

COOP DIALOGUE

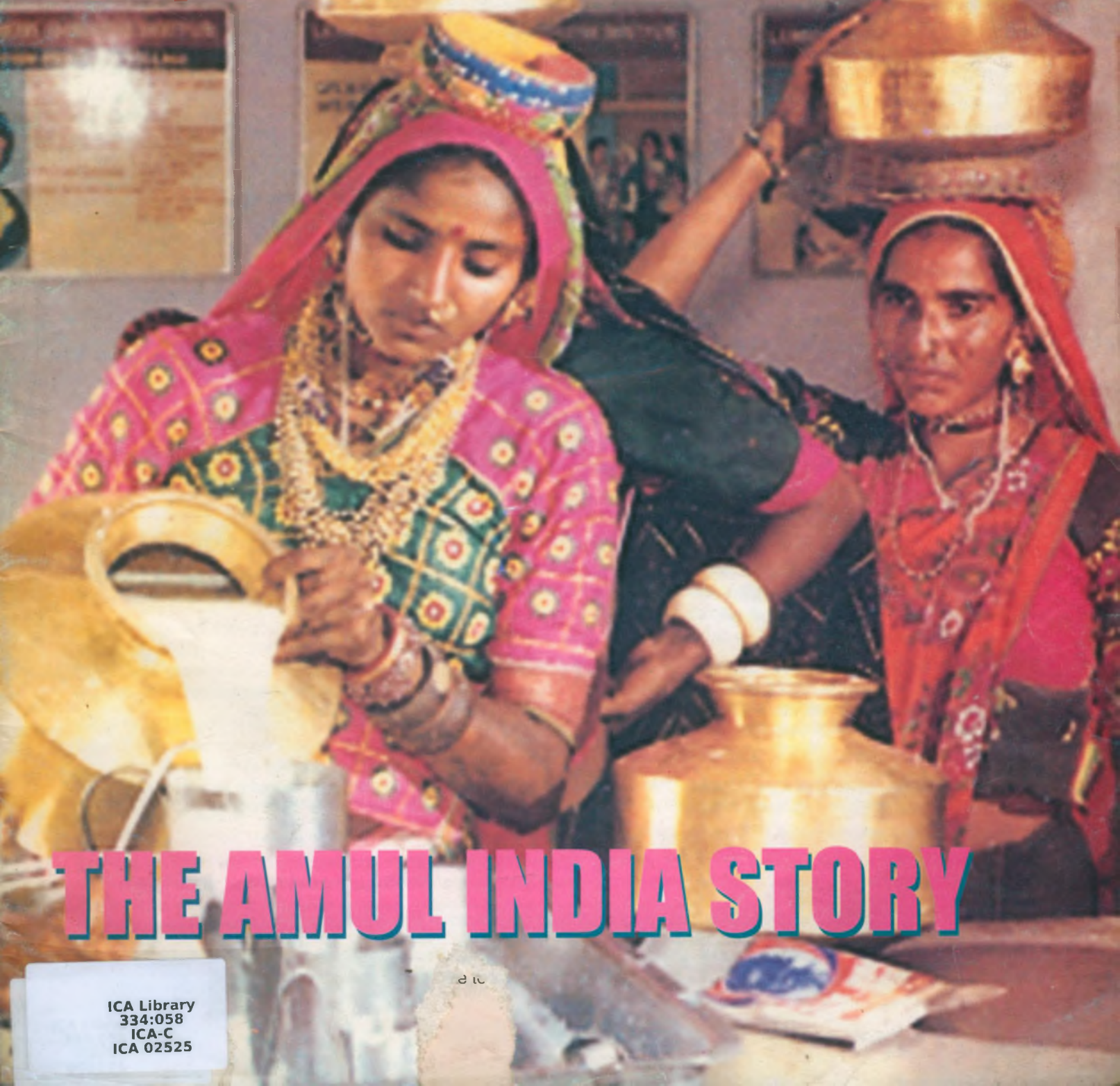


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This issue of Coop Dialogue is sponsored by Gujarat Co-operative Milk Marketing Federation (AMUL)

Message from the Regional Director for Asia and the Pacific

MANKIND enters the new Millennium laden with fond and not-so-fond memories. Co-operators enter the new Millennium with memories but with a plus. This plus is our new set of ammunition jointly owned by us that is called the Co-operative Identity Statement. But the new Millennium does not guarantee if in the end co-operatives will strive or dive, despite this powerful ammunition. Leaders and members alike are free to use this ammunition to their collective advantage or, alternatively, to ignore it altogether and face the doom.

The acid test in 1998 and 1999 was for ICA ROAP to capture and promulgate the strength inherent in the Co-operative Identity to co-operatives and co-operators in this region. And doing so at a time when member co-operatives are still trying to recover from the protracted Asia crisis. Not to mention their fear for the Millennium bug for which many computer engineers, the ones actually causing the Y2K problems themselves, were rehired.

Yet vigilance in helping members to practice the Identity Statement yields results and benefits. The First Co-operative Think Tank Consortium was held when the financial crisis just hit the region in early 1998. Leaders from large co-operative movements, together with co-op thinkers, shared their views and found ways to mitigate the ill effects of the crisis. The Regional Assembly was held later in 1998 to co-

incide with the Global Forum, so key policy and trade issues were hammered out with leaders worldwide to identify and promote co-op value-added products and services. The 5th Co-operative Ministers' Conference was held in 1999 in Beijing to stimulate collective thinking towards a more progressive co-operative-government co-operation and synergy. Many other activities of ICA ROAP during the last year of the 20th Century were also geared towards, and focused on, members- members-members!

And here comes another pitch. The CO-OP DIALOGUE is a valuable publication of ICA ROAP that serves both as a media for communication and as a "member-owned forum". Since 1998, a number of ICA members in this region has sponsored the publication of the CO-OP DIALOGUE, yet so far still on a "one member - one issue" basis. But we are motivating and encouraging more members to sponsor jointly so as to promote and instill a greater sense of ownership of this important journal. May I therefore request in earnest that each member organization in our region consider joining many others in sponsoring this CO-OP DIALOGUE. Our editor will knock on your doors one of these days.

**A VERY HAPPY AND PROSPEROUS
NEW YEAR 2000!**

Robby Tulus

From the Editor

Dear Readers,

Due to some logistic reasons, we could not bring out the Co-op Dialogue during 1999. We apologise for the inconvenience caused and assure you that we shall try to be more regular and prompt in the future.

As our Regional Director mentioned in his message, the Year 1999 was a difficult one for all of us. However, the Year 2000 looks more promising and we will work towards making it much more successful.

We at the ICA had not experienced any problems relating to the Y2K computer bug and hope our member organisations and fellow-co-operators also did not have any problems in this regard and had a smooth roll over to Y2K without any glitches.

Many of our contributors have kept sending their articles and may be wondering what happen to their contributions. We assure you that we will be using all these contributions in our future issues and request our friends to keep sending their contributions.

Many of our readers are familiar with AMUL - the Co-operative Dairy Experiment in India and many would like to know more about this.

From this issue, we start serialising a book written by Ms. Ruth Heredia - *The Amul India Story*.

As you would have noticed the previous two issues of your magazine were sponsored by two of our member organisations in Singapore and Malaysia.

The idea is to get more closer collaboration with our member organisations. We would request our member organisations to sponsor atleast one issue each. For details about costs, etc., please contact the Editor.

We wish all our readers, member organisations, and fellow co-operators a Very Happy New Year 2000 and hope that the New Year and New Millennium will bring great benefits to your co-operative endeavours.

- Editor

*ICA ROAP Wishes its Readers
A Happy New Year 2000*

Toward Local Ownership :

Key Issues in Development Co-operation with special reference to Co-operatives*

Robby Tulus

LOCAL OWNERSHIP vis-à-vis THE ASIA CRISIS

From my experiences in Asia and the Pacific, I consider the issue of LOCAL OWNERSHIP as critical and also increasingly relevant today. When aid was overtaken by trade as the main channel of relationship between Canada and the Asia Pacific region in 1996/97, the "more trade and less aid" policy was apparently driven by sheer growth digests of trade and investment during that time. Asia became the symbol of progress, prompting policy changes of governments all over the globe. Predictions were made that the material aspiration of middle class Asians will spur rapid economic growth in this region. Strong community-based business successes that were owned and managed by people or communities at the local/grassroots level were totally overshadowed by the rise of globalization where businesses identify less with the development of their country or region and as a result are less accountable to their local communities. Businesses are increasingly becoming anonymous entities as they focus single-mindedly on paying attractive dividends to shareholders that above all seek the accumulation of individual wealth, without regard for the development of their own community.

