from the cooperative ranks but from the political camp-followers in the area. Today the top management of many cooperatives in some countries is a mixture of nominees from government, bank and political ranks, with not even one representative elected by the members. There are many instances in Asia and elsewhere of cooperative societies registering themselves outside the cooperative law to safeguard their cooperative character.

There is increasing involvement of women in cooperative activity, both as members and in roles of leadership. The U.N. focus on the International Year of Women and Child and population education, nutrition and health, has brought to the cooperative fold women

from many ranks, apart from the usual textile weavers and those engaged in handicrafts and cottage industries. This, then, is another achievement of the 70's. To this can be added the concern of cooperators in schools cooperatives, the teaching of the subject of cooperation in schools, colleges and universities and some significant achievements made in this regard.

Before we pass on to the task of identifying the trends for the 80's it would be useful to take a look at the politico-economic developments of the 70's as these would play a decisive role in determining the course of development for the cooperatives. The late 1970's saw a reaffirmation of the faith of the ordinary citizen in many countries of the region and elsewhere in democracy and the concept of the open society. Many nations have revised their centralized national economic development plans to make room for a large element of decentralization, leading to the creation of several levels in the decision-making apparatus. This trend is bound to spill over into the eighties and gather momentum, and eventually have its influence on the nature and character of the cooperative society in these countries.

On the economic front we are faced with the dismal picture of many of the countries of the region increasing their rate of economic growth, but with the rich getting richer and the poor getting poorer, with a large mass of the population hovering below the poverty line while the affluent 10% enjoy the benefits, at times as much as 60% of the total pie. The increasing

influence of the Multi-Nationals, the severe energy crisis in the rising tide of double digit inflation, and the unfavourable terms of trade, coupled with the alarming population growth in many countries of the region have resulted in debates, discussions and strategies at the international level, and a search for satisfactory means of ensuring to the large mass of people at least a small portion of the good things of life. This international struggle and argument will spill over to the eighties and the creation of commodity funds and the concept of the 'Third Window' may eventually help the poorer nations to obtain some favourable terms from the developed North, but this remains to be seen. In the national sphere, the prevailing situations have led to the now famous slogans "Garibi Hatao" (Eradicate poverty) of Mrs. Indira Gandhi and the "Roti, Kapra aur Makan" (Bread, clothes and homes) of Zulfikar Ali Bhutto. To this dismal picture must be added the fact of growing unemployment, both educated and otherwise, and alarming socio-economic problems arising out of the composition of the population. In some countries of the region over 50% of the population is below 40 years of age and many of the unemployed are in this age group. In many countries, 40% of the people in agriculture do not own the land they cultivate. These facts are likely to influence the process of planning and programming and will determine the path of development in the eighties.

In many countries of the region, even, in the coming decade, the emphasis will be on agriculture, though there may be increasing emphasis in other areas of

economic activity like small-scale industry, inland and marine fishery, and cooperative marketing and intra-regional and international trade. Due to internal changes in emphasis, the real benefits of the green revolution and the white revolution will become available to a larger mass of people—the actual cultivator, the agricultural labourer and the tiller of the soil. This is based on the presumption that most countries would follow a more meaningful and practical land reforms policy, as it has been accepted that one of the prerequisites for any economic advantage to flow to the mass of the peasantry is to ensure the right of ownership to the tiller. These changes, to my mind, will cast extra burdens on the cooperative movements, as many of the new owners, because of their smallness, will be compelled to use the cooperative form of organisation either to obtain their services, or even to pool their resources to benefit from the economies of scale. The societies will continue to be multipurpose, serving the needs of the members in respect of agriculture, day-to-day subsistence, marketing and supply.

Simultaneously, there will be tremendous pressure to develop small scale industrial cooperatives, the workers participative societies which can harness the resources available at the village level and provide employment to the masses who now exert increasing pressure on the meagre agricultural resources. This will be the result of a conscious effort by governments to achieve a multiplicity of objectives. The increasing shortage of energy and increasing pressure on cities will make it vitally necessary to stem the flow of the rural

population to the urban areas and even transfer some of the unemployed urban population to rural areas. The large mass of educated youth looking for job opportunities will have to be organised in decentralized development schemes and here, too, the cooperative form of organisation will help at least partially in finding workable solutions to the problem. Already in at least some countries of the region there is special legislation to ensure that the cooperatives play a dominant role in economic programmes meant for the weaker sections of the community. In some countries legislation provides for the reservation of management seats to the weaker sections. It is also required that a specified proportion of the lending of the agricultural cooperatives be made available to the weaker sections. In recent times the world body has voiced increasing concern in regard to cooperatives and the poor. This aspect will be in the forefront of economic planning in the decade ahead. Developments in these fields, leading to broad-basing and strengthening of the infrastructure will necessarily lead to a more equitable distribution of resources than at present and, hopefully, will accelerate the growth of savings and capital of the rural poor. The pure credit cooperative or the thrift and savings society may find a bigger clientele and may have to face a demand for conversion to provision of services other than credit only. In fact growing inflation alone may compel societies to find more profitable use for savings than mere lending.

Many of these developments will have their beginnings in government plans and policies and the coope-

ratives will most often function, by and large, as instruments for implementation of government policy. This is something that one has to recognise as inevitable in the context of developing economies. Of course, there are among us, the purists in cooperation who abhor the very mention of government initiative or government plans and policies and who maintain that cooperation to be successful must emerge from the felt needs of persons who are fully aware of the potentialities of the cooperative form of organization to fulfil their needs. Theoretically, it is a useful concept, but in a situation of illiteracy, mass unemployment, massive poverty and ever increasing political pressure for massive action to ameliorate the lot of the masses, the restoration of human dignity and what-have-you, not all the goodwill in the world will produce this capacity to initiate cooperatives at that level. If over 40 to 50% of a nation's population is at that level and if cooperatives can help the well-to-do, why not use the cooperatives to help the less well-to-do ?

In this context I would like to quote from two statements made by ministers of cooperatives in two different countries to illustrate the type of dilemma that cooperatives face. In his inaugural speech at the opening of the National Convention of Consumer Cooperatives in India in early 1979, Mr. Mohan Dharia, Minister for Cooperatives and Civil Supplies, said, "While government support, including financial, may be sought in the initial stages or for specific programmes of development, it is absolutely essential for the consumer movement to generate strength from

within itself. Consumer cooperatives should, therefore, have mass membership of consumers who should be loyal to their institution, patronise them and give them a democratic base". Thus you will see, the intention is to help, to assist the poor man to find a place in the sun and this through a cooperative form—and of course he is expected to grow in strength and stand up on his own. I shall quote also from the speech made by the Minister for Food and Cooperatives, Sri Lanka, Mr. S. B. Herat, when he opened the Experts' Consultation on Member Education, also in early 1979 : "The organization of this Experts' Consultation has come at a very appropriate time, because the government, as a matter of principle, has decided to hand back the management of cooperatives to democratically elected bodies. With this view in mind we have already planned to complete the holding of elections in all multipurpose cooperative societies by the end of 1979. I am happy that we have been able through persistent effort to get the elections going. My intention as Minister in charge of the subject of cooperatives is to see that the movement is both de-politicized and as far as possible de-officialized. The pioneers of the movement in Sri Lanka, both official and non-official, succeeded in instilling a lasting devotion to member education in the first generation of cooperators and the remnants of their influence can still be found in many parts of the island today." Here we see an acceptance of the problem of the present but a firm direction towards which one expects the movement to grow. This is true of many other developing countries of the region as well.

In the complex task that lies ahead one would see the need for involvement of all sections of the population at all levels. This necessarily means the evolution, by individual societies, by federal organisations and others, of meaningful programmes which would give the membership the correct orientation in regard to the present and the future.

It is often said that the youth of today do the thinking for the future. If that be so, there arises the need for education of the youth to get their perspectives correct and ensure the progress of the cooperatives towards the desired goal.

The trend in the eighties, to my mind, would be towards the development of a medium-sized society, the large-sized society being the exception. This has its advantages as the society itself and the federal organisations and governments can emphasize the education approach and thus help to build the democratic base of the movement. An increase in the number of societies will necessarily lead to an increase in the demand for managers and other employees, and cooperative training institutes and others will be hard put to satisfy the growing demand. In this sector, as also in developing suitable systems to meet the challenges of the times, there is likely to be increasing international collaboration, with the international bodies or the more affluent cooperatives in the developed countries providing technical assistance.

The question may well be asked : what emerges

from all this a cooperative movement as we understand it or a cooperative system as we have it in many countries now? This, I believe, is where you come in—to decide what is best and to use your experience and knowledge to influence the course of cooperative development in the years to come.

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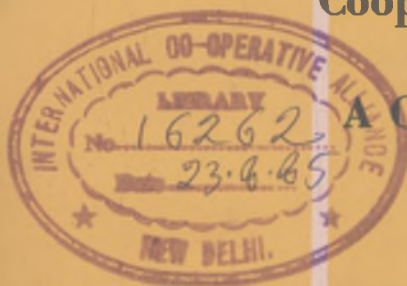
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INTERNATIONAL COOPERATIVE ALLIANCE

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**SPEECHES
ON
COOPERATION
20**

**Thrift and
Credit
Cooperatives
in
A Changing
World**



Speeches by

**S. K. SAXENA
R. B. RAJAGURU**



International Co-operative Alliance

Regional Office & Education Centre for S-E Asia

20. Thrift & Credit Cooperatives in a Changing World

*Key-note address delivered by Dr. S. K. Saxena,
Director, International Cooperative Alliance,
and lecture delivered by Mr. R. B. Rajaguru,
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Thrift and Credit Cooperatives in A Changing World

I feel deeply privileged to have this opportunity of speaking to the 5th International Conference on Cooperative Thrift and Credit. It is nearly fifteen years since the first International Conference was held in Kingston, Jamaica, in 1966. Since then we have come a long way: we have met in Paris in 1970, in London in 1974 and in Rio de Janeiro in 1977. And now we are in New Delhi, in a country where the movement started with thrift and credit in 1904 and continues to remain the dominant form despite the considerable diversification of the movement which has taken place. These four-yearly conferences of leaders of the world thrift and

credit movement have been more than social events: they have bred a sense of solidarity among practitioners of thrift and credit; contacts have been established and have often led to sustained relationships between organisations. This has no doubt created a feeling among many —and I count myself among these— that if the institutions involved and their leaders could pool their resources and energies together, we could genuinely move towards establishing what the founders of the cooperative movement saw as an alternative social and economic system and in creating a world community which would be altogether more enlightened than the present one. I must here pay a warm tribute, to the International Liaison Committee which, under the dynamic leadership of M. Braun and with the support of Madame Robert has been doing important work on extremely meagre resources. This Liaison Committee, about which more later, was formed on the occasion of the Paris Conference; its constitution was ratified in 1974 in London, and with a characteristically low profile, the Committee has been doing important work and has been the prime mover in bringing the leaders of this sector together.