Foreign investors, including those from Canada, jumped the bandwagon of some leading mainstream economists who believed in the Asia Miracle. Local traders and investors were not operating by strict rules of efficiency or profit and loss but simply by taking advantage of foreign capital that maximized the benefits of globalization while minimizing changes to their own national politics and trade regulations. No one at that time cared about small, albeit viable, businesses owned by local communities because they tend to be limited in scope and size, and oftentimes

Summary

This paper offers a "Back to Basics" model that defines Local Ownership from a co-operative perspective. The defining properties stem from the values and principles enshrined in the ICA Co-operative Identity Statement (ICIS)". The model propounds that:

1. Local Ownership is a key requisite for, and a vital ingredient of sustainable development.
2. Local Ownership must be based on organized self-help, autonomy and independence.
3. By definition, external funds injected into an economic activity of a project/program - be they in the form of revolving loan funds, revenue-generating funds, or any other form of debt-based financing - will have an adverse impact on the self-help capacity of the beneficiary group. Thus LOCAL OWNERSHIP is more than just stakeholders' participation and partnership. Local ownership means living up to an abiding set of socio-economic standards on which SELF-HELP capacities can be measured to ensure program continuance, hence to ensure development sustainability.
4. If Ownership is to be broadened from its primary (base) ownership level, it must do so by building federative structures, or horizontal networks, that ensures democracy, legitimacy and credibility. Credibility and trust represent the most powerful working capital in driving economic growth and people's development. To ascertain results, appropriate regulatory provisions, preferably through self-regulation, and supervisory mechanisms, must be set in place to make these integrated structures work effectively.
5. To sustain Local Ownership, intervention at the grassroots from bilateral and multilateral agencies should avoid bypassing credible democratic structures at national, regional or international levels. Democratic structures should deliver Technical Co-operation and/or Program Financing by focusing mainly on HRD, Research/Studies, Informational and Communication Technology (ICT) and data-base, Standardization, Guarantee Systems, Risk Management Programs, etc., all of which are instruments of empowerment. Direct financial support to primary structures tends to reverse the empowering process, hence antithetical to Self-help and Local Ownership.

To validate and highlight the above "basics", three short case studies on co-operative development are presented in this paper to characterize the variables of local ownership as dictated by the specific conditions and intervention in the respective localities.

* This is a Panel Presentation at the CIDA International Co-operation Days, Nov. 16-17, 1999 at the Ottawa Congress Center. Robby Tulus, Regional Director for Asia and the Pacific of International Co-operative Alliance based in New Delhi, India.

** ICIS was adopted during the Centennial Congress of the ICA in Manchester, U.K., in 1995.

close-minded, and would or could not join the "speculative game" of generating quick returns on investments.

LOCAL OWNERSHIP was nowhere to be found in the lexicon of business parlance during the hay days of the Asia miracle. Good business at that time was confined primarily to the ownership of physical capital and, to some large extent, professional management. Conglomerates and Chaebols ruled the markets, bringing in more and more foreign capital that was managed by young middle class MBA graduates.

Social capital was simply ignored. Business enterprises overlooked the development of good rules and regulations, respect for these laws, the willingness to obey them and the setting up of critical monitoring systems. Many business houses in a number of Asian countries failed to live up to these high standards, and also worked with governments that lacked the fundamental assets of legitimacy, credibility, good "clean" governance. Fast tracking trade and investment was by and large the mode of developing business with the Asian tigers at that time.

Local Ownership, which should have been measured by credibility standards at the community level, was neglected owing to the belief that only government macro economic intervention should be the rule of the game. In the case of Co-operatives, for example, macro economic policies of many governments in Asia prompted even rural based co-operatives to make deals with conglomerates, with the result that micro level intervention was kept at a minimum and distributive channels were left to these powerful conglomerates. Then the Asia Crisis struck.

What positive lessons can be learned from the role played by CIDA when the Asia Crisis hit the region? First, we must acknowledge that CIDA played a significant leadership role to the development of civil society in many developing nations in Asia, which became the safety valve during the crisis.

Working with NGOs and Co-operatives, CIDA's vital contribution led to the creation of buffer zones to mitigate the marginalizing effects of the Asia crisis.

A study on "Co-operatives in the face of the Asia crisis" conducted by the International Co-operative Alliance (ICA) revealed that many co-operatives, both large and small, are much less affected by the Crisis as compared to corporations and businesses in the private sector. CIDA bilateral and institutional programs carried out by the Canadian Co-operative Association (CCA) and the Developpement international Desjardins (DID) in Asia have been strengthened in spite of, as well as because of, the crisis. Local ownership of a well-diversified co-operative structure in many countries in Asia, within the context of self-help and independence, managed to curb the marginalizing effects of the Crisis because they have reserves and equity built over time that constitute as its "buffer zones".

Within this context, the continuing thrust of CIDA to promote its program priority on "Human Rights, Democracy, and Good Governance" augur well in the future if local ownership can be strengthened from the base up, avoiding fast track and short cut approaches. This will be the great challenge for furthering democracy and good governance in the new Millennium.

UNDERSTANDING LOCAL OWNERSHIP FROM THE CO-OP VIEWPOINT

It seems that finding the right properties to define LOCAL OWNERSHIP is still open for a good debate, as represented by the differing viewpoints in this panel.

One argument to be made is that Local Ownership goes beyond participation, especially in paternalistic cultures when participation is confined to "being there simply to be seen by others", as against actively contributing to decision making in the interest of the welfare and development of their community/group. It is here contended that Local ownership must embody the important element of *organized self-help*, where local initiative and local motivation are the drivers, and standards used to ensure continuance and sustainability. A simple "back to basics" concept of local ownership. When Local Ownership is to be defined within

the framework of ODA, more succinct standards must be considered lest the marginalizing effects, resulting from external support on the self-help character of the community owning the activity or program, become irreversible.

From the co-operative perspective, a community or collective must be able to develop themselves without any external assistance, provided the right environment to develop their own capacities is created as a result of sound macro policy. This assumption is borne out of the historical fact that co-operatives, if initiated by the people in the community themselves, can take full control, and hence ownership, of their co-operative without necessarily obtaining any financial support from outside. It takes time, but unless growth and development is to go in tandem with the pace and capacity of the local community or beneficiary-group, it usually ends in retrogression.

In my experience, external support, be they in the form of investment or capitalization, tend to stifle any private or collective enterprise. That is so, unless they add value to the strength of organized self-help (or community, co-op, or corporation) already built by the beneficiary group (i.e. investors, co-operators, community) themselves over time.

It is therefore by definition that any form of external funding received by a community or a beneficiary group will likely have an adverse impact on their self-help capacities.

*Key to local ownership is that the **initiative and motivation** must come from the beneficiary group themselves as reflected by their commitment to develop their own self-help institution with a long-term vision. Once initiated, standards must be established to measure the sustainability of the project owned by the beneficiary group.*

Local ownership is best measured by long term continuance of the development program* initiated locally, be they capitalized from internal sources by the community/partner themselves or, in by necessity, through a partnership with local government and non-governmental institutions, or an external agency**, over a defined period of time. In a co-

operative organization, the standard of local ownership is basically composed of ownership (members' equity & capital contribution) as well as user-ship (use of various co-op services as demanded by members). **Ownership and User-ship** form the basis of organized self-help.

But to guarantee local ownership even further, program continuance should be based on, but not limited to, the following three pillars:

- a) **social relevance** of the program, with visible impact generated on the social conditions of the community (e.g. health or education), with safety valves set in place for the "socially excluded";
- b) **economic relevance** in terms of the relative weight of the program in the local economy as a whole, particularly in employment creation, which will strengthen people's self-help enterprises as an "EFFICIENT BUSINESS with a HUMAN HEART";
- c) **Community relevance**, the proportion of time and mindfulness that the average person — belonging to the beneficiary group — devotes to the core activity of the program, be they as economic contributors and as users of demand-driven services generated and provided by the program.

These standards, which can be further broadened, can serve as basic measurement to other commonly agreed development goals such as sound/good governance, best business practices (competitive and profitable), collective thrusts (equitable share ownership), cultural congruence, equal involvement of men and women, and long term expansion and consolidation.

* The term 'Program', as against 'Project', is used to denote continuance for a longer term as implied by local ownership in this paper.

** External agency referred to in this document denotes Bilateral Agencies and/or their development partners (from the same country represented by the Bilateral Agency).

CASE STUDY I

The Baguio-Benguet Community Co-operative, with its major thrust on savings and loans, started with 15 teachers on December 23 1958, and got registered on December 10, 1976. With US \$ 52 million in assets as of last year, BBCCC has become a household name for more than its 10,000 members.

Unlike banks, poor members can enter their office with pride and ask for a loan between Pesos 1,000 (US \$ 25), and Pesos 100,000 (US \$ 2,500), on the basis of their fixed deposit, with a loan interest of 8% per annum. Yearend dividends, from the interests paid by members, are usually plowed back into members' fixed deposits.

Members become committed to their co-operative because they feel they own the co-op and are enlightened by the social, economic and community rewards generated by the co-operative. Membership commitment is clearly demonstrated by prompt repayments of loans by members (delinquency is almost non-existent), and one of the major community rewards is represented by a grocery store owned by the co-operative wherein members and their families can purchase goods based on a one month credit scheme.

The self-help character of BBCCC is exemplified by the members' own tenacity to build a solid co-operative without any outside support whatsoever, with the exception of HRD programs rendered by their secondary co-operative. A simple showcase of Local Ownership.

(Source: Philippine Daily INQUIRER, feature story, July 20, 1999)

Thus Local ownership is best understood if there is sound program continuance that will guarantee sustainability.

LEVELS OF OWNERSHIP

From a co-operative viewpoint, LOCAL means Primary Co-operatives and their member constituents, be they located in rural or urban areas, regardless of whether they are community or occupational based. The range of primary

co-operatives in the Asia region is very wide, because the strength of primary co-operatives has been tested both in terms of the above standards as well as the length of time it takes to build it. As such, member-owned primary co-operatives may range from one with as low as 20 members in a developing country, to one with as high as 6.8 million members in a more developed country.

The former represents a share capital of less than US \$ 1000.00 (e.g. Indonesia), and the latter a share capital of more than US \$ 70 Billion (e.g. South Korea)

Using the above standards, Local Ownership could be measured from the extent to which program beneficiaries can overcome discrepancies arising from their expectations and the goods and services produced by the development program itself, thus ensuring long term commitment.

What is important is that the driving force comes from *motivation*, as opposed to funding.

To guarantee local ownership, any program at the micro level must be established only to strengthen such local initiative, and not otherwise conceived by others, be they government or non-government. To sustain local ownership, a program must preferably be designed to ensure the creation of a favorable environment - i.e. to **empower** these people to want to do more — rather than stifle or pamper them with the granting of external loans or subsidies (including revolving loan funds and other debt-based financing).

Reflecting on the above case study, I am convinced that even in the best of market forces, savings mobilisation is central to the innovative approach prescribed by the co-op concept. Credit is viewed only as a product of intermediation between savers and borrowers, rather than an input that can be supplied by a donor project. When financial development is allowed to evolve naturally on the basis of people's collective need, intermediaries mobilise savings from poor households that do not have high return investments and lend these funds to borrowers who do

CASE STUDY II

PLAN International (or Foster Parents Plan/FPP, as it was called earlier), on realizing the drawbacks of its hitherto charity approach, approached the Credit Union Central Organization (CUCO) of Indonesia to set up credit unions in three districts in Bali in 1979. CUCO went into partnership with FPP for conducting motivational training to poor clientele in Bangli, Karangasem, and Gianjar districts (East Bali). Subsequently, credit unions were organized on the initiative of these clientele as beneficiary groups. However, FPP continued to provide cash grants to these clientele, provided that at least 50% of such grants be saved into the credit union to reach the goal of capital adequacy as set out in their business plan, so self-help lending can begin. The credit union by-laws, evolved by these clientele-cum-members themselves, set out standard loan policies and delinquency control mechanisms. Three years later a secondary structure (Credit Union Chapter), encompassing the three districts, was established to promote interlending services to the existing 60 primary co-operatives.

A recent evaluation conducted by CUCO proved the point that capital formation, accompanied by injection of funds from outside, failed to sustain the self-help capacities of the credit union members. When FPP phased-out from these districts and terminated all cash contributions, members began to withdraw their savings and loan delinquency started to soar.

Local OWNERSHIP is definitely in question not only because of dependency on outside sources but also because of the credit union project failed to fit the basic economic and community standards and make them relevant for program continuance.

CUCO took the initiative to control the damage, and in 1989 began to restructure the Credit Union Chapter by consolidating only those credit unions that met the basic viability standards. Out of 60 credit unions, only 26 met the standard criteria, were consolidated, and now boast a membership of 5538 individuals, shares of Rp. 729,493,830.00, assets of Rp. 1,592,497,643.00, and loans outstanding of Rp. 1,702,520,635.00 by the end of 1998.

The restructuring process was done through HRD and HRM programs and was made possible through the support of Swiss Inter-cooperation.

In comparison the FPP-supported credit unions, the ones initiated and developed entirely through self-help efforts by the community themselves in Denpasar, Tuke, and Singaraja (West Bali) in 1997, managed to grow and develop by leaps and bounds, even during the height of the economic crisis in Indonesia. By end of 1998, 15 credit unions were established with 1419 members under the supervision of a Chapter, with total savings of Rp. 1,430,379,778.00, assets of Rp. 5,845,846,678.00 and an outstanding loan of Rp. 4,584,112,000.00. The latter has a much greater sense of ownership because of their independence and local self-help capacities.

(Source: CUCO-Indonesia, Jakarta, November 5, 1999)

have such investments.

Savers benefit from the interest paid on their deposits, and borrowers benefit from having access to lending funds, and the intermediaries benefit by charging borrowers more than they pay depositors. Top-down external credit programs disrupt this natural process of inter-mediation and, in so doing, damage the sustainability of fi-

nancial institutions, and in the process destroy local ownership.

The strategy for Co-operatives, therefore, is to innovate new ways to mobilise savings as a natural evolution. It means providing institutional space for local initiatives to evolve and grow. Neither political representation nor bureaucratic authority systems, even if they are deemed to have the co-operative

interest at heart, are viable mechanisms for social innovation. They usually have the effect of taking away from the real stakeholders or members their opportunity to engage in social innovations of their own. Government and donor agencies must often refrain from direct intervention and instead take a back seat by providing institutional space for local initiatives to emerge and grow.

Should it be imperative that additional loans or subsidies be made available to raise additional capital, they must be made available through a higher level federative structure, be they national, regional or international, for so long as they are elected and hence jointly "owned" by the primary structures.

This is to ensure that a minimum accountability structure be built into any such development program. For the Co-operative, it means their apex — i.e. their vertically integrated structures. In English Canada means the Canadian Co-operative Association, and for its partner in the Philippines, for example, it is the National Confederation of Co-operatives.

For an NGO, it could well mean an institutional framework whereby beneficiaries are represented in the governance structure of the corresponding NGO, hence an accountability structure built into its higher structure.

Apex level co-operative structures must become accountable "buffers" if they were to ensure local ownership, hence loans (market-based and demand driven) as well as financial assistance must be translated as "liabilities" rather than "assets".

Key to empowering the primary level organizations are services provided by their apex structures, such as the provision of HRD, R & D, Info and Communication Technology, Studies, Legislative and Regulatory reforms, Liquidity Pooling, and other social and economic services as well as relevant infra-structure. Primary level beneficiaries must equally be held accountable for the manner by which these 'ownership' funds are utilized.

It is my fervent belief that external funding by necessity could become anti self-

help, hence anti-development, if they are designed only to accelerate development without regard to local initiatives. By definition, people owning and managing their own institution are more empowered than those who are beneficiaries of external agencies, regardless of whether they participate actively in response to outside intervention.

Likewise, adding external funds to a self-help process will disrupt local ownership because such funds are perceived as "easy money" that will disrupt the demand-driven capacities inherent in a self-help institution.

The only exception in Asia may be in Singapore, where initiatives could be taken jointly by the Government and the NTUC (National Trade Union Congress), whereas the success of the co-operatives is predicated on professionalism and management excellence, a tangible value addition. NTUC Income and NTUC Fairprice in Singapore have a significant market share in the country, and they continue to grow and develop based on the provision of quality services to members. Their success and sustainability, however, rest on the fact that the co-operative leaders are responsive to members' needs, and a number of social-oriented forms of co-operatives such as funeral, old-age home, etc., are being innovated and developed.

BARRIERS TO LOCAL OWNERSHIP

In many developing nations in Asia, the co-operative image has been tarnished due to excessive government support and control in the day to day affairs of these co-operatives. In fairness, it is not so much their keen involvement as much as their permanence in providing these support structures. After all, Government-led initiatives or interventions tend to be driven mainly by political motives and not by locally generated initiatives. And since the burden of proof is with the government, funding and other support services are provided to meet the state agenda, and such intervention is usually fraught with moral hazards.

Hence government should concentrate more in the area of regulation and fa-

cilitation rather than in actually "organizing" and "developing" co-operatives.

Governments in developing countries have lost their legitimacy and trust as direct organizers of and service providers for the poor. Governments should limit their role to regulation and supervision, ensuring that sound macro policies are established, and sound distributive structures set up. The latter is to trigger the formal and informal sectors of the economy to gain equal benefits from local as well as foreign trade and investment, with adequate (mid term) employment created for the poor and disadvantaged.

If the role of governments continue to trample on the self-help capacities of people at the grassroots level, LOCAL OWNERSHIP is bound to be by-passed and will never be achieved.

Likewise, bilateral and multilateral agencies supporting governments with development aid should create greater democratic space for grassroots communities to form their own self-help capacities. They should focus funding more on regulatory and catalytic roles that will equalize the distributive outcome of the lopsided markets still so prevalent in many developing countries in Asia.

The following case study (case study No.3) in India is a classic one when it comes to co-operative development. Locally initiated co-operatives such as the Dairy and Sugar co-operatives thrived against all odds on account of their strength in abating the direct involvement of the government.

Other barriers to Local Ownership are also evident when dealing with grassroots institutions. Inadequate resources may trigger members' propensity to seek external resources without relying on their own self-help capacities. Worst still if host governments step in to fill the void. The establishment of artificial or "ghost" co-operatives are the most likely results arising from such intervention.

Even in the case of well-initiated co-operative enterprises at the grassroots level, one or some of the following barriers could still be observed:

- ❖ Professional Management: management in many co-operatives in developing countries is still largely based on voluntary efforts, hence weakening internal check and balances as well as financial strength, including absorptive capacity;
- ❖ Competitiveness: products and services are in many ways not yet competitive as compared to capital rich institutions, hence weakening its financial strength;
- ❖ Marketing strategy: market information and product development system are by and large still absent;
- ❖ Deposit Guarantee: deposit guarantee or stabilization funds have not been instituted in many movements in the developing countries;
- ❖ Business Planning: As a business system co-operatives have not set annual revenue targets with competitive pricing analysis to pay for basic needs such as professional full-time management, this will weaken its public image and institutional strength;
- ❖ Capital adequacy: as a system, many co-operative movements have not build up enough capital to support structures at all levels. Financial support from the base level all the way up to the national level tend to be incoherent, hence creating dependency on external funding most of the time.