This time, Mr. President, we have the broad theme of “Thrift and Credit Cooperatives in a Changing World.” We shall be concerning ourselves with four major topics, viz, the social and economic environment in which thrift and credit cooperatives have to operate; their role in helping the underprivileged; the International Inter-Lending Programme, and, finally, the role of thrift and

credit cooperatives as banking institutions. I hope that we shall all be able to learn from the experience of each other and that we shall see a significant expansion of thrift and credit cooperatives in the eighties in spite of the many problems with which the world is faced.

As we enter the eighties, I must recall the 27th Congress of the International Cooperative Alliance held in Moscow last October. The main paper for this Congress had been prepared by the late Dr. Laidlaw, and was about prospects for "Cooperatives in the Year 2000." I should like to pay tribute to Dr. Laidlaw's dedication and to the imaginative way in which he tackled his task. He warned the Congress of the many formidable economic and other problems likely to be facing the world in the year 2000, some of which have already begun to make their appearance. At the same time he expressed the hope that there would be a significant expansion of many kinds of cooperatives during the next twenty years and increasing collaboration between them. He argued that cooperative development is highly relevant to many of the problems which we encounter today.

Cooperative principles, Mr. President, can be applied to a wide variety of human activities and can, according to many, provide the world with an alternative to conventional capitalism on the one hand and state socialism on the other. Thrift and credit cooperatives and credit unions are, perhaps, the most basic of all kinds of cooperatives, for they help people to accumulate savings out of small

earnings. These savings are needed for the development of other kinds of cooperatives, especially, perhaps, in developing countries, of agricultural food production cooperatives.

Food is basic to human survival. Millions of people in developing countries do not get enough to eat. It is estimated that the world population will have increased by 25% by the year 1990 and by 50% by the year 2000. Increased food production seems only too likely to fall short of human need. In most countries agricultural cooperatives and credit cooperatives are the most important kind of cooperatives and they often work very closely together. Agricultural marketing and supply cooperatives can and do exercise a major influence both on the prices paid to the farmer and those paid by the consumer—and help in reducing distribution costs. They are often closely linked with agricultural policy-making and with land conservation and with thrift and credit cooperatives.

Credit Cooperatives

In France strong agricultural cooperatives are closely associated with Credit Agricole, one of the biggest banks in the world. In the Federal Republic of Germany, the Raiffeisen network of cooperatives is extensive and effective and is concerned with credit as well as with supply and processing. In Japan the agricultural cooperatives are at the same time credit cooperatives, and also concern themselves with retailing, insurance, and even health care, and have their own bank, the Norinchukin Bank. The

whole country is covered by an extensive network of multi-purpose cooperatives without which the farmers would be deprived of an extremely important institutional support in the fields of credit, marketing, processing, supply and farm guidance. The scope of their activities now extends beyond the local and national to international markets. The Purchasing and Marketing Organisation, Zen-Noh, had a turnover last year of 23 billion dollars, and is currently building a facility in the US. The Bank is seriously considering establishing its offices in Europe. The Cooperative Movement has come of age: it is international not only in its ideology; it is playing an increasingly active part in commerce across national frontiers.

In a number of countries and in Japan, thrift and credit societies have diversified their activities and responded to the needs of their members and in the process assumed a more complex organisational form. The needs of the members are seen as a continuum, rather than as a series of isolated wants. This development which is perhaps more characteristic of the Third World is caused partly by the relative absence of normal commercial banks who have historically ignored the rural areas, and partly because of the attempt to build around the member a protective casing which prevents entry to the exploitative private money-lender-cum-trader. Experience has shown that the pressures on the member for unproductive expenditure are so persistent that there is a real danger, in the absence of supervisory measures, of the loan becoming delinquent, thus causing serious harm to the organisation

as well as to the individual borrower. The representatives of COLAC, Mr. President, will no doubt tell us of their experiences of what is called the Directed Agricultural Production Credit Scheme with its commitment on four aspects : training, and service, an aspect which was briefly mentioned at the Paris Conference. India of course has a considerable body of experience in what is called the Supervised Agricultural Credit and I am aware that since the probing research of the All India Rural Credit Survey in 1952, considerable thought has been expended on the subject.

Education and Management Training

As the number of functions of the cooperative thrift and credit society have increased, they have begun to experience problems which are complex and beyond the ken of well-meaning amateur managers. Efficient management, always a scarce resource in developing countries, has been revealed as a major constraint on growth. Efficiency and democracy, the two imperatives of our Movement, are not altogether easy partners: the London Conference devoted itself to the theme of "Democracy and Efficiency in Thrift and Credit Cooperatives". It has, therefore, been an age-old practice with all cooperative movements to have their own educational and management facilities at various levels. ICA's three Regional Offices for South-East Asia, East and Central Africa and the recent one for West Africa provide an opportunity for interaction among educationists at the international level. The World Council of Credit Unions' continental

chapters like the ACOSCA, COLAC and ACUL have provided training facilities in the field of cooperative credit, through their establishments in Panama, Nairobi and Togo. I had the privilege of visiting the impressive training institution set up by the Caisse Populaire Desjardins in Levis in Quebec. In English speaking Canada, there is the Cooperative College in Saskatoon. The Movement in our host country, India, is underpinned by an extensive network of educational institutions which span the whole country. However, our educational techniques and philosophy have been borrowed entirely from business colleges which prepare managers for institutions whose ethos is dissimilar to our own. The point to examine, therefore, is what approach do we need to adopt in training people for leadership positions in an institution which holds the member-owner as supreme and whose origins stem from the idea of providing a commonly felt service rather than maximizing its own profits, pushed to its logical end, this will call for an almost total revolution in our educational work.

Literature will need to be produced which will emphasize cooperative ideology and aspirations and help in the formation of skills in making realistic market decisions. Faculty members will have to be re-trained. We will have to move away from advising the managers on how to "manipulate the consumer" to areas of accurate consumer information and production, to steer the consumer through the plethora of goods, all basically by the same available in industrial societies and which involve considerable waste, the recent attempts of the

Swedish consumer movement in this respect are praise-worthy, highly innovative and worth further study. If service, rather than the maximisation of profits, is the object of cooperative activity, is it not worth while developing the social balance sheet—as is done in the French industrial cooperatives—as an evaluation tool of a cooperatives' end of the year result rather than the mere enumeration of assets and liabilities? Clearly the whole subject need deeper and sustained reflection. Although, education and management training do not figure directly in our conference programme, we will ignore it at our own peril.

Cooperation in India

The immense range and scale of cooperative development here in India, Mr. President, is particularly impressive. Something like 40% of the people of the world live in the two countries, India and China. I am very glad that participants at this Conference will be able to study the situation in these countries at first hand and that my countrymen will be able to present their experience to them. Mention should certainly be made of the Indian fertilizer project and of cooperative sugar mills in India. Some rural banks in India are now nearly a hundred years old. As against the supply of only 3% of the credit requirements in 1950-51 cooperatives now meet more than 40% of the credit needs of the farmers. Short-term loans advanced by the credit cooperatives increased from Rs. 230 million in 1950-51 to Rs. 11,000 million (Rs. 11 billion) in 1977-78. The loans advanced for medium-term and

long-term purposes have considerably expanded from Rs. 13 million in 1950-51 to Rs. 1520 million in 1977-78. I think it is fair to say that cooperative development has now reached a stage where it has begun to exercise an important influence on wider social and economic change. New forms of social and economic endeavours which lend themselves to cooperative forms of organisation should be explored. I know small examples, for instance, of medicine being organised on a cooperative basis exist; possibilities of replication in a society where cheap health care is an urgent need must be examined.

Unemployment

One of the major problems currently being experienced both in industrialised and in developing countries is unemployment. It is estimated there are more than a hundred million registered unemployed in the world—and many millions more underemployed, especially in the developing countries. More young people will be looking for jobs during the next ten years. Attempts to reduce unemployment during the post-war years by Keynesian policies have had some success; but have tended to lead to inflation, especially since the increase in oil prices in the seventies. Attempts to control inflation by monetarist policies have often resulted in more unemployment. The present UK economy is a case in point.

Cooperative development, however, can help to reduce unemployment without adding to inflationary pressure and increasing attention is being paid in

both industrialised and developing countries to the formation of workers' cooperatives as a way of reducing unemployment. Our comparative study of this kind of cooperatives in Indonesia, India, Senegal and Peru has yielded some interesting results. In Britain the Government set-up a Cooperative Development Agency in 1978 which has been mainly concerned with the formation of workers' cooperatives; it has already achieved some success. In Italy, Law 258 was passed in 1977 with the specific purpose of encouraging the formation of workers cooperatives to reduce unemployment among young people.

Workers' Coops

Historically workers' cooperatives have made rather less progress than many other forms of cooperatives, partly because of the problem of providing adequate finance and partly because of the blurring of lines in the respective roles of workers and managers. Capital required per member is often greater than in the case of other kinds of cooperatives; risks tend to be higher. Today, interest in worker' cooperatives is increasing in many countries and where they are successful it is often because they have close links with financial institutions—such as thrift and credit cooperatives and with professional training institutions. One of the most remarkable examples of a successful industrial cooperative is at Mondragon in the Basque Province of Spain where considerable industrial activity has been sustained over a period of time. It is important to note that the key to the success there has

been the Caja Laboral Popular, the bank built upon the savings of local people. We have only three days ago sent an ICA mission to Spain to bring them closer to the international family of Cooperators. In the complex of organisations which constitute the Caisse Populaire Desjardins, "Le Credit Industrial Desjardins, Inc." is envisaged to play a more active role in redressing the distortions in the Quebec manufacturing sector and in rectifying the manifold problems which small and medium-sized firms are facing in Quebec. I recall that some time ago while visting the Maharashtra Cooperative Bank in Bombay, I was informed of the creation of a small cell which had been set up to develop, identify, and evaluate projects for setting up small industries in the countryside which would both counter unemployment and provide expanding investment opportunities for the Bank. Thrift and credit cooperatives thus play an important role in helping to provide workers' cooperatives with much needed capital without themselves becoming involved in commercial risks.

Inflation and Savings

The situation for credit institutions, Mr President, has been made difficult by the worldwide phenomenon of inflation. Inflation is sometimes regarded as an alternative to unemployment; but many countries in the 1970's have been faced with high unemployment combined with high inflation. The rate of inflation is now more than 10% in most countries and more than 25% in far too many. It has affected both the planned economy and market

economy countries and has tended to increase since the sharp increase in oil prices at the end of 1973. Inflation is a matter of particular concern to thrift and credit cooperatives because the return on savings may be offset to a very large extent by the fall in the real value of money. How can people be asked to save if the value of those savings is destroyed by inflation? Of what worth are long-term deposits if their real value is in continuous decline?

The thrift and credit cooperatives and credit unions are studying the problems of inflation which is a very serious one for them. A Study Group formed by the International Liaison Committee on Cooperative Thrift and Credit met in October 1974 at Bischenberg in France, and came to the conclusion that while various governmental or other guarantees might help to protect small savers, the problem ought to be attacked at its roots by dealing with the mal-distribution of wealth, income and power and bringing about a more equitable distribution of wealth and a greater diffusion of power. The problem has been that attempts to control inflation by monetarist policies have tended to lead to unacceptable levels of unemployment while attempts to introduce incomes policies to prevent rising costs driving up prices have been resisted by trade unions on the ground that they do not apply fairly to all incomes. At the recent ICA Congress, it was suggested that in longer term cooperative development itself could help to bring inflation under control by bringing about a fairer distribution of incomes. But, in more practical terms inflation has brought the time tested practice of limited return on capital in

cooperatives under severe strain. In an era of high interest rates, members have been attracted to placing their money in more remunerative channels and this has adversely affected the financing of cooperative societies from internal sources by reducing the rate of capital formation. It is important to remember that the principle is that the return on capital in cooperative societies is to be limited, not necessarily low: we are sometimes confused on this point conditioned as we are by our history and origins which go back into poverty. An adequate return linked to the productivity of an organisation will not necessarily make a cooperative into a speculative organisation.

Exchange Fluctuations and Currency Speculations

It was the varying success of different governments in keeping inflation under control that led to the collapse in 1972 of the international monetary system created at Bretton Woods at the end of the Second World War. This brought floating exchange rates and currency speculation and also led governments to raise interest rates to protect their currencies. Interest rates were also raised as a result of monetarist policies to control inflation and the interest rates in excess of 20% in some countries have had adverse economic consequences.

For example high interest rates may result in a currency being over valued and have an adverse effect upon exports. They also make it more difficult for new enterprises to be established and provide new jobs—and more difficult for new

industrial cooperatives to be established. Excessive interest rates have particularly adverse effects upon thrift and credit cooperatives and credit unions, especially when combined with inflation and currency speculation.

Exchange fluctuations and currency speculation also have a highly adverse effect upon international cooperative lendings: and this aspect will no doubt figure in the discussions of the International Inter-lending Programme initiated by COPAC. I should like to congratulate the Joint Committee for the Promotion of Aids to Cooperatives (COPAC) on its work in this field, and the World Council of Credit Unions which has been behind this important initiative and especially COLAC on progress so far with inter-lending and guarantee funds in Latin America. Our Raiffeisen friends will no doubt tell us how their guarantee funds operate.

Thrift and credit cooperatives and credit unions, Mr. President, have an important role in coping with the problems created by the collapse of the international monetary system. It is no part of their purpose to make profit from speculation in currencies of gold or commodities—cooperators can only deplore such speculation by transnational corporations, by financial interest or by governments. They need to collaborate to build a better system. The International Cooperative Bank in Basle has been providing banking services to the International Cooperative Movement for many years. A report from the International Cooperative Alliance published by the ILO and the FAO in 1974 put forward

suggestions about extended international collaboration between cooperative banks, the Regional Development Banks and United Nations Agencies for the further development of a strong international cooperative banking system.

Cooperatives and Energy

The dramatic development of industry and agriculture over the last hundred years has been to a large extent built upon cheap oil. There may be major new discoveries of reserves oil ; but the era of cheap energy is drawing to a close. Those countries that have large reserves know that they are not unlimited and oil prices will continue to rise faster than other prices as they have done in the seventies. The need to conserve energy calls for a more responsible approach by producers and distributors. Oljekonsumenterna, the Cooperative Organisation of Oil Consumers which has the largest market share in Sweden, and the International Cooperative Petroleum Association have shown that Cooperatives can handle oil in a responsible way. The big international oil companies, however, are driven by their thirst for profit like other transnational corporations and have shown little regard for the protection of the environment or the conservation of natural resources.

It is interesting to recall with pride cooperatives concern with the supply of petroleum long before the subject burst upon the attention of the world so spectacularly in recent years. As long ago as the 16th Congress of the ICA held in Zurich in 1946, a

resolution was passed calling for the international control of world oil resources and the administration of Middle East oil by an authority of the United Nations. This objective was pursued by the ICA through a series of sessions of the Economic and Social Council of the United Nations. My distinguished predecessor, Mr. Thorsten Odhe, the then Director of the ICA, presented the resolution at the 5th Session of the Council. It was welcomed by a majority and actively supported by the World Federation of Trade Unions ; but was unfortunately blocked by the British. A new resolution was passed at the 17th Congress of the ICA in 1948, and was presented to the 9th and 10th Sessions of the Council and supported by impressive documentation, and was included in the Council's working programme, but in the 12th Session, it was again blocked.

Mr. President, the world's dwindling oil resources are today controlled by OPEC and the big oil companies, instead of by any international organisation. If real progress should be made towards a New International Economic Order the domination of world trade and production of oil and other commodities by giant transnational corporations run for the profit of a few is likely to become unacceptable to world opinion. Economic colonialism may go the way of political colonialism and ways and means may be found of harnessing the immense energies and capacities of the transnational corporations for the good of mankind—perhaps by a wider application of cooperative principles.

The consumption of energy by the cooperative

sectors—fisheries, agricultural, housing is substantial. The ICA has recently taken new initiatives to promote support for the conservation of energy by agricultural cooperatives in the interests of the world community. At the meeting of our Agricultural Committee in Moscow, a Working Group on Cooperatives and Energy was established which produced a note on the development of an FAO/ICA Energy Programme for Agricultural Cooperatives. This was presented to the FAO which reacted positively and who will produce a paper outlining an action programme in the field of energy and cooperatives including promotion and project proposals for consideration by an international conference.

All kinds of cooperatives do what they can do to promote energy conservation and the energy crisis was discussed at the Meeting of the ICA Central Committee in Stockholm in 1975. Electricity cooperatives in the USA and elsewhere have shown that electricity can be generated and distributed by cooperatives at the lowest possible price to consumers. Agricultural cooperatives have contributed to the development of alternatives to petroleum such as Gasohol in the USA and Biomasse in France. In Brazil alcohol already accounts for 20% of fuel consumption ; but the energy crisis makes the conservation of forests and reforestation programmes a matter of extreme urgency. While companies have exploited forests as ruthlessly as farmlands, cooperatives can make a major contribution to conservation programmes as the full extent of environmental damage becomes apparent.

Cooperatives and the Poor

While thrift and credit cooperatives are important in rural areas, especially in association with agricultural cooperatives, they are also important in towns and people are moving into towns so fast that half the world's population may soon be living in towns. Extreme poverty can be even more devastating in big cities than in the countryside ; and small savings even more important. Thrift and credit cooperatives have been very much involved in the raising of living standards in developing countries and have had much first-hand experience of this. But developing countries have changed considerably since the first International Conference of Thrift and Credit Cooperatives in Jamaica in 1966. All countries that do not belong to OCED or Comecon are not regarded as developing countries ; but they vary greatly. More than 120 of them now belong to the so called "Group of 77". Some such as Korea, are industrialising fast. Some are immensely rich from oil. About 30 are desperately poor. And it is with the problems of the poorest countries and of the poorest people in other countries that thrift and credit cooperatives and credit unions are particularly concerned.

In the early seventies, Mr. President, the United Nations Research Institute on Social Development published a series of eight studies on agricultural and other cooperatives in developing countries. These argued that in certain developing countries, cooperatives tend to be of benefit mainly to the larger and more successful farmers without reaching

the poorest sections of the community. The studies were not however, very specific about possible alternatives to cooperatives and did not demonstrate that private or state organisations would be likely to be any more successful in reaching the poor. In 1976 the Government of Tanzania set up some parastatal organisations to replace agricultural cooperatives that had been established for many years, but recently has appointed a Commission to consider whether regional marketing unions might not, after all, make a better job of agricultural marketing and supply, as was the case before these were superseded by Ujamaa villages.

In July 1977 the ICA organised an Experts' Consultation on Cooperatives and the Poor. The Consultation discussed a variety of ways in which cooperatives might help the poor more effectively, but pointed out that poverty was not so much the result of any weakness of the cooperative method as of the inadequacies of the policies of governments that tolerated extremes of wealth and poverty. It is only with great difficulty that the very poor can accumulate sufficient savings to form cooperatives and help themselves. It is primarily thrift and credit cooperatives that are able to do this but their task is all the more formidable if government tolerates the exploitation of the many for the profit of the few instead of adopting measures such as land reform and tax changes designed to bring about a more equitable distribution of wealth and income.

Small Farmers Development Programmes

In some countries, deliberate efforts are being

made to ensure that the benefits of developmental projects reach the poorest sections of the community. The FAO World Conference on Agrarian Reforms and Rural Development with its emphasis on people's participation and organisation has provided a major fillip to this approach and underlined the role of non-governmental organisations and we shall no doubt watch its follow up with interest and care. The Small Farmers Development Programme in Asia and the Far East, conducted under the joint auspices of ESCAP and FAO, with its twin objectives of "increasing the ability of the target groups to receive and to utilize services and supplies of government departments and agencies, thereby increasing their income, and the capacity and motivation of these organisations to serve the low-income rural families" has led to the establishment of pilot projects in Nepal, Bangladesh and the Philippines. A recent workshop in Kathmandu noted that evaluation studies had indicated an overall positive economic impact ; income had increased and higher agricultural production and employment—generation had been registered. It is, however, early days yet. Ultimately the success of such projects will depend upon the political will governing a nation which would favour equitable distribution of wealth and, therefore, power rather than the obscenity of extreme riches and abysmal poverty.

Collaboration among Cooperatives

I must now refer, Mr. President, to the great divide which has characterised our movement, and which, unfortunately, has denied the potential power

which a unified movement can exercise in giving direction to social and economic change. I am referring of course to the producer and consumer aspects of the Cooperative Movement. Both these broad streams of the movement in the course of their impressive advance to present day achievements—and the achievements are impressive—have created additional activities according to the needs their members have experienced. Thus, one finds, for instance, parallel banking and insurance structure being created by their parent consumer or agricultural organisations ; in some countries agricultural organisations have created consumer shops and are thus, in direct competition with the consumer movement. In some cases, they are not even aware of the existence of the other ; more often they stubbornly refuse to reach across to each other for undertaking joint initiatives. ICA's Commission on Cooperative Principles was aware of this when at the Vienna Congress it added the new principle of Collaboration among Cooperatives.

Recognising the scope for coordinated action, the International Cooperative Alliance appointed an International Working Party to study the subject and to make recommendations to the members. The Working Party noted a number of examples of intra and intersectoral collaboration at the national and international levels in the fields of production, commerce, banking, trade, etc. Much of this is achieved under the auspices of our nine Auxiliary Committees. In Hungary, for instance, the consumer and the industrial cooperatives have formed a joint enterprise, the Hungarcoop, which collaborates with coopera-

tives in developing countries in building complete factories. The International Cooperative Re-Insurance Bureau had in 1980 forty-one member societies from 26 countries ; they participated in treaty exchanges and the value of annual premium exchanges was \$ 18 million from over ' 00 contracts in force.