LOCAL OWNERSHIP AS A PROCESS

Local Ownership is also highly dependent on how well various agendas among external agencies are coordinated. The problem with development activities to date, especially those involving external/donor funding, has been the failure of institutionalising a co-ordinated approach to development.

Because of the multitude of agendas of external/donor agencies, sometimes even conflicting ones, local accountability systems have been disrupted because insistence has been placed on reporting back to so many donor organisations having varying objectives and requirements. This does not augur

well for the creation of accountability systems on the ground of partner organisations, as they continue to be driven by external demands rather than local demands of members/constituents.

When external agencies and governments get involved in the development activities the tendency is for them to meet deadlines and time-bound results, rather than empowering the local beneficiary group as a process that will lead to program continuance. Even if well-written plans are set in place, but simply because of time imposition and control, the program has little tolerance towards failure, and time is used to produce massive sets of data in lieu of "learning". In the end, long and medium term plans imposed from outside will have value only to the governments or external agencies. Some processes also focus more on technical innova-

tions than on social and economic innovations. The result is that these activities are never grounded in the local communities, i.e. the beneficiary groups, hence suppressing the natural process in building local ownership.

Local Ownership will be more effectively promoted if local organisations and communities are allowed to take direct responsibility for design and implementation, in co-ordination with their apex organisations. They are the ones who should have the right to call in technical experts in consultation with their higher (democratic) structures, not merely be passive recipients of technical advice from outside. Local Ownership becomes feasible only if beneficiary groups are allowed to set the conditions under which the activity is expected to proceed. The challenge is not to be able to fit people into projects but to fit technical co-operants, be they

national or foreign, into processes that are locally generated. Outside consultants and technical assistants must accept that their role is only secondary and that learning and ownership building must be an opportunity foremost for the insiders. Such an approach is a prerequisite for the much-abused notion of "EMPOWERMENT".

In conclusion, the process of building LOCAL OWNERSHIP in the co-operative development context is best attained when external funds are not channelled directly to primary or grassroots co-operatives. Instead, upper federative structures should deliver HRD, Research, ICT, Legislative support, and other catalytic programs so members can have access to education, and counsel, information and data base, and for these higher level federations to continue advocating reforms in legislation to make them more enabling for co-operative development. The rest should be left to members to decide which type of expansion or consolidation they require, what technical assistance they require, and - in the end - what strategies they wish to shape to reduce poverty in their immediate community and beyond.

This "back to basics" model of local ownership that is founded on organised self-help is indeed the new challenge for CIDA in promoting renewed international co-operation in the years to come. A model that has been tested well over one hundred years by co-operators and co-operatives over the world; A model that promotes, and augurs well with, the vision of development assistance in the new Millennium.

CASE STUDY III

In India, co-operatives have been adopted as instruments of the state to support its development agenda. Massive financial assistance has been injected, resulting in the growth of a diversified co-operative landscape. As a consequence, these co-operatives have nurtured a dependency syndrome ushered by massive bureaucratization and politicization.

Primary level agricultural co-operatives, which exist to promote local ownership at the base level, continue to remain weak and are still dependent on external support. Of the 91,580 primary agricultural co-operatives, only 66% are considered viable. In sharp contrast to the agricultural co-operatives, urban co-operative banks and co-operatives promoted by non-governmental institutions like SEWA in Gujarat and the Co-operative Development Foundation (CDF) in Andhra Pradesh, have emerged stronger as sustainable institutions. They grew out of members' own initiative and have developed a strong sense of local ownership.

In the case of Dairy and Sugar Co-operatives, these successful co-ops received external support and funding, but that such support was primarily provided to strengthen local initiatives and community needs.

The Indian Co-operative movement showed an interesting variable in the context of local ownership:

- a) External support provided to co-operatives to implement government-sponsored programs - without due regard to members and community needs - has been an encumbrance to the achievement of local ownership;
- b) External support provided to strengthen local initiatives and capacities of co-operatives based on members and community needs proved much more effective in sustaining co-operatives as institutional frameworks to promote local ownership. The case of Amul Dairy Co-operatives, IFFCO (Indian Farmers Fertilizers Co-ops), and Sugar Co-operatives are prime examples of success stories.

Source: National Co-operative Union of India, November 5, 1999

The readers are requested to let us know their views on articles published in the magazine, though the opinions expressed are not necessarily that of the Co-op Dialogue. We also would like the readers to let us know their preferences as to what they would like to read.

- Editor

Rediscovery of Co-operatives in Development Policy

Introduction: Learning from the past

Discussions on the relationship between co-operative and the State in developing countries are going on for decades and appear to turn in circles: It is known from experience that state support for co-operatives is detrimental, but nevertheless it is widely believed that without state support co-operatives cannot survive. It is said that co-operative fail because they receive too little or too much external aid.

Frustrated by bad examples, many development experts hold the view that governments and projects should stay away from co-operatives because they are per se inefficient and ineffective. At the same time they recommend to promote other forms of local organisations (farmers associations, saving groups, micro credit schemes¹) which are considered necessary for channeling external aid to large numbers of small beneficiaries, although such organisations often turn out to suffer from the same deficiencies as co-operatives.

These discussions are dominated by three wrong assumptions:

- * Co-operatives are instruments for development,
- * Co-operatives must help the poor,
- * Co-operatives can be used to control supply, production and marketing of small producers especially in agriculture,

Furthermore, the role of the state with regard to co-operatives is often wrongly assessed:

- * Government assumes the role of creator and destroyer of co-operatives,
- * Governments see themselves as masters using co-operatives as servants,
- * Governments take responsibility for the activities of 'their co-operatives in terms of supervision and liability.

Loosing the original concept of

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This paper has been presented as the Key Note Address at the ICA ROAP Sub-Regional Workshop on Policy Reforms at Kathmandu (Nepal). We hope the readers will find it interesting.

-Editor

co-operation from sight

During several decades of working with state controlled co-operatives, the ideas that co-operatives are:

- * a method of organised self help; and
- * private, independent and autonomous self-help organisations (SHOs)

has rarely been mentioned in official pronouncements on co-operative development policy.

When in an ASEAN seminar organised in 1984 in Singapore on the topic "Co-operative Law in ASEAN", an introduction to the subject matter and reader was prepared and distributed under the heading "Government and Co-operatives as Partners in Development" in which it was emphasised that Government and co-operatives should act as true partners², the idea to perceive co-operatives as partners of the State was seen by many Government officials among the participants as a revolutionary approach, because the position as partner implies that co-operatives deal with government on the basis of equality, as organisations having their own value system, their own programme and their own way of doing things. To think of co-operatives as equal partners was difficult to accept by those who are accustomed to see co-operatives as a prolonged arm of government³.

Asking the wrong questions

In policy statements and training materials wrong questions were asked e.g. "How can co-operatives help you?"

"How many co-operatives should be formed in a year or should be registered in a district?"

In the first case, the right question would be: "How can people help themselves by organised self-help in the co-operative way?" With regard to the second question, it should be left to the prospective members to decide if, where and when to form a co-operative society.

Who should initiate the formation of co-operatives? If people were unaware of co-operative ideas and if they are too ignorant or too poor to help themselves or if it is for obvious reasons impossible for the people to form co-operatives by themselves, does government not that the obligation to help ignorant and the poor by forming co-operatives for them?

In such circumstances it is good to remember that co-operation in one form or another is part of human nature, that informal work groups, rotating savings and credit associations (ROSCAs), neighbourhood groups etc. exist in every society.

Those who propagate modern co-operatives need to know these existing traditional forms of co-operation and have to relate them to new needs and proposed now forms of working together in co-operative societies. They have to allow people to decide what they want. To promote development

"When helping others to help themselves, the main question is not 'if' but 'how' this can be done. It appears that the intention behind external aid to co-operatives is the essential factor. If its intended to give people access to knowledge, income and power, external aid will be self-liquidating."

means among other things to enable people to have choices and to let them chose for themselves.

Helping others to help themselves?

Is it possible to help others to help themselves or are self-help and external aid mutually exclusive? This is another problem area discussed and contested for decades. There is empirical evidence to prove that creation of co-operatives can be and in effect often is initiated, encouraged and enhanced by external promoters (e.g. in the case of Raiffeisen).

While there are some success stories of externally promoted co-operatives (e.g. in case of the US Department of Agriculture), there are also many examples of state supported co-operative development schemes that failed.

This leads to the conclusion that when helping others to help themselves, the main question is *not if but how* this can be done. It appears that *the intention behind external aid to co-operatives is the essential factor*. If its intended to give people access to knowledge, income and power, external aid will be self-liquidating, i.e. it will no longer be required once people have learned to manage their own affairs.

How to promote organised self-help?

Co-operation is a method of working together with others having the same or similar problems.

It is a method of pooling resources and human endeavour, acting in an organised, disciplined manner, building up self-controlled and self-patronised business organisations.

Working together the co-operative way means working under a special set of values, norms and rules. Modern co-operatives were invented to enable people to adjust their way of living and working to the requirements of a money and market economy, to survive as small actors in a world dominated by capital, markets and competition. This is achieved by co-ordinated effort, by joining forces, by building up countervailing power.



The ICA held a Sub-Regional Workshop on Co-operative Policy Reforms in Kathmandu, Nepal. A view of the workshop.

The values underlying co-operation such as self-help, equality, equity, democracy, social responsibility and caring for others in voluntary groups open for all who are facing similar problems and who are ready to share the risks and burdens of the joint operations are usually different from traditional local value systems based on hierarchical structures, inequality and solidarity limited to kinship groups, focused on securing subsistence and survival of the group.