There is also sectoral collaboration across national frontiers in the Scandinavian countries in the form of Nordisk Andelsforbund and Nordisk Andelsexport. The French agricultural cooperatives sell wine to the Danish consumer movement, the biggest purchaser in the country. Nevertheless, examples of intersectoral collaboration are few and far between at the national level and still more so at the international plane. If, as I said at the beginning of my speech, we are to move in the direction of an alternative cooperative social and economic system, we must enlarge such collaboration by giving preference to other parts of the cooperative system and thus, playing a mutually re-inforcing role. Clearly there are genuine difficulties and no economic transaction can lead to a sustained relationship unless it offers advantages to both the parties. But I do think that the producer-consumer dichotomy has been over-drawn. The fact is that one cannot exist without the other and it is this complementarity which needs underlining in our kind of economics. We in the Movement must not fall into this trap, and be constantly aware of the threads that tie together the various elements which go to form the Cooperative Movement in all its rich diversity. The thrift and credit cooperatives, dealing in the neutral area of finance required both by the production and con-

sumption wings, and the power which finance confers, can help to provide the glue.

In a world dominated by large corporations and by governmental agencies, cooperatives seek a diffusion of power through a genuine and effective democratic control by the men and women who are their members. I want to emphasise the essentially voluntary character of cooperatives and the importance of the initiative in forming them coming from the people themselves and not from government. In many developing countries governments have been so active in promoting cooperative development that many cooperatives have become unduly dependent upon governmental support ; a long-term advantage has been sacrificed for an apparent short-term gain. The skill in the responsible exercise of power so important in the building of a nation will be lost.

Let me hasten to add, Mr. President, that I am by no means running down the work of a large number of sincere and devoted government officials who have given of their best in the promotion of cooperatives. But I am also not forgetting the pernicious intrusion of politics and political elements where Boards of Management, democratically elected, have been superseded not because they were unfit for cooperative work but because they did not belong to the group which had power at a particular point of time. Such preemptory changes inhibit the emergence of long-term policies, limit members faith in their society and deny to the average individual a chance to see this thinking and effort

work through to worth-while fruition. The cooperative should not be deflected from its principal aim under the force of external pressures.

I suggest, therefore, that governments should concentrate more on creating conditions favourable to cooperative development by the provision of a more adequate infrastructure. But in proportion as governments concentrate more on creating conditions favourable to cooperative development rather than on direct financial support, the role of thrift and and credit cooperatives becomes even more important. They can provide the savings from which other kinds of cooperatives can grow. Perhaps there is a need for a wide-ranging study of the experiences in a number of developing countries and of codifying, the minimum and maximum tasks governments should perform in the essentially voluntary area of the Cooperative Movement.

Conclusion

Mr. President, distinguished delegates, ladies and gentlemen : I have been rather long and I must now close. Before I do so, however, let me make three very brief remarks about the future work of the International Liaison Committee. While the Committee has done, as I said, valuable work on extremely modest resources, it is not enough to organise periodic conferences, important though these are. It is shortsighted economy not to put more strength and dynamism into the Secretariat, which serves the widespread and important sector of thrift and credit. I suggest as a first measure it should undertake work along the following three lines.

First, it should continue its present activities and expand these in response to the needs of its members. This would require an interactive process between the Secretariat and the members. A vigorous communications network which will link the members in active and meaningful dialogue will need to be developed. Study visits and training programmes at the international level should be organised ; the Rabo-bank has made a start and its initiative should be studied and, if found useful, emulated ; ICA's Banking Committee has an old-standing exchange programme. The International Liaison Committee should help to accelerate these schemes.

Secondly, the ILC should undertake programmes of research and evaluation. If the thrift and credit movement is not to split according to countries or ideology, there is need for emphasising the shared history of the various branches of our movement. Ideological connections should be traced and articulated forcefully at the international level. The origins, similarities, shades of differences between credit unions, Caisse Populaire Raiffeisen societies, and Mutuals need to be understood and brought out clearly in ideological and historical terms. We originated from a broadly similar philosophy and, in course of time, have had national particularities imprinted on us. Diversity lends richness but we must not forget our common heritage. We must emphasise our unity and not take pride in our differences.

And, finally, in the highly volatile financial situa-

tion when inflation is rampant and the Bretton Woods system is showing signs of cracking, we must be bold enough to support international initiatives in the quest for a New International Economic Order of which a well-organised International Inter-lending Programme can be an important element in relieving poverty in the Third World.

Thrift and Credit Cooperatives in South-East Asia—An Overview

Background

The cooperative form of organisation as we know it, came to be introduced into most Asian countries in the form of credit cooperatives as a means to fight chronic indebtedness among the mass of the people who were mostly farmers. At the turn of the century, peasant agriculture was mostly at subsistence level, hardly contributing any surpluses to the mass of the peasantry who were mostly impoverished. Absence of clear title to land, insecurity of tenure, absentee landlordism, low yields, unrestricted import policies, and consequent low

prices for agricultural products all contributed to perpetuating rural poverty and enriching the bigger landlord and in usurious money lender, whether from the village itself or from outside. The commercial banking sector had little or no time and money to be spared to satisfy the small needs of the small farmer. Governments too, whether colonial or otherwise, were far too busy concentrating on revenue collection and international commerce and hence had no effective programmes to meet the massive problem of rural poverty. Other institutional sources from which assistance was available to other sectors were woefully absent in the rural peasant sector and over 80 per cent of the population at that time would be mostly rural peasant. The peasantry notwithstanding their levels of poverty had evolved mutual assistance schemes which provided them with the necessary labour and other minimum support on a non-monetary basis for their agricultural and other pursuits but such mutual assistance schemes hardly helped to generate surpluses which would eventually pull them out of the rut of poverty—these schemes helped maintaining a subsistence economy—and surpluses when such were available went to enrich the landlord or the moneylender, and not the peasant.

It was against a background of this nature that the more enlightened colonial administrators of the then British Empire, sought to find cooperative solutions to alleviate the conditions of the peasantry. Success achieved through the Raiffeisen approach in Europe inspired these administrators to experiment with the model and consequently the cry was

“Find Raiffeisen” as a means to overcome the chronic indebtedness of the peasantry. Thus the cooperative credit society, on the first instance of unlimited liability and later of limited liability, made its appearance in many of the Asian countries around the first two decades of the 20th century, thus giving birth to a century of significant cooperative development in many of the countries of the region, the developments extending to practically all facts of economic activity even in the post-war complex industrial society of today.

Organisation

The early credit cooperatives were small in size, with a very limited membership, often of the more well to do in the village, the quantum of the loans too were limited and were mostly of a short-term nature. The loans were given on the guarantee of two sureties who were also members of the society—the guiding principle was that of self-help and mutual help and the only external assistance, when such was available, was from limited funds provided by the government under various schemes of assistance to the poor. The organisers of the societies emphasized both thrift and credit and in some situations borrowings could be only upto a percentage of one's own savings. Personal knowledge between members was given much emphasis. The Meclagan Committee in India commented as follows : ‘we would lay stress on the importance of small beginnings. The members of a society should be few to start with and increases should be gradual and the ultimate total moderate. The main ad-

vantage claimed for large societies is economy of management, but this consideration scarcely affects rural society. On the other hand, small societies are more easily supervised and trained in cooperative principles just as small classes are more easily taught in schools.”

The emphasis from the beginning was therefore on small size and a high educational content. To this day many of small sized cooperative credit societies set up in the early year, still function, performing a useful service at the village level.

Pattern of Development

The general pattern of development in the co-operative credit sector was as follows :

- (i) Thrift and Credit Cooperative with unlimited liability being converted to those with limited liability. This step helped in broadening the base for membership and enabled a larger number to benefit from the society.
- (ii) Thrift and Credit Societies being established among employees in the institutionalised sector—these were to grow to mammoth proportions in certain countries, with membership extending to several thousands—in some countries these went under the name of credit unions—e.g. Australia (669 societies, 1.3 million members and 1.7 billion Australian Dollars assets) Thailand etc,
- (iii) Federation of primaries into secondaries at

district or regional levels leading to formation of an apex organisation at the national level.

- (iv) The primaries federating to form Cooperative Banks at the district level, affiliating with central cooperative banks at the regional and national levels.
- (v) Where development did not take place in line with (iii) or (iv) above, the credit function in some situations got integrated with the Agricultural Cooperatives and Multi-purpose Cooperatives that emerged after World War II.
- (vi) Continuation of the Thrift and Credit Societies on the same basis as in the beginning, but now depending on cooperative or commercial banks for their borrowings and for the investment of their surpluses. In many countries of the Region the simple village level credit cooperative society flourishes to this day, organised and maintained by a hard core of committed cooperatives who are happy, in some situations, that their smallness has left them outside the pail of increasing governmental attention and control.

The growth in this sector could be seen from two examples given below :

The Cooperative Credit Movement in Sri Lanka had strengthened its structure with a network of District Cooperative Banks and a National Federal

Bank—but these were taken over by the People's Bank which now functions as a Nationalised Bank, but with a greater force on cooperatives.

	Year	No. of coops	No. of members	Working capital
Malaysia	1925	4	500	8,980 M\$
	1929	30	5933	399,817 M\$
	1979	700	593,000(aprx.)	over 400 m. M\$
Sri Lanka	1916	71	6027	10 000 US\$ aprx.
	1945	1697	49,638	700,000 US\$ „
	1977	3075	238,120	2,541,000 US\$ „

Loans were given mostly in cash on a short-term basis to cover such needs as cultivation expenses, purchase of raw materials for artisans, capital for petty traders and at times for the redemption of mortgages or the repayment of old debts. Very few societies went into medium-term loans to cover such needs as improvement of lands, purchase of bullocks etc.

In the case of institutionalised cooperatives covering mostly salary earners, the purposes were more flexible with recoveries being made on the monthly pay sheet of the employee. Where this latter facility was denied at a later stage e.g. in Malaysia, the apex National Organisation set up its own Bureau to perform this service.

It must be mentioned, however, that notwithstanding the steady growth of cooperatives, in the credit sector and elsewhere in such fields as agri-

cultural production, agricultural marketing and multipurpose, the cooperative share in the total leading operations zis-a-zis the agricultural sector was insignificant—in most situations it was less than 10 per cent, with the balance funds coming from friends, relatives or the money-lenders.

The aftermath of the war, the emergence of independent states and introduction of planning into the sphere of economic development had their repercussions on the cooperatives, with most governments looking on the cooperatives as useful instrument for the very onerous task of social and economic development.

The post-war period showed the importance of credit in the massive efforts made by most countries to increase productivity and to achieve their goal of self-sufficiency in food. To achieve this objective, many a government had to evolve new strategies for financing which involved more the agricultural cooperatives and the multipurpose cooperatives than the small-sized village credit cooperatives. The recommendations of the Royal Commission on the Cooperative Movement in Ceylon, which was headed by Dr. Laidlaw, reflects this changed emphasis. The Royal Commission said: "whatever may be said for social values of small cooperatives—and it cannot be denied that they are often great—their economic benefits are often slight and of short duration. We therefore recommend that the number of primary societies be greatly reduced, and that the first general objectives of a new structure should be a much smaller number of large primary societies."

This is a trend that is noticeable in all countries of the region, where the concept of viability was given first consideration in determining the size of the co-operative.

Integrated Credit Service

Along with this concept evolved also the idea that any sound credit policy could be developed only if the supply of credit in cash and kind, was linked with the marketing of the produce, with the entire procedure being accompanied by a system of well planned advisory services, whether it be in the farm sector or in the handicrafts and small scale industrial sector. What was now being encouraged was a package programme which included credit, extension, supply and marketing. Many of the small size village cooperatives, by their own limitations, were unable to match the services, now being rendered by the large-sized agricultural or multipurpose cooperative society. But yet many of them continued to contribute their mite in meeting at least some of the credit needs of those with limited means. A factor of significance and one which has to be taken into consideration is that notwithstanding the massive support provided by the banks and the governments to this sector of agricultural credit through the new organisations, many a small village credit cooperative still continues to function which in effect mean that there is yet a sector which cannot qualify for assistance through the government schemes and who are satisfied through these village cooperatives.

It would be appropriate to trace the growth of

the credit function in situations where the credit function became a part of the agricultural/multi-purpose cooperative society. A good example would be that of Japan. The Cooperative Society Law of 1900 made provision for the organisation of credit cooperatives besides marketing, processing etc.—but by 1906 the credit cooperatives had taken on marketing functions too. In time these societies performed credit, marketing and supply function—but they were operated independently and there was not much linkage between the functions.

The new policies followed by the government in the post-war period led to the establishment of the multipurpose type with all services required by the farmer being provided under an integrated approach—the societies to perform Guidance Activities, Marketing Business, Purchasing Business, Credit Business, Mutual Insurance Business, Utilisation and Processing Business, Education Activities, and also legal activities such as measures to safeguard prices, easing taxation, trade liberalisation etc.

Cooperative financing, covering over 15,000 agricultural and fishery cooperatives and over 10 million members are combined into a vertically integrated structure with the agricultural and fishery primary cooperatives at the base, 47 credit federations at the prefectural level all combining in the Norinchukin Bank (the Central Bank for the nationwide systems of Agricultural, Fishery and Forestry Cooperatives) at the apex. The financial details in respect of the Norinchukin Bank are quoted below to give some idea of the strength of the credit structure in the

Japanese Cooperative System (the figures relate to March 1980) :

Total Assets	47,358 million US\$		
Deposits	34,049	„	„
Bank Debentures	8,262	„	„
Loans & Bills	21,786	„	„
Discounted Securities	19,403	„	„
Capital funds	301	„	„
Profits after taxes	46	„	„

The growth pattern is similar in Korea where the National Agricultural Cooperative Federation functions as the Apex Level Bank both for internal and international transactions.

The overall situation in respect of Credit Societies in the member countries of the Region excluding India would be that there are over 38,500 credit cooperatives with a membership of over 48 million with capital reserves of over 15 million U.S. Dollars (this figure refers only to the credit cooperatives/credit unions and do not include credit sector in the agricultural and multipurpose cooperatives).

Problems and Prospects

In many countries of the Region which commenced cooperative activity with the introduction of the cooperative credit society the small-size village cooperative credit society, and the institutionalised cooperative credit union or thrift and savings

society still exists. Where such societies are linked with a cooperative banking structure there seems to be greater progress, better disciplines in financial management, better schemes for increasing savings and better recovery performance.

Where such societies are dependent on commercial banking sector for their borrowings the societies appear to be handicapped in their operations due to insufficient funds and consequently appear to be unable to infuse the necessary confidence to facilitate greater savings from members. As the societies at the village level are often quite small, the management is weak and is able only to perform routine functions—often the management is performed by voluntary workers in their spare time. There is no supporting scheme to enthuse these organisations to dynamic action—even the government departments concerned with cooperative development have tended to place low priority in this sector, as compared with their intimate involvement in respect of the agricultural credit sector often operated under government plans and subsidy schemes.

Overall, both in the small size credit cooperative and in the integrated type, many of the cooperatives suffer from the absence of guarantee support both in respect of deposits and in respect of loans. Though some movements have been able to obtain limited government or central bank guarantee, even to set up a Cooperative Credit Guarantee System (Indonesia), yet the performance has not been as would inspire confidence. This is an area where much can be done which will help the credit cooperative to perform better.

Another factor to be considered is the increasing competition credit cooperatives and integrated cooperatives are facing in this field from commercial banks, government savings schemes, post offices and other institutions, which in recent times have intensified their activities in this field.

Another factor to be noted is that with increased mechanisation and even computerisation of services, the customer stands to get a better service from the private sector banking institution as against the old systems followed in many cooperatives involving a large amount of paper work, authentication and consequent delay.

A further factor to be considered is that the new institutions are offering new loan schemes coupled with insurance schemes which tend to make their propositions most attractive to the borrower. In the cooperative sector, even under some government schemes, loans are still available for the cultural operations and do not cover such aspects as subsistence of the farming family during the cultivation period or even contingencies—all of which makes the borrower borrow from several sources to meet his credit needs, and often being compelled to postpone repayment of the cooperative loan to the lowest priority.

Conclusion

In most countries of the Region, cooperative thrift and credit continues to perform a valuable and a significant service. The prospects are that co-

operative credit will continue to be available both through the small sized credit cooperative and through the integrated cooperative. The need would be one of enthusing and energising this sector to (i) inspire the necessary confidence among the members to make this aspect more dynamic, (ii) to provide mutual guarantee system as will inspire the necessary confidence, (iii) to build up the necessary resources to make more funds available for lending, (iv) to develop sufficient managerial skills as would help to introduce a touch of dynamism in the credit and savings operations, (v) to develop attractive saving schemes to mop up surpluses at the rural level, (vi) to devise attractive loaning policies and schemes as will enable a member to get all his credit needs from one source, (vii) to develop insurance schemes which would ensure some support to the farmers/ fishermen in the event of calamities like crop failure, (viii) to gradually introduce schemes which will avoid unnecessary paper work and consequent delay, (ix) to make available through the cooperative assistance in financial planning, family budgeting etc., (x) to develop better and more meaningful member relations programmes, (xi) to strengthen the supporting structure for credit cooperatives with District and Apex level Federations or Cooperative Banks, (xii) to strengthen the international supporting structure both by way of providing guarantee and avenues for borrowings and investments.

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**International
Cooperative
Movement
—Tradition
and
Change**

Speech by

S. K. SAXENA



International Co-operative Alliance

Regional Office & Education Centre S. E. Asia

21. International Cooperative Movement— Tradition and Change

*Address delivered by Dr. S. K. Saxena, former Director,
International Cooperative Alliance, and Senior Consultant,
to the Swedish Cooperative Centre at the First IFFCO
Jawaharlal Nehru Memorial Lecture on Cooperation
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Dr. S.K. Saxena

International Cooperative Movement —Tradition and Change

Mr. Chairman, Fellow Cooperators, Ladies and Gentlemen :

Thank you very much, Mr. Chairman, for that generous introduction. This lecture, has been established in memory of Pandit Nehru, our first Prime Minister for almost two decades. It is entirely appropriate that this should have been done and I congratulate IFFCO for having taken this initiative. During the period of his stewardship of the country, Pandit Nehru laid the foundations of a free and independent India—by emphasizing and creating an infra-structure for a progressive India. And what has been even more important—he influenced, through his herculean efforts, the attitudes of our people which have

been helpful in the creation of a society that is increasingly becoming modern. Summarizing some of Panditji's qualities, Collins and Lapierre say : "In a land of mystics, he was a cool rationalist. The mind that had exulted in the discovery of science at Cambridge never ceased to be appelled by his fellow Indians, who refused to stir from their homes on days proclaimed inauspicious by their favourite astrologer." Pandit Nehru was not involved in the practical world of the Cooperative Movement; it is for this reason that one looks in vain for explicit references to cooperatives in his writings : I am referring to his Autobiography. The Discovery of India, Glimpses of World History and A Bunch of Old Letters. There are, of course, indirect references when he discusses the role of small scale industries and the more recent controversy on Cooperative Farming which as we know led to some unexpected political developments. Yet, the intellectual that he was, he saw with astute prevision, the social, economic and egalitarian potential of Cooperation in moulding Indian society. In the thirties, when the National Planning Committee had been set up by the Congress, he emphasized the contribution the movement could make to the development of the country. And while the head of the Government, when the Report of the Rural Credit Survey came out in the early fifties, he did not flinch from giving what was a remarkable intellectual appreciation of the essence of the Cooperative Movement—the need for people themselves to organize and run cooperatives without official interference. And, in 1960, when inaugurating ICA RO's first education

activity on "Cooperative Leadership in S. E. Asia", he made the famous remark which has been so often quoted; "I want to convulse India with Cooperation."

When the earlier Five Year Plans were formulated and emphasized the creation of large irrigational and industrial facilities, I remember Panditji referring to them as modern temples. One such temple, I submit Mr. Chairman, is the Indian Farmers' Fertiliser Cooperative, a remarkable organization which serves the Indian Farmers.

IFFCO

Conceived in November 1967 as a Cooperative to own and operate its own fertiliser plants with a seed capital of Rs. 2.5 million, IFFCO was set up with the support and collaboration of a number of agencies. At the Central Committee meeting of the ICA in Budapest in the seventies, the fascinating story of such collaboration was described in the general debate on International Cooperative Collaboration. Under its bye-laws amended in August 1978, IFFCO's membership is open to agricultural cooperative organizations at various levels including primary cooperatives engaged in different farming activities. The NCDC and the Government of India are also entitled to membership with the proviso that this can be retired subject to mutual agreement between IFFCO and the parties concerned.

At present, IFFCO has got three plants in operation, two manufacturing ammonia and urea

in Kalol and Phulpur and the third at Kandla in Gujarat producing complex fertilizer products.

As one of IFFCO's publications says : This unique experiment in Cooperative ownership of a sophisticated, capital intensive industry has now come to occupy pride of place in the Indian fertiliser industry in performance, efficiency and service to the farming community". Since service is the ultimate goal of a cooperative society, let me give some details on this aspect.