These modern co-operative values norms of behaviour and the practical rules of operation based on these values have to be known and practised if effective co-operative societies are to be established. This will only happen if people are taught, understand and accept the modern co-operative values as reasonable, useful and just.

Hence, co-operation is learning process during which co-operators have to

- * understand co-operative values and accept them as norms of behaviour in their day to day life; and to
- * know and apply co-operative principles and use them as guidelines for their joint economic activities carried out through their co-operative enterprise for their own benefit.

Co-operatives cannot be created by transfer of assets or external aid.

Co-operative are promoted by teaching new ways and forms of economic and social collaboration and by convincing people that this is a reasonable way of meeting the challenges of rapid economic, social and technological change.

In case of promoting co-operatives, helping people to help themselves means:

- * making them aware of needs and problems they have in common,
- * giving them access to information about co-operative values, principles, and practices,
- * giving them chance to learn how to work together the co-operative way for the benefit of each individual member and of the group as a whole.

In addition, a positive way of promoting development of co-operative self-help organisations is to:

- * create a favourable climate for co-operative work,
- * guarantee freedom of association and the right to exercise any legal economic activity in groups,
- * protect the co-operative name against misuse,

- * offer enabling legislation granting autonomy to adjust the by laws of each co-operative society to the wishes and needs of its members,
- * guarantee equal opportunities with other business organisations,
- * protect co-operatives against unfair competition and to
- * provide a tax regime for co-operatives which takes their particularities into account.

These ideas were already expressed in the ILO Recommendation 127 of 1966 concerning the role of co-operatives in the economic and social development of developing countries, which governments of many countries signed but largely ignored. There are efforts under way since 1995 to update and extend this recommendation which could serve as a useful guide for constructive co-operative development policy.

Who can promote co-operative SHOs?

For a long time it has been believed that government officers are best suited to teach the rules of co-operation. This may have been true under the original concept of state-sponsored co-operation based on a clear policy of temporary state support concentrating on the fields of information, education and guidance. Under such policy the Registrar of Co-operative Societies was perceived as a 'guide, philosopher and friend' of co-operators rather than as an inspecting officer or supervisor.

However, over the years, in many countries officers in charge of co-operative development are no longer highly motivated specialists of adult education

and promoters having undergone specialised training and working under a special scheme of service, but rather "common users" of the general administration, working supervisors, auditors or even managers of co-operative enterprises. As government officers these persons work under public service regulations and are obliged to implement government's policies and plans.

As Jerry Montemayor of the Free Farmers Federation of the Philippines put it administrators and bureaucrats trying to teach peasants how to farm and to survive in the market are like "birds trying to teach the fish how to swim".

Today it is generally accepted that specialists of NGOs and trainers or business incubators of co-operative apex organisations are in a better position to serve as promoters and advisers or "development entrepreneurs" for co-operatives than government officers under ordinary service conditions.

Instead of direct intervention by government in co-operative affairs and of a policy of strict state supervision, more appropriate policies would be:

- * benign neglect, meaning that government offers a favourable climate for co-operative development but leaves people to decide on their own whether to form co-operatives, other types of group enterprises or to work as individuals.
- * Active support of co-operative development. However the policy can easily lead to over-promotion, generating beneficiary mentality and dependence on external inputs (money, advice, subsidies, privileges).

Co-operative start small and from the bottom

According to the original concept, co-operative SHOs are specially designed for people with limited experience in organising group enterprises and with limited means. Locally rooted co-operative SHOs usually start as groups of interested persons forming an association, learning about the rules of co-operation within the group and starting to build up their co-operative enterprises at their own speed.

For this learning process it is important that the new rules of co-operation to learn and to accept are within reach of ordinary member. They have to be written in simple words and in a language known to most of the members.

When counting on self-organisation of co-operatives, formalities, formation procedures, requirements regarding books and accounts have to be simple as possible. Members' contributions (entrance fees, shares or subscriptions) have to take members financial potential into account. In short: organisation cost have to be low.

It is typical for co-operatives to start small and to grow slowly in step with growing competence and income of their members.

Can co-operatives help the poor?

In the 1970s, co-operatives were criticised for not helping the poor. It was concluded by UNRISD⁴ and others that their failure to help the poor discredited co-operatives as change agents. This prejudice is repeated even today, although a closer look at the concept underlying co-operative action would reveal that asking whether co-operatives can help the poor is asking the wrong question.

As already indicated earlier in this paper, the right question would be: "Can the poor help themselves by forming or joining co-operatives"?

In the 1970s (and in the minds of many development experts today) poverty was mainly seen as lack of material resources, of low and irregular income. It was thought that such poverty could be alleviated by transfer of resources, external aid, soft loans and secondment of technicians.

"Co-operation is a method of working together with others having the same or similar problems.

It is a method of pooling resources and human endeavour, acting in an organised, disciplined manner, building up self-controlled and self-patronised business organisations.

Working together the co-operative way means working under a special set of values, norms and rules."

A realistic assessment of the results of this approach is given by a Senegalese proverb.. "He who wants to help nine poor risks to become the tenth."

Today, poverty is seen from a much broader perspective. Poverty is perceived as lack of access to knowledge, to resources and to basic social and health services, inability to meet basic needs, exclusion from mainstream development and lack of income. Accordingly, sustainable poverty alleviation has to start with human resources development.

The poor,

- * with know knowledge about co-operation,
- * depending on land lords, employers, middlemen, money lenders,
- * with no resources to pool except their labour,
- * with no chances to improve their own lot by their own efforts,

are usually unable to help themselves by organised co-operation.

In order to break the vicious circle of poverty in which they are locked, efforts have to be made to build up their self-help capacity, by giving them access to resources (e.g. land reform, legalisation of squats), to information and education and to income.

It needs this first step out of absolute poverty before persons become capable of forming or joining co-operatives.

Among all business organisations, co-operatives are those reaching down most to the low income groups. However, people below the poverty line usually have insurmountable problems to form viable co-operatives for lack of ability, mutual trust and resources. Only those who have something to pool, who develop skills, discipline and trust essential for working together in groups and who are capable of managing their own affairs, can improve their lot by organised self-help the co-operative way.

Distinguish anti-poverty programmes from co-operative promotion programmes

Anti-poverty programmes like land reform, functional education schemes, primary health care, food for work and

relief programmes are important to alleviate poverty and to lay the ground for future development. In emergency situations, food aid may be inevitable, despite its negative effects on the production and market for local food crops.

Experience shows that negative results can be expected, when anti-poverty programmes and co-operative promotion programmes are combined e.g, by using existing co-operatives as conduits for anti poverty programmes. If this is done, co-operatives are forced into the position of helping the poor. Furthermore, if external aid is accessible, self-help motivation and the mobilisation of own resources are weakened.

If the persons forming the target group for anti-poverty programmes are unable to organise themselves in co-operatives, the most dangerous mistake of the past has been organise artificial co-

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operatives for the target group, with

- * external funds,
- * external know-how and staff, and
- * external goal setting
- * under external supervision.

In this way, instead of promoting self-help, own efforts are replaced by external aid encouraging dependence on external aid and beneficiary mentality.

Youngjohns stressed this point already in the 1960s, when he wrote: "These policies of creating artificial or fictitious co-operatives are fundamentally wrong"⁵.

In the worst case, clever (often self styled) representatives of the poor used co-operatives to attract external aid for their own purposes. After discrediting co-operatives as a form of organisation by such practices, the same techniques are currently used to organise self-help organisations for the acquisition of external aid. Many donor organisations without detailed knowledge of local conditions and careful socio-economic surveys of their target area fall victim to such bogus SHOs and become critical of all forms of "organised self-help".

To conclude this part it is important to see the limits of co-operative capability among the poor and to use anti-poverty programmes to prepare the ground for genuine, self-organised co-operation mainly by:

- * human resources development,
- * providing access to education and advice, resources and income and
- * creating a favourable climate for co-operative SHOs including enabling co-operative legislation, leaving the decision to co-operate to prospective members.

Co-operative SHOs reaching down to the relatively poor

Co-operative SHOs are the type of formalised business organisation reaching down to the relatively poor, because they:

- * are mainly based on human endeavour, discipline and organised collaboration,
- * require little or no initial capital,

- * develop through learning by doing,
- * generate social capital both in terms of skills and money over a period of time, and
- * operate with own resources without depending on external help.

Co-operative SHOs main work as socio-economic and not as political organisations. But working together in co-operatives is a way to increase the power of small economic actors by co-ordinated action. Promoting co-operatives among the relatively poor means promoting their empowerment and enabling them to find their way out of poverty.

Co-operatives usually start from locally rooted groups and may take years or even decades to grow into strong, user-driven enterprises. Following the principle of co-operation among co-operatives, co-operative SHOs tend to network and to build up vertically integrated systems composed of unions and federations. Once they have reached that stage, co-operative federations are able to represent the interest of relatively poor grass-roots co-operators at regional, national and international levels.

Trying to speed up this process artificially by injecting external funds and know how usually leads to short lived growth followed by collapse after external aid comes to an end.