IFFCO maintains qualified extension staff. Through its 367 Field Representatives, it organizes demonstrations, block sowings, farmers' gatherings, films and other information on different crops. In 1981-82, it organized 565 Field Days which were attended by over 68,000 farmers, a number of Co-operative training workshops were arranged, over 25000 soil samples examined and results conveyed to farmers with regard to fertiliser use. A seed multiplication programme has been initiated in the U.P., Punjab and Haryana and collaboration has been established with the National Seed Corporation.

Under the Village Adoption Programme, IFFCO has adopted entire villages to assist in improving overall agricultural practices and socio-economic conditions. After a certain period IFFCO moves on to other villages, although liaison is maintained with old villages. A Family Welfare Education Project has been initiated with the help of ILO and the UN Fund for Population Activities. And, under the label CORDET, a

Cooperative Rural Development Trust has been established for developing professional leadership for improving agriculture in villages.

Finally, in keeping with its traditions of international birth, IFFCO has been participating in a joint venture in Senegal—I might mention here that I have also informally suggested to the Government of Zimbabwe to approach IFFCO for similar assistance. KRIBHCO has been organized and three more national cooperative societies in the fields of tourism, jute marketing and film development are being supported by it. In 1979-80 it earned a profit of about Rs. 215.8 million with a total turnover of Rs. 1391 million.

All this, I submit, Mr. Chairman, is vital, important work in promoting and improving agriculture; IFFCO has become a master force for development and although much remains to be done, IFFCO must share the credit in reducing the vulnerability of Indian agriculture.

Mr. Chairman; allow me at this stage to offer two reservations. What I am going to say is not backed by 'practical' field research, my comments are rather my own reflections, subjective as reflections must be, but based nevertheless on my experience and familiarity with most cooperative movements in the world. Within the limited time available for preparation, this was the only way of saying something which I hope will be worthwhile.

Secondly, I will be selective in choosing the

issues I shall treat in the next forty minutes or so. These may appear desperate but they are, I believe, germane to the present situation. I could have chosen the familiar themes of cooperative management, capital formation, pricing policy, relations with para-statal bodies—issues all important in themselves, but they have been treated extensively in cooperative literature. I will concentrate on the problems which affect the efficiency of the movement—more specifically the areas of structural reform—then give some attention to selected international aspects of the movement and conclude by examining briefly the state of cooperative principles. In selecting these issues, I have been guided primarily by the fact that the traditions of the Cooperative Movement must compel us to combine thinking with feeling, rather than adopt the dry, cause—and—effect, surplus maximization approach which, though essential, does not provide comprehensive answers to problems which society faces today.

I have titled my subject : “The International Cooperative Movement : Tradition and Change” Pandit Nehru’s outlook was nothing if not international; he wanted to be unfettered by the heavy hand of tradition. The more I see cooperative movements the world over, the stronger is my impression that we are locked into specific and often, static positions and that there is an urgent need to generate a debate which will give full interplay to the dialectic of the pro and the con. Unless we bring to bear an open and restless mind on problems of the Cooperative Movement, we

will be witnesses to its dwindling influence on contemporary affairs. We have, I am afraid, succumbed to what may be called social "mimesis" and acquired the characteristics of the environment; we have taken, lock stock and barrel our organizational models from the profit-making enterprise;—our administrative apparatus, the Board of Directors, the Chief Executive Officer, the structure of the balance sheet, the producer-consumer dichotomy. It is no wonder then that we come up with rather strange conclusions in our evaluation of the Cooperative Movement. There is need to radicalize our thinking and to formulate concepts relevant to the cooperative mode.

In underlining these aspects where I feel fresh thinking is needed. I shall try to combine boldness with realism although prudence must dictate the careful balancing of practical considerations in evolving policies for individual movements. Over-all perceptions are not rendered meaningless by the unending variety of situations; they only define what makes a movement.

The International Scene

Let me, then sketch briefly the main features of movements in different continents. In all countries I have known and visited, cooperative organisations exist in one form or another. My recent attendance at the Continental Assembly of the Organization of Cooperatives of Americas in Ecuador has confirmed my impression of the diversity of cooperative activities in that continent. From Peru in the West through the United States,

Europe, Africa and Asia in the East, cooperative organizations have existed to provide essential services to their members in many fields. The credit unions in Peru, as exemplified by the Santa Ellisa Credit Union, are probably the most rapidly growing cooperative organizations in that part of the world. The cooperative bank in Ecuador, consumer cooperation in Medellin, Colombia, and the large consumer, housing and agricultural cooperative developments as evidenced in El Hogar Obrero's work in Argentina, are worth noting. Two rather well identifiable currents have shaped the cooperative movements in Latin America. The first originated in the 19th century in the southern cone of Latin America and was largely influenced by the immigrants from Germany and Italy where the ideas of Raiffeisen were influential. The idea of mutual aid funds progressed; societies were organized on cooperative principles and credit services provided to members. In those days particularly—this is probably true even now—the services of banking institutions were slanted in favour of the affluent groups who could offer security and hence higher profitability ratios on loans they obtained from the banks. These developments in the southern cone of Latin America, for reasons of distance and difficulties of transport, could not be multiplied in other countries.

The second current was influenced by the Catholic church and the papal encyclical regarding "the people's participation in the processes of global, social and economic transformations".

The social secretariat of the church began the training of young leaders, people were sent to Europe, Canada and the United States for further training and church workers spread the idea in several Latin American countries, especially in Peru, Puerto Rico, Bolivia, Mexico, Venezuela and Colombia. The influence of St. Francis Xavier University in Antigonish, Canada, has been important. I do not intend to give you a history of the Latin American situation; let me just say that by and large, the concentration of cooperative activity has been in fields of thrift, credit and agricultural production.

In the United States and Canada, the cooperative movement displays a remarkable range of activities in agricultural marketing, processing, etc. as well as the credit union movement (the caisses populaire net work in Quebec is extensive and dynamic). In both countries, it is true to say that the consumers' cooperative movement has been comparatively weak; the consumers' movement came late on the stage when private distributive channels and organizations had been firmly established; efficient retailing techniques and intense competition had cut margins to the bone. Moreover, consumers' choice is adequate—in fact some maintain it has probably run wild—and if consumer cooperatives were to disappear tomorrow from North-America, nobody will notice their absence. Some new activities have been attempted in Canada such as co-Enerco and the large wheat pools in the Western prairies play an important role in the internal supply and marketing

of grain. Some activity in the field of financial services in both the United States and Canada is also in evidence.

Western Europe has of course been the cradle of the cooperative movement. The consumers' agricultural and workers' productive movements are associated with the Rochdale Pioneers of 1844, Willhelm Friederich Raiffeisen and Schulze-Delitzsch. It is not necessary for me to go through the individual movements in countries of Europe, except to say that the various sectors of cooperatives—agriculture, dairying, consumers, banking, insurance and housing, have shown remarkable growth in many countries of Europe. The Scandinavian countries have highly developed movements. In the Basque province of Spain, Mondragon reveals a fascinating project of industrial cooperation and cooperators from Peru, Chile and more recently the U.K. have studied this organization. To give you another example from a country which is remote from India, in the north-western corner of Europe—Iceland—the cooperative movement started there as early as 1882, only 38 years after the efforts of the Rochdale Pioneers; the first cooperative society started on the north coast of Iceland at Husavik. Before this, several farmers' purchasing associations had existed to provide services to the rural population. In 1902, a number of localized efforts had been integrated into the present Samband Islenskra Samvinnufelaga, which was originally conceived as an organization for exchange of information but is now an economic force in Icelandic society. It has 49 socie-

ties in membership, serves both consumers and producers and maintains a number of subsidiaries divisions such as agricultural products, fish products, import, machinery, industries, finance, etc. A number of subsidiaries have been organised such as a bank, an insurance company, an oil company, a travel bureau and the Samband has been active in maintaining a number of overseas connections including a fish filleting plant in the United States.

In Eastern Europe, the cooperative movements are strong and pervasive. In the Soviet Union, Centrosoyus is responsible for providing consumer goods to the entire countryside. In Poland, Hungary, Czechoslovakia and Bulgaria, different sectors of economic activities have been cooperatively organized; agriculture, consumer's, housing, workers' production are the four principal ones. The large agricultural complexes in Bulgaria known as Technilums have become important disseminators of agricultural technology and science to surrounding countryside.

In Poland, where ownership of agricultural land is still largely in private hands, cooperative penetration is most impressive, share of cooperatives in supply of capital goods for individual farms is between 95 and 100%; share of coops in the purchase of agricultural plant produce is between 65 and 70% cooperatives purchase hogs, milk, fruits and vegetables to the extent of 95%, 100% and 80% respectively and cooperatives distribute 85% of the total credits to farmers. The support from the State has been an important

factor in this success; the prevailing social and economic system in Eastern Europe is different and the movements do not have to reckon with competition from private sources to the same extent as in west Europe. Comparative evaluation is, therefore, difficult.

In East Africa, where Tanzania, Kenya and Uganda led the rest of the Continent in Cooperative development, emphasis was placed on cooperatives in providing inputs and marketing facilities for farmers. The latter function is now largely in the hands of parastatals (something like our State Trading Corporation) and the pattern of Cooperative-para-statal relationship has been a source of continuing friction as the farmers claim that their share in the final price has declined over years. A number of foreign advisers have helped the movements; our own Mr. Ryan did some pioneering work in the field of rural credit in Uganda and Mr. Lindquist of Sweden in Kenya. The Nordic governments are providing considerable support to the East African movements and the Swedish Cooperative Centre is strongly supporting the ICA Office for East Africa in Moshi. In West Africa cooperative movements, especially in Nigeria and Ghana have played an important role in the internal marketing and production of the countries' major crops. I have had the opportunity of visiting the Cooperative Bank in Ibadan in Western Nigeria and to see something of the support it has extended to agricultural marketing and production activities. In francophone West Africa—Togo, Cameroon, Benin, Niger, etc.—the

movement has been cast on the lines of indigenous cooperative patterns and can be described in ILO terms as "pre-cooperative". I venture to suggest that with the setting up of the two ICA offices in Moshi and Abidjan, there will be the possibility of the movements in Africa emerging more into the mainstream of international cooperative affairs; I should point out in passing that contacts between the East and West African cooperative movements remain extremely weak and fragile, a consequence, no doubt, of past Colonial rule. In the middle Eastern countries, cooperative development has been patchy and it is only in Egypt and perhaps Jordan that cooperatives have been of some significance.

I shall not talk about the cooperative movement in Asia. You know the situation in India and ICA's Regional Office in New Delhi has done important work in spreading information about the movements in Asia. Suffice it to say that cooperative developments in Japan and, still more so in the Republic of Korea, provide fascinating experiences which, with relevant modifications, may have implications for other countries.

In India itself, developments in sugar production, dairying, fertilisers, spinning and weaving and man-made fibres are significant.

As we go further East into ASEAN countries we find cooperative societies playing role of varying significance in providing support to farmers and the urban middle classes—the thrift and credit movement in Malaysia which has

promoted other forms of cooperative activity, the collaboration between cooperative and trade unions in Singapore which has thrown up some ideological questions and some interesting developments in the Philippines, such as the Regional Cooperatives Development Programme in the Cagayan Valley are worth noting.

Mr. Chairman: this is admittedly a highly generalized account of the world cooperative situation, I have touched upon the high peaks and I do not want to leave you with the impression that all is well with the movement. There have been many problems—of leadership, of management or rather mis-management, especially financial mis-management, of the lethargy of the movement to respond to rapidly changing social and economic situations and of problems created by inflation and energy prices in which the world finds itself today. The Cooperative Movement is in no way insulated from these problems. Let me on the basis of the above thumb—nail sketch, identify the following five features.

First Cooperation has done well in countries where the population is homogenous and where income distribution is not severely skewed. All the Scandinavian countries bear out this statement and some small group research is supportive of it. Perhaps a commonsensical explanation is that the comparative absence of social differences makes the group feeling strong and the perception of a common need, which is at the basis of cooperation, sharper.

A *Second* aspect is that the movement has concentrated in some limited, though important, areas of economic activity. We have been good at doing the same things over and over again; we find comfort in familiar territory. If some broad shifts emerge in the "post-industrial" society, as they probably will, we will find ourselves at sea. The movement has been hesitant in exploring new fields. The present developments are all to the good and represents years of economic sense and sagacity. But what of the future? The movement must consider the role it can play, for instance, in the service sectors—provision of financial services, commerce and trade and shipping, in the provision of medical and health services. In several advanced countries—and of course in our country the situation is desperate—medical, pension and housing problems are under severe strain and the movement will have to address itself to these large issues if it is to retain social relevance. There are some small but interesting examples which will need to be carefully analyzed with a view to replication—the cooperative hospitals in Jaffna, Sri Lanka and the Susrushal hospital in Bombay, to mention only two. The ILO produced some time ago a paper on non-traditional cooperative activities and it is worth a study.

Third the consumer-producer dichotomy has seriously split the movement. Parallel structures have been adumbrated by both wings and it almost appears as if "never the twain shall meet". Let me cite examples from the Federal Republic of Germany; this situation, I hasten to add, is

common to many other national movements and Germany is no exception. On the consumer's side, there is the HAPRO, the successor to the former German Wholesale Society (GEG), the Bank for Gemeinwirtschaft, a joint trade union-cooperative institution which has vigorously pushed the rather ambiguous concept of "Commonweal"; there is the Volksfürsorge, the cooperative-trade union insurance organization; on the producer side, there is the giant Raiffeisen organization whose activities range from "Wine to schwein" it has extensive thrift, credit and farmers' services network and finally, there is the powerful Deutsche Genossenchafts Bank which owns with others, the international merchant banking arm, the London and Continental Bankers in the U.K. The collaboration between the two wings—dare I say—is an exception rather than the rule! How much more economic muscle would the cooperative movement acquire if the two streams were to work in the closest collaboration with each other rather than to compete with each other. I gave some more examples of such lack of collaboration in the cooperative movements in my keynote speech of the 5th International Conference on Thrift and Credit in New Delhi in February 1981. No amount of energy could be regarded as wasted which is intended to bring about unity within the movement. In Finland, as we all know, there are two separate movements, the KK and the SOK. It is this absence of collaboration which reduces the impact of the movement in society.

Here again we need to think anew, innovatively. Perhaps the Prosumer concept is more

appropriate to our needs rather than the sharp cleavage which economists emphasize between consumer and producer. The "prosumer" concept only recognizes that everybody is both a producer and a consumer and both would like a reduction in the middlemen's profit.

Allow me to quote from Alvin Toffler who says in his *"The Third Wave"*, on the wedge between consumer/producer: "At one level, the industrial revolution created a marvellously integrated social system with its own distinctive technologies, its own social institutions, and its own information channels—all plugged tightly into each other. Yet, at another level, it ripped apart the underlying unity of society, creating a way of life filled with economic tension, social conflict and psychological malaise". Citing some contemporary effects of consumer/producer conflict, Toffler continues: "The growth of the Consumer Movement in the United States, the recent uprisings in Poland against government declared price rises, the endlessly raging debate in Britain about prices and income policy, the deadly ideological struggles in the Soviet Union over whether heavy industry or consumer goods should receive first priority, are all aspects of the profound conflict engendered in any society, capitalist or socialist, by the split between production and consumption".

How many Cooperators have even considered transposing this concept into the realm of co-operative reality :

Fourth, the movements in the three continents of Latin America, Africa and Asia have leaned heavily on government support. This has caused some operational difficulties and some ideological obscurities. I will say a little more on this subject later on.

Fifth, some considerable and recent literature has doubted the efficacy of cooperative movements in reaching the poor in the Third World. A series of UNRISD publications, Kuznets' "U" Curve, ILO's Concept of "Basic Needs", FAO's recent Conference on Agrarian Reform and Rural Development, and McNamara's passionate argument to assist the poor—all these approaches, in their different ways, have begun to compel sensitive cooperators' to view the role of movement in this direction. A careful consideration of this aspect raises serious questions of ideology, of cooperation and the wider community and of the economic capabilities of the movement.

Finally Mr. Chairman throughout the world of cooperative movements and in fact even in the same country we come across very small, community based cooperatives and large industrial cooperative establishments which are sometimes difficult to distinguish from other industrial enterprises. The Fortune 500 includes the following cooperative organizations in its list. Farmland Industries (64th); Land of Lakes (115th); Gold Kist (212th); Farmers Union Central Exchange (265th); C.F. Industries (303rd) National Cooperative Refinery Association (374th) Midland Cooperators (467th). Among the

10 highest ranking of sales per employee as well as assets per employee, the National Cooperative Refinery Association came on top. In Canada, according to the list produced by the Financial Post, a leading financial Journal, the Saskatchewan Wheat Pool occupied the 40th place with a sales or operating revenue of 1.9 billion dollars, the Alberta Wheat Pool ranked 53rd; the United Grain Growers Limited, the Federated Cooperatives Limited, and Coop. Federee of Quebec were also in the list. In the financial listing, the Caisses National de Credit Agricole of France, the Norinchukin Bank of Japan, the Bank fur Gemeinwirtschaft and the D G Bank all appear in the listing of the Institute of Bankers.

Mr. Chairman, these large conglomerates remind us that the small community-oriented society, while important and serving an important purpose, will yield the place of pride to large cooperatively owned establishments. Our mode of management, leadership pattern, financial policies will have to adjust to these changes. Individual members' sense of ownership and participation will have to be combined with sound economic and financial policies applied to institutions of quite another dimension.

Structural Reforms—Three Models

This brings me to another allied issue, that of structural reforms which occupied the movements in the sixties and seventies and continues to do so today. Perhaps we shall never find the ideal organizational structure, good for all time and

places. We must respond, and sometimes yield to the compulsions of surrounding economic environment. Let me summarize the debate on this issue. At the risk of generalization, one can identify three patterns. Historically, a small cooperative society, satisfying a need in the local community, has joined hands with similar organizations from neighbouring areas thereby creating secondary organizations and, ultimately, apex bodies. The situation is familiar to cooperators in India. This model keeps intact the sovereignty of the individual society while ceding certain functions to the secondary or apex body; in political terms, it is like a federal state with various provinces. The relationship between the primaries and federal bodies is governed not by effective sanctions but by a sense of mutual loyalty. A unified discipline is worked out which makes possible the application of sound administrative principles with the flexibility which ensures variety and freedom to the primary organization. The concept is based on two thesis; first, that self-determination, self-administration and self-responsibility are really the basic pillars of the cooperative structure and, second, that a delegation of responsibilities to federal bodies on a higher level must take place only so long as and to the extent that this promotes the interest of the movement.

Looking back, it appears, on the whole, that the system of federalistic structure has proved itself useful in practice. However, recently doubts have been raised as to whether the traditional

structure of our movement is suitable to the present sharpened competitive edge which we encounter all over the world. Large, centrally directed organizations have cut costs to the minimum and the effect on cooperative movements is noticed in the declining market share of the latter. The movements have responded by a process of amalgamation thereby creating larger, more efficient units; in India, during the decade 1953-63, there was a decline of 14% in the number of societies; such decline is visible throughout the world. In attempting to restructure and streamline the old model, several resistances have been experienced and some are mentioned in the ICA Vienna Congress Report of 1966. One thing is clear; the results are not convincing enough for us to say that we have found the right answer. If pushed to its logical limits, this second model leads to the renunciation of the legal personality of the cooperative societies and to the constitution of a single national cooperative society. This is possible in a small country with homogeneous population and an effective communications network. The Danish consumers' movement is an example; and it is now organized in one single society. There, the FDB appointed in 1964 a structural committee which recommended complete integration into a national society with uniformity on most business policies throughout the movement. A similar approach has been suggested in the case of the consumers' movement of U.K. The obsolete buyer-seller relationship between the retail societies and the CWS is sought to be replaced by an arrangement in which joint interest and common

objectives will be decisive. There have been some considerable discussions at recent cooperative congresses in the UK on the possibility of creating a Coop Great Britain. In the U.K. in 1958 there were 918 retail societies; at present there are only 201. This process of amalgamation has been forced, very largely by the competitive challenge of private trade where large organizations with common management and human resource development policies have become the rule. Can the cooperative movement have a development policy based on the individual considerations of its various retail societies? What has served the movement well in the past will not meet the demands of the future. Prof. Henzler said: "The danger of a strong traditionalism on the part of the cooperatives, standing in the midst of competitive economies, is that they do not recognize the extent to which strong competition demands that they should have done yesterday what will be necessary tomorrow." The President of the 1979 Coop Congress in Britain said "I have come to the conclusion that the only way forward for our movement is by the formation of a new national cooperative organization." The problem is not as insurmountable as it may seem; to continue the British case in the UK the 10 largest retail societies together accounted for 47% of the movement's total trade. The 20 largest Societies account for 62% and the 50 largest societies for 84%. So if a new national cooperative organization brought together the 50 largest societies in the country it would account for over 84% of the movement's retail trade.

Between these two models—a federal structure and a single national society—there is an intermediate solution and we find reflections of this pattern in KF's relations with its primaries. Under this model, certain functions are submitted to the sovereignty of the wholesale, for example, purchasing, central warehousing, sales policy, special sales or accounting. Specific responsibilities are then transferred from the individual societies to special sections of the apex organization which works independently of individual control but in close collaboration with the primaries on the basis of general principles; these activities are synchronized within the framework of national plans for distribution, structural reform, finance, etc. The basic point emphasized in this model is that any structural reform must be motivated in terms of the basic promotional task. The duty of the apex is to promote to the maximum the interests of its members. At the same time, it is recognized that under present conditions, this can only be done if the movement acts as a whole and not as a series of separate units where each unit takes its own decision with regard to the larger issues. The ICA Report on the subject says: "The collaboration of all members must be achieved through an unambiguous, uniform, elastic organizational framework. The legal structure of the movement must be that which is most useful for the attainment of its aims. Naturally, the democratic character of the movement must be maintained as an inalienable principle". A somewhat similar structure is being operated by the C.F. Industries in the USA and Canada.