Clarification of the co-operative concept by the new identity statement of the International Co-operative Alliance (ICA)

After a world-wide debate over several years among its member organisation, the ICA has come forward on its centennial congress in Manchester in 1995 with a long overdue identity statement containing:

- * a list of basic values on which the concept of co-operation is built,
- * a definition of what a "genuine" co-operative or should be (which has many similarities with that contained ILO Recommendation 127 concerning the role of co-operatives in the social and economic development of developing coun-

tries of 1966), and

- * a list of co-operative principles to serve as guidelines for those who wish to establish and run successful co-operative SHOs.

After almost a century of mixed experience with state controlled co-operatives, socialist collectives and co-operatives in the form of mass organisations of political parties, it is finally agreed and stated on a global level that genuine co-operatives are organisations based on self-help of their members, managed, controlled and patronised by their and open without discrimination to all persons willing to share the benefits of the joint operations.

The **definition** given by the ICA expressly clarifies such that have been unclear in the past and were source of misunderstandings: Autonomy, freedom of association, member orientation and active member participation.

"A co-operative society is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise".

The list of **global co-operatives values** reads very much like a list of basic human rights.

The emphasis on self-help, which could be misunderstood to justify group egoism, is counterbalanced by the ethical values of honesty, openness, social responsibility and caring for others. Which emphasis is given to which of the basic co-operative values is left to the individual co-operative society or co-operator, depending on the prevailing cultural background.

To end the debate of whether **co-operative principles** are strict prescriptions to be adhered to by the letter or simple suggestions which could be ignored, it is now expressed in clear terms that the co-operative principles are **guidelines by which co-operatives put their values into practice**.

At first sight, the new list of co-operative principles look very similar to previous list of principles of the ICA. In fact, many of the old principles have stood

the test of time and remain unchanged. However, a closer look shows that there are some important clarifications and additions.

Active member participation and the principle of identity are contained in the 1st and 2nd principles: Co-operative are open to **all persons able to use their services and willing to accept the responsibilities of membership**.

The policies of co-operative have to be set by their members. Co-operatives are **member controlled organisations**. Members elected representatives are accountable to membership.

Under the 3rd principle members have to contribute equitable to the capital of the co-operative society and guidelines are given regarding the compensation of capital and the distribution of surplus to make sure that in co-operatives capital plays a serving **rather than a dominating role**.

The 4th principle "**Autonomy and Independence**" is new. Strong dependence on governments, on external donors and on political parties has been one of the main reasons of failure of co-operatives in the past. In this co-operative principle it is stressed without ambiguity that as member controlled self-help organisations co-operatives have to be autonomous.

It is furthermore stated that co-operatives may enter into agreements with other partners, including governments, on mutually agreed terms, provided that their co-operative autonomy can be maintained.

Also the 7th principle is new and can be seen as counterbalancing the initial statement that co-operatives are first of all self-help organisations serving their members.

Because of their local roots, co-operatives are often closely tied to the communities in which they work. Accordingly, they should be concerned with the development of these communities. However, the members who control the organisation should decide what contributions their co-operative should make to the **development of their community**.

Conclusion

During the last decade, socialist co-operatives in the form of forced collectives and mass organisations of political parties ceased to exist with the transformation of socialist governments in Central and Eastern Europe and Asia after the disintegration of the former Soviet Union. State controlled co-operatives in developing countries loose support under structural adjustment programmes, which have compelled governments to liberalise markets, to privatise state monopolies, to slim down over-expanded and over-staffed government departments and to transfer tasks related to socio-economic development to NGOs.

These changes prove the point that advocates of genuine co-operative self help have always made, namely that despite their co-operative name, these organisations serving as development tools were in fact no co-operative SHOs but externally controlled co-operatives without co-operators and without voluntary resource commitment by their members. These organisations were agents working for governments or projects as their principal and depending on external support for their survival.

Instead of dwelling on mistakes made in the past, the chances for a new start based on a clear and realistic concept should be used. If people learn about the co-operative of working together and if the climate for establishing and operating co-operatives SHOs is favourable, co-operatives will develop where members feel that they will be beneficial to them.

Private and autonomous co-operative SHOs are a tested model which persons affected by rapid economic, social, technological and ecological change can use to adjust to new requirements, to improve their situation by joint and co-ordinate efforts. If this approach is taken, co-operative SHOs will only be formed, if the aims of the individual member can be achieved better in co-operation with others than alone, if access to knowledge, resources and markets can be facilitated, if transaction costs can be reduced and the position of the individual member

as buyer or seller on the market can be strengthened.

Campbell, one of the promoters of co-operatives under British colonial government made these points already in the 1950s.

If the people are unable, even with the help and guidance of the Registrar and his staff, of managing their own affairs, then the only possible answer is 'do not start co-operation at all'....Without such a basis (of voluntary member support) there can be no real co-operation in societies and societies registered without it are likely to become a burden on Government, a burden which no Government can afford to undertake.

Footnotes

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2. See also Münkner, Hans-H: Introduction into the Seminar Concept of State-sponsored Co-operative, in: Report on the ACO-SNCF-FES Seminar on Co-operative Law in ASEAN, 10-14 April, 1984, Singapore, 1984, p.11.
3. For more on this topic, see Münkner, Hans-H: Government and Co-operatives as Partners in Development, in: Plunkett Foundation, Year Book of Agricultural Co-operation 1985, pp.77-85; Carlsson, Alf: Co-operatives and the State: Partners in Development?, Studies in Comparative and International Education, Stockholm, 1992.
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5. Youngjohns, B.J.: Co-operative principles in Rural Development, in: Co-operative Union Ltd., Education De-

partment (Ed.): Co-operative Principles in the Modern World, Co-operative College Papers No.13, Stanford Hall, 1967, p.94.

6. Campbell, W.K.H. : Practical Co-operation in Asia and Africa, Cambridge, 1951, reprinted 1958, pp.25,26.

A Week of Inspiring Co-op Events in Singapore

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(All Co-operators from grassroots to international level welcome)

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| 27-28 June | First Asia Pacific Co-operative Forum (Theme: "Co-operatives in the 21st Century - Are We Changing?") |
| 29-30 | 4th ICA Regional Assembly. |

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Co-ops on the upsurge: Some Success Stories

UNLIKE the western countries which gave birth to and nurtured the development of co-operative philosophy as an autonomous movement of individuals, the development of co-operatives in India has been a movement fostered and even sponsored by the State, with co-operative legislation having indeed preceded the movement. The nature and purpose of State patronage of co-operatives has of course changed with time. Far from being confined to a "hearty sympathy, assistance and advice", the role it was initially envisaged to play, the State has over time been increasingly involved in almost every facet of co-operative activity, backed by changes in co-operative law as and when required. With this the contours of co-operative movement itself metamorphosed. But the current rethinking on State role in the economy as a whole make it inevitable that co-operatives also figure in the changes. State co-operative laws are on the threshold of being amended, with Andhra Pradesh and Bihar and Karnataka having taken the lead and several other states are waiting in the wings.

Much has been said, written and discussed about the negative role of the State in the movement over time, the distortions caused through successive amendments, in co-operative laws. However despite this, the fact remains that some states such as Gujarat & Maharashtra have had a generally stronger and more successful co-operative movement than others, while almost all states have their own instances of successful co-operatives in one or other area.

A large body of literature, summarised in an excellent review by Dutta &

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Kapoor, exists on what constitutes co-operative success, how it can be measured and the factors governing it. With the difficulty of precisely defining the objectives of a co-operative organisation, and arriving at objective and unambiguous performance measures, it comes as no surprise that most studies differ in their choice of, as well as the weights to be assigned to, success indicators. Member participation related indicators and economic indicators, viability, growth, centrality to members economy, members satisfaction and adherence to co-operative principles and again in a more and very comprehensive recent study "three centrality measures serving as surrogates for salience" are some of the indicators which have been dealt with at length. As far as factors generating co-operative success are concerned, various explanations range from comparative social structures to co-operative 'drive levels' which produce salience.

Success Factors

Despite constraints of overall policy, legislative framework and institutional finance in areas where extraordinary leadership exists, co-operatives have been identified by the IIMA study to have succeeded in certain subsectors owing to one or more of the following factors:

- Strong transaction cost advantage due to careful selection of subsectors (like milk and sugarcane).
- Strong enterprise focus: Mahagrapes in Maharashtra is an example of a co-operative which owes its success to its freedom to operate and take business decisions. This has been written into the byelaws of the organisation which state that key investment, financial, pricing and marketing decisions would entirely rest with the executives of the organisation.
- Ability to maintain their autonomy to a large extent due to significant self-financing eg. Mulkanoor and also due to suitable lobbying/advocacy activities.
- Success in promoting functionally useful higher-tier bodies.
- Developing own member education programme, instead of depending exclusively on the national service organisations and their branches: Mudiali Fishermen Co-operative Society in West Bengal, which has developed a reputation as an environmental rather than mere fishery co-operative has played an exceptional role in member training and interaction with the scientific community.

- Interpreting co-operative principles suitably to evolve a patronage-cohesive governance structure ensuring active membership and greater control in the hands of active members: Amalsad Multipurpose Co-operative Society in Gujarat has two categories of members - Category A which supplies produce to the society. Category B which may buy goods from the society and have deposits. The governing body 19 of 21 seats are reserved for A category members.

Given that exogenous conditions faced by most co-operatives are more or less the same, in most states, particularly in terms of Co-operative Acts, laws & state controls, successful co-operatives, by and large, exhibit some common characteristics : good leadership/management, sound design, high level of member participation, patronage centrality, member centrality, domain centrality, adequate financial stake of members etc., in addition to various economic measures of "success".

Management Aspect Crucial

While all these factors are important in the successful functioning of any economic enterprise, the management aspect is certainly a critical one and hence deserves special attention. The management aspect of a co-operative is made more complex by the fact that in addition to the enterprise related factors and the environment, the institutional factor which is primary to the co-operative's being, has to be brought under the protocol of analysis. Management effectiveness of a co-operative therefore depends on management of these three components : institution, enterprise and environment. While the management structure of a co-op is characterised by the presence of four main centres of responsibility and power, the members, elected management, chief executive and other professionals, in practice these converge on two main foci viz. the elected representatives of members on the Board and the Chief Executive. In addition to the external environment,



Best seed potatoes, disease free beautiful crop of Lahaul farms, Himachal Pradesh

the two together manage the institutional and business related aspects, both very important aspects to any co-operative unit's success. To quote Seetharaman & Mohanan:

"A co-operative pursuing the institutional values as an end in itself, unmindful of enterprise realities remains a co-operative only on paper. Alternatively, following the enterprise values without taking members' interest into account, degenerates the co-operative into a jointstock concern. Only when both goals are attained together does the uniqueness of a co-operative organisation emerge".

Proper functioning of all these centres in their own spheres as well as vis-a-vis each other is crucial to the overall growth, efficiency and healthy development of the co-operative. They participate in different measure in the co-operative and benefit in different ways.

Member Vigilance Critical

Members, being the owners, provide the raison d'être for the co-operative. Members participate in the management through their elected representatives. However, their responsibility does not end with election. They are expected to remain vigilant and control the co-operative through their representatives, who are in the last analysis answerable to the members. Mem-

bers participate in general body meetings and supply their produce to the mill for processing.

While member loyalty is critical to the success of a co-operative unit, no co-operative can survive long or sustain member loyalty unless the members receive "benefits, derived from economic activity of the kind intended, when the co-operative society was created".

Elected Management

The bye-laws of a co-operative provide for the election of its Board of Management. The Board's primary responsibility is protecting the owners interests. It lays down policies and guidelines within which the paid management of the society will function and be answerable to it. The Board derives its power from the members it represents and to whom in the final analysis it is responsible.

Chief Executive & Professional Managers

The Chief Executive of the co-operative is responsible for the smooth operational functioning of the co-operative and translating the policies and directives of the Board to render a viable, technically and commercially efficient unit, who is supported by other key functionaries and staff, the professional managers.

While the participation of members and

elected management are primary to the "institutional" aspect of the co-operative, the Chief Executive aided by his professional colleagues plays a very important role in managing the enterprise and business related aspects.

Glimpses of successful co-ops

Examples of successfully managed co-operatives exhibiting a combination of various success features are to be found in various fields and sectors. We present here glimpses of some of these co-operatives, high-lighting their performance on both these crucial fronts, viz. the institutional and the enterprise related.

Tillers' prosperity in Lahaul

The tillers of Lahaul, a tribal region of Himachal Pradesh have prospered through their co-operative, the Lahaul Potato Growers' Co-operative Marketing and Processing Society. This farflung difficult region in which the society functions is located beyond the mighty 13,500 feet high Rohtang Pass snowbound for almost seven months of the year. Despite severe problems of transportation, the society has earned laurels for its efficient operations, in particular by providing remunerative prices to farmer members for their seed potato. Governed by an elected board and with complete member involvement, the society

is the price setter for seed potatoes in the region. The LPS handles almost 70 per cent of potato produce of the area, which it markets to buyers from all parts of India as far as Karnataka, Gujarat, Madhya Pradesh, Punjab, West Bengal and even Arunachal Pradesh in the North East.

The farmers of Lahaul have found virtue in their strength. A clear indicator of this is the 100 per cent membership coverage of farmers of the Valley by this co-operative. Through its professional approach, operations using state of the art technology, computerised accounting and market intelligence through fax etc. and participative decision making with a high of 70 per cent attendance during AGMs; the unit is a truly well run co-operative in terms of both institutional and enterprise factors. The members are very vocal in meetings, critical of management decisions and active in suggestions for improved services.

LPS provides all required inputs like good quality seeds fertilisers, pesticides to growers, well in time. The society has also been able to meet members' consumption needs, providing to members at their doorstep, rations, a wide range of consumer items from soap and match boxes to kerosene, LPG, tyres and petrol at competitive prices.

The society is implementing a large

fruit and vegetable project which would create infrastructure facilities like packing and grading house, collection centres, transportation arrangements, computerised systems. The Project has an HRD component aimed at upgrading staff skills for professional management of the Project. It tracks prices and disseminates information to growers like daily marketing rates prevailing in prominent mandis such as the Azadpur Mandi in Delhi. Business turnover of fruits and vegetables has already reached Rs 113 lakhs in 1995-96 and the society has an ambitious programme of handling 5 to 10 per cent of the total marketable surplus of fruits from the upper valley of Kullu.

Proof of the vision and business acumen of the members and management is the Society's recent decision to diversify into the tourist industry through setting up its own hotel in Manali, which it operates successfully. The Society's success can be mainly attributed to the active support provided by the elected Board of Management, full fledged members participation, professional management and vision of members to prosper through their collective strength.

Nadehi and Bajpur Sugar Factories

Sugar Co-operatives have established for themselves a niche in the sugar sector by their successful functioning and comparative efficiency vis a vis the private sector. Through provision of useful services to members like prompt payment of remunerative prices for their sugarcane, crop development services, creation of employment and many other socio-developmental activities to support the community, they have indeed stolen a march over their private counterparts.

The Bajpur Co-operative Sugar Factory in the Tarai belt of Uttar Pradesh, has been able to show excellent performance and render efficient services to farmer members through collective decisions taken by its elected board which meets every three months. All important decisions including budget approval are taken in the AGM. Professional operations through well quali-



Another success story - Business acumen - diversification
Lahaul Potato Society's Hotel at Mandi, Himachal Pradesh



A marvelous services - Petrol and Liquid Petroleum Gas made available to members of Lahaul Potato Co-operative at their habitat at 11,000 ft. altitude

fied heads of various departments and their technically trained employees and coordinated functioning at all levels; officers, staff and cane growers, are major factors for its enterprise level success. Sugar recovery in the factory has improved due to technical innovations. The State Government of Uttar Pradesh has awarded Four Star category for excellent performance to this factory.

Another good working co-operative, the Nadehi Sugar Co-operative is one up on the Bajpur Factory in terms of its sugar recovery and has been number one in Uttar Pradesh in terms of its operations. Modernisation has been the hallmark of its functioning. It has installed a most modern and quick system of cane collection, wireless communication system in its fleet of vehicles, computerised payment system and streamlined accounts with a computer back up, etc.

Other success factors have been the unit's excellent work culture, its efficient cane development and marketing activities and most of all its active member participation. Through excellent support between supervisors and workers, quick managerial decision making, continuous operations in three shifts, curtailment of factory losses by introducing measures suggested by its Senior Technical Staff

and round the clock supervision by its General Manager; the unit recently achieved capacity utilisation of more than 119 percent - no mean achievement for an eighteen year old factory.

Apart from the efficient functioning and services to members both the Bajpur and Nadehi Co-operatives have contributed to socio-economic development of the area by providing basic facilities like construction of village roads, health care, clean drinking water, educational services. Both units have also installed equipment to check environmental pollution. These two co-ops have truly gained from their approach of participative decision making, inherent thrust on modernisation and spearheading of operations by professionals fully supported by the management.

The Mulukanoor Experience

The Mulukanoor Co-operative like most other primary co-operatives came into existence to reduce dependence of farmers on money lenders and to save them from exploitation by the suppliers of chemical fertilisers. As usual, it initially borrowed funds from the District Co-operative Central Bank to lend the same to its members. An early realisation that it did not have sufficient capital for its activities led to a broad consensus among members to strengthen the co-operative's

capital base by reducing member borrowing limit and by collecting a compulsory deposit once in a year from every member at the rate of five per cent of the seasonal crop loan. The deposit could be withdrawn only on withdrawal of membership of the co-operative and interest was also to be annually credited to the deposit account.

These measures largely contributed to the growth of the Mulukanoor Co-operative and facilitated diversification of its services to meet the ever growing and changing needs of its members. Internal generation of funds thus gave the co-operative necessary freedom to meet the crucial need for financing its members particularly when the financing bank refused loan to farmers for utilisation of scarce ground water resources.

With the strength of its own funds, Mulukanoor Co-operative judicially used various programmes to enhance productivity of its members' major resources like land, labour etc. Having won member loyalty through its well organised productivity enhancing input supply services, it ventured into marketing farm produce and also established a rice mill with assistance from NCDC. With assured supply of paddy from members, it grew from strength to strength, increasing its capacity of paddy processing to more than 4 TPH and also built an impressive storage capacity of over 10,000 MT, also with NCDC assistance.

The Mulukanoor Co-operative pays its members a premium over and above the market price of paddy, which is a very significant and regular benefit. This activity also generates a major chunk of its surpluses. The Co-operative has used this singular advantage to the maximum with consistently more than 90 per cent recovery of loans in the form of paddy over the years.

The Mulukanoor experience shows that vigilant membership demands accountability. With accumulation of large sums of money in deposit accounts, members voiced their concerns and became more vigilant in the co-operative's affairs. The general body meeting of

Mulukanoor is also well attended by a few thousands of its members every year. This has resulted in increased responsiveness of management and staff to member concerns expressed through regular conduct of meetings to share information and scrutinise accounts and insistence on maintaining up-to-date member passbooks. All this has led to open and transparent functioning.