I have based my remarks largely on the Consumers' Movement simply because information was easily available. This is contained in the 1965 discussions of ICA's Central Committee in Helsinki. I have, however, reason to believe that a similar situation obtains in the agricultural cooperative movement except that the process, by virtue of the geographical factors affecting agriculture, is slower.

I have presented the three models in a form sharper than is the case in reality. Behind organizations is the reality of human beings, the extent of their readiness to submerge their differences for the good of the whole movement and the social and economic structure which shapes peoples' attitudes. The Japanese agricultural movement presents a brilliant example of rapid and effective amalgamations despite the numerous problems it has thrown up and which have been discussed recently in Zenchu News. It would be dangerous, without the most careful consideration, to make any specific recommendation, not the least for the Indian movement where the diversity of culture, the size of organizations and management levels are very different. What I am suggesting is that there seems to be reason at this time to consider the efficiency of the structure of our movement. The process has been going on imperceptibly all the time; what we need now is a deliberate and planned effort. A movement must prepare for the battles of tomorrow and not be fettered in its past. The National Cooperative Union of India could play a leading role in this respect. In addition, we must recognize that there

is nothing sacrosanct about a structure just because it has existed for many years. Perhaps we should recognize that we can simplify the structure—we all know that a large primary tends to assume the characteristics of a secondary organization. Detailed case studies of IFFCO, of the Saskatchewan Wheat Pool, of the London Cooperative Society, of El Hogar Obrero in Argentina, of Konsum, Stockholm, all large primary organizations, will reveal some important lessons for rationalizing the cooperative structure.

Cooperatives and the States

I must now turn to another subject which has been discussed *ad infinitum* in India—the relationship of the movement to the Government. I am afraid the discussion has generated more heat than light. Much has been written on the subject and I am not familiar with the details. The fact however is that ever since the All-India Rural Credit Survey of 1952, State partnership in the cooperative movement is much in evidence. The Report submitted to the 3rd Indian Cooperative Congress in 1958 gives details of the State partnership in the cooperative movement is much in evidence. The Report submitted to the 3rd Indian Cooperative Congress in 1958 gives details of the state partnership' and assistance to cooperative credit institutions. Such assistance was seen to be a strengthening factor to the cooperative movement. The share capital of a number of state cooperative banks was provided by the government and in many cases such assistance was

extended to Central Land Development Banks and even to large scale primary societies. Members were nominated by the State to the Board of Directors. In this process, as the Standing Advisory Committee on Agricultural Credit at its 5th meeting in 1956 reminded us, two precautions were to be observed; first, that the State government was to be a partner in the sense of partaking in the risk of share capital and not a mere creditor and, second, the apex Bank's position as leader of a coherent structure was to be strengthened, if possible but in no case impaired. Cooperatives, it must be said, have been somewhat ambivalent on the issue. In countries of West Africa, where there appears a greater readiness on the part of movements to accept positive encroachment by governments, a recent seminar on the subject agreed that governments of the countries of West Africa needed to play "substantial roles" in the affairs of cooperative movements. The expression "Substantial role" was not elaborated although it appeared that governments were to provide the necessary pre-conditions for creating enlightened membership through the provision of education and training facilities and to support financially, and otherwise, the national apex organizations. At the same time, the seminar asked the governments to assist without infringing the independence of the movements, as I said, a rather ambivalent approach.

I have elsewhere summed up the causes as I see them, of government involvement in cooperative movements in the developing countries as :

- (i) Lack of movement's financial and trained manpower resources;
- (ii) recognition by the government that the cooperative movement is a grass roots movement and can thus be helpful in the implementation of national development plans; and
- (iii) Political parties' perception of the cooperative movement as an institution which can enhance their own political position and image if the movement can be manipulated to their own party gains; the cooperative society can thus be used as the disbursing of patronage loans to farmers, creation of a processing facility in a certain constituency, etc.

If the above causes are realistic and I realize they are a highly condensed version of a vast, complex process—perhaps the following could be recommended as some alleviating measures in order to restore a degree of autonomy and spirit of self-help to the movement. There is, first, the need at senior levels of government to impart information about the principles and ideology of the movement. We cannot build bridges by continuing to emphasize the we/they dichotomy. There is a psychological hiatus which needs to be covered, and if we cooperators take the initiative, a response would be forthcoming. The National Cooperative Development Corporation, with its 20 member body consisting of official and what are called “non-official” cooperators provides a meeting point. I have spoken about this unique

cooperative organizational structure in Africa where problems in this field are somewhat similar.

Perhaps there is need for the production of a simple "do's and dont's" brochure by the movement and which, so to say, would define the limits of government action. Such a brochure will be difficult to produce but will serve a useful purpose. The movement's personnel need training in management, especially financial management, as it is the weakness in this area which invites government intervention. New ways of building equity, especially in inflationary times, have to be explored. Bischenberg Seminar organized by the Liaison Chmmittee on Thrift and Savings on the subject: "How to Save the Savings" summarizes the need of the moment. The construction of an "Autonomy Index", which would define, as precisely as possible, the set of conditions under which the government should withdraw its control and allow the movement to function independently, will give workable precision to what has so far remained an amorphous wish.

A dialogue between the cooperators and important politicians could be useful although the extent to which this could be a causative factor in sustained change in politicians' attitudes towards cooperative affairs, is unclear. Let me give you an example from France. Cooperative leaders in that country, in political elections, do not attach their federations to any political party. There is in existence the Groupement National de la Co-

operation where leaders of all cooperative sectors meet. In order to obtain the views of all Presidential Candidates before the last election, the Groupement National circulated to the Presidential candidates, namely, Giscard d'Estang, Chirac, Debre and Mitterand, a set of four questions in which their opinions were obtained on "What does to be a Cooperator" mean to you, what is meant by the statement that cooperatives should fight "with equal weapons", what would they do to encourage artisans', fishermen's, transport firms cooperatives, and, finally, what role would Cooperatives be asked to play in French overseas development assistance.

Perhaps, as was recognized at the ICA meeting in Copenhagen in 1978, the problem of the relationship between the State and Cooperatives will never be solved in toto. At that meeting, there were varying points of view but there was agreement on the collection of information and experiences, the need for a continuing dialogue between the two, leading sometimes to the creation of institutionalized links, the need for advocacy of the role which cooperatives play in general social and economic development and the overall credibility of the movement in society as a result of its performance and the values which inform its operations. I have drawn your attention to this area because until the year 2000 I see government control or influence increasing not decreasing, on social and economic affairs.

Cooperative Principles

I now come to the last part of my talk.

For obvious reasons I raise the subject with some hesitation. I must say a word about cooperative principles. The word principle means : fundamental source, primary element, fundamental truth as basis of reasoning. Such principles must represent something permanent, the basic values of our movement, not shifting rules which sway with changing social and economic conditions. There have been, from time to time, veiled references to the inadequacy of cooperative principles as formulated by the ICA Commission of 1966. Our own Mr Puri has written explicitly and perceptively on this subject in his book; "Ends and Means of Cooperative Development". The late Alex Laidlaw had this to say in his Moscow paper; "Cooperatives in the year 2000" :"Doubts remain about the present official formulation, set forth in six principles, and many cooperators feel that this statement is somewhat less than fully satisfactory".

The two main weaknesses in the present formulation are, first, that current practices have been elevated to principles, and secondly, the present formation is largely dominated by practices in consumers cooperation to the neglect of other fields of cooperation such as housing, agriculture, credit, etc. Moreover, there is no mention of the fact of working towards the establishment of a cooperative commonwealth, towards establishing a more refined and less exploitative pattern of relationships between human beings and no explicit concern expressed for the poor by the affluent, for the weak by the strong. The con-

gruence of interests of the cooperative and the community is not mentioned. What is to happen if the two diverge? We must honestly ask ourselves if the principles as enunciated by the ICA Commission on Cooperative Principles and accepted by the Vienna Congress in 1966 really represent the fundamental strivings of our movement, the ideals the movement would like to see come to fruition in society. Or are they the abstraction of operational rules? Is the fact that share capital will receive a strictly limited rate of interest really a fundamental issue? Is not any rate of interest a limited, rate of interest? Again, the way of distributing surplus : as suggested in the present formulation is it not really a practical policy which should, ideally, combine equitable distribution among members with considerations of economic prudence for the organization? What happens to that part of the surplus which is generated by dealing with non-members? Cooperation among Cooperatives stems from the nature of the movement; is this "principle" really anything more than creating a mechanism for obtaining the economies of scale especially as there is no mention of creating a Cooperative Commonwealth? Is there any mention of the social accountability of Cooperatives in the Principles.

In making these points, I am not criticising those who were responsible for the present formulation. The task is not easy. As you will notice, my own comments are not carefully worked out. But I must confess to a feeling of "lack of depth"

when I read the principles as presently formulated. The commissioners were men of wisdom and experience. They brought a wealth of knowledge and our own Prof. Karve was a man of sound and good judgement. However, an international commission is subject to many pressures; there is an inevitable and unwitting tendency to produce a unanimous report—it is considered in some ways to promote the unity of the international movement—and this leads to bland compromises rather than resulting in cogently argued, polarized views. The East-West rift, the producer-consumer-divergence, the shades of nuances between cooperative and cooperative-like institutions—the existence of Migros in Switzerland, of Edeka and Rewe in Germany are some examples—these differences are not easy to encapsulate in six or seven principles. We must be realistic, we must have a restless mind we must search for fundamentals. We must talk of establishing a non-profit, non-exploitative economy through cooperative methods; we must emphasize self-help and mutual help, we must ponder on our wider social and economic concerns.

It is partly for these reasons that some movements show conflicts and thereby impart obscurities to their Cooperative Acts. The Presidential Decree No. 175 in the Philippines includes, incompletely, I am afraid, the present cooperative principles. Does it mean that in the Philippine perception some principles are more important than others, even if the Commission emphasized that all should be taken as an inseparable whole, the Egyptian

Agricultural Cooperative Law in its second Draft No. 2 (122/1980) and, I should emphasize I have seen only the draft, has this to say in Article 1 : “Cooperation is a popular democratic movement sponsored by the State. Cooperation participates in executing the overall plan of the State in the agricultural sector”. Is this the consequence of the deletion of the 1937 principle of “Political and religious neutrality”—there are, I am afraid, many corners to be cleaned, many cobwebs to be swept. I hope the Indian Cooperative Movement in the tradition of Vaikunthbhai Mehta, Professors Gadgil and Karve will give some lead on this fundamental aspect.

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