The success of Mulukanoor thus indicates the importance of high financial member stakes as a necessary prerequisite to active and vigilant participation of members in co-operative affairs, in turn emphasising the institutional aspect and its bearing on enterprise performance.

HOPCOMS, Bangalore Experience

Can a co-operative dealing in a highly perishable commodity like horticulture produce make its presence felt in a market, largely dominated by private traders, middle men and retailers. And is it possible for it to provide a good deal, both to producers and consumers? Can it effectively manage to keep a large number of employees motivated to provide quick, continuous and efficient service to clients.

How does a Co-operative balance the interest of its members and clients and march ahead to earn profits expand operations and embark on export projects? This has indeed been made possible by Bangalore Horticulture Producers Co-op Marketing and Processing Society (HOPCOMS). The society's main objective was to replace the chain of intermediaries between the producers and consumers, so that both could benefit. It presently handles around 170 tonnes of fruits and vegetables every day. Farmers bring their produce directly to the society which grades it and pays immediately upto Rs 3000 by cash and amount exceeding by cheque.

An analysis of prices obtained by farmers indicates that transactions of growers through regulated/wholesale markets of APMC fetched them about 43 per cent of prices paid by the consumer whereas HOPCOMS pays about 70-75 per cent of consumer price to



Transaction cost advantage to sugar co-operatives - Maharashtra, India

growers.

Consumers too pay about 18 per cent less for purchases made from the society's retail outlets as compared to other marketing channels. To cut down on losses during transportation and to save time of farmers in bringing produce to the society, 10 procurement centres have been set up in the growing areas from where graded produce is transported to central godowns. This is then supplied to its 360 retail outlets and to various institutions such as government hospitals, hostels, clubs, canteens etc.

HOPCOMS retail outlets are being managed by salesmen who are its employees. The quantity of fruits and vegetables handled by the society has shown consistent increase, with a procurement of fresh produce worth Rs 2.1 crores in 1993-94.

Successful management of this co-operative by a Board comprising 15 Directors of which 11 are elected from grower members with strong support from the Horticulture Department, has been responsible for the success of HOPCOMS. Collective decision making with effective participation by members, monetary incentives (as an incentive salespersons are allowed to absorb drriage and damage to the extent of almost four per cent of the value of produce) for efficient marketing, strict

discipline and a human approach in day-to-day dealings leading to a congenial work culture, incentives to employees building up efficient transportation and cold storage arrangements have been major operational success factors. Co-operation by the Agricultural Produce Marketing Committee, Zilla Parishads, the National Horticulture Board and the National Co-operative Development Corporation has also contributed to this success. The members of the Board of Directors fully participate in managerial meetings where all policy decisions are taken.

HOPCOMS is now set to embark upon a plan to handle 500 MT produce daily. Door delivery arrangements, setting up of a processing unit, extending its area of operation, consigning horticulture produce directly to other cities and undertaking exports are on its agenda for the future.

□

Readers are requested to provide us with interesting co-operative success stories for publication.

-Editor

Issues and Problems in Credit Union Development: A Fiji Case Study

Basiio Vanuaca

Purpose

Credit Unions are recognised as 'financial services' providers in rural/urban areas. They make a significant contribution to lower and middle income families who are members/owners as a private sector co-op organisation.

The Fiji Credit Union League (National body) in pursuant of improving its role as a financial provider has deemed it necessary to review the current operations nationally and internationally.

This review is an attempt to address issues or problems with the view of improving operational and managerial capacities of credit unions. The result of which it is envisaged will make them more responsive, attractive, competent, efficient and effective to members. Needless to add to improve the living standard of members who find commercial institutions unfordable and rather intimidating. This review also attempts to resolve the issues and problems confronting credit unions in Fiji. It is believed that only when this issues and problems are properly addressed, credit unions can then seriously assume their roles as financial providers and contribute to the members/owners.

The major issues that is the subject of this review focus on the following:

1. Financial services offered to credit unions-Are services responsive to the needs of the members and competitive enough relative to other financial institutions?
2. Identify and suggest solutions to operational problems and deficiencies that hinder credit unions in competitive terms.
3. Leadership and Management issues at local levels
4. And other related issues.

Credit Union Development

The Fiji Credit Union movement began in 1954. This system of thrift was first introduced when the then Governor of the Colony of Fiji, Sir Ronald Garvey, sought the assistance of the High Chief, Ratu Sir Lala Sukuna to find a method of assisting them prepare for the "cash" economy. Credit unions were seen as a means of assisting the perceived preparation for the cash or market economy.

Fr. Marion Ganey was engaged from Belize (then British Honduras) to begin this important task. The movement was vigorously established with the late Jone Naisara, who later became a Cabinet Minister in the Alliance Government.

It took root and has survived for almost four and half decades. Fiji's economic and financial landscape has since 1954, been indelibly imprinted with the services of credit union.

Challenging Issues

Our review lists below, some major issues and challenges that must be addressed for a more responsive movement. The issues appear to arise from a marked absence of policies to guide managerial and operational decisions. Credit union operates from board meeting minutes and rather casual discussions.

As a result of such casual approach, the following become conspicuous:

- a. Credit union in rural areas become dormant when loans are not repaid and credit union officials are unable to inspire or coerce repayments.
- b. Management pursues questionable investments. Investments in fixed deposits in the banks and in building that do not provide ad-

equate returns.

- c. Inadequate savings products deprive the credit union of a good saving base, so worthwhile loans become very restricted.
- d. Credit unions not changing their operating style and service to meet the current needs of members.
- e. Large credit unions are still operating with outdated policies and are not in line with the needs of the members resulting in negative growth and insufficient income, turning members away to other institutions.
- f. Credit unions allowing management to use members shares for investment in fixed assets, fixed deposits, and operating costs, depriving members access to loans.
- g. Credit unions confronted with illiquidity, sought overdrafts in the banks and are charged exorbitant interest rates.
- h. Urban credit unions are being expensively run, with the bulk of income used for salaries, wages and office expenses.
- i. Board of directors or committee members who initiate questionable investment decisions are not made responsible for their decisions. They are merely voted out in the next AGM leaving incoming officials to clear their debts.
- j. Boards of directors are short on creating realistic policies for management, and in turn merely interfere with management by making preferential decisions.
- k. The member's payment decision rather than the member's payment history dictate approval of loans.
- l. Members use shares to guarantee loans yet have to pay off all loans in order to access their shares upon withdrawal.

These are some of the major issues,

* Mr. Basilio Vanuaca is the General Manager of Fiji Credit Union League.

which have slowly alienated members. With such alienation follows withdrawal, which is inevitable. The process of decline began in the rural areas and saw a shift into the urban areas of Fiji. The table below shows a steady decline in the last seven years.

There are credit union leaders, who are unable to initiate projects for increasing revenues, through the use of accumulated savings and by acting as a channel for transferring outside sources of finance to its members.

Loans to credit union members range from \$50 to \$2000. Despite the chang-

cial assistance, while repaying their loans. Credit unions in Fiji have yet to rearrange loan repayments in times of unemployment job losses.

Operational expenses in Fiji are very high. This is in comparison to the range of products that are provided by credit unions. There is indeed a deep failure to understand, that the success of a credit union is not in the number of buildings, it owns, or cars, it has purchased, or indeed in the poshness of the general managers' or board member's meeting room. Members view assets with disdain, when there, application of a minimal loan amount takes a week to consider, only to be refused.

So, it is difficult to encourage members to save more in the credit union, when their demand for loans take too long. When shares determine the members' loans, the members will save just enough to ensure access to a certain amount of fund in the credit union. Most often, the only incentive to join a credit union is to access loan. When this is no longer possible, members will either default on their loans, or abandon the credit union, when it is no longer dependable.

At the withdrawal of a member, the credit union returns, the amount held in shares, after offsetting, their loans. Some credit unions demand loan repayment in cash. The question that arises, then, is, where is the return to the member, of his investment from the fixed assets that have been purchased by the credit union? A member, is a financial owner of the credit union assets, as indicated in the member equity. A portion, relating to his contribution to it should be provided upon withdrawal of membership.

WHY THIS SURPLUS?

The object of a credit union is to provide superior service to the members. It should be the other alternative, and the better one. The prices of its services must be cheaper; more range of savings and deposit products, and the loans to be more efficient and cheaper to provide. The success of a credit union is gauged not by the surplus it collects at the end of the year, but by how satisfied the member has been, in the

| <i>Year</i> | <i>No. of CUs</i> | <i>Mmbrs.</i> | <i>Loans</i> | <i>Shares</i> | <i>Total Assets</i> |
|-------------|-------------------|---------------|---------------|---------------|---------------------|
| 1991 | 176 | 21,328 | 20,924,732 | 21,054,029 | 25,365,968 |
| 1992 | 79 | 12,572 | 20,000,000 | 21,054,029 | 11,651,380 |
| 1993 | 72 | 27,548 | 13,528,612 | 13,640,389 | 16,102,246 |
| 1994 | 65 | 9,430 | 12,517,228 | 11,454,534 | 13,574,245 |
| 1995 | 66 | 11,520 | 14,072,319 | 13,470,572 | 15,800,000 |
| 1996 | 67 | 10,526 | 13,016,147 | 12,070,165 | 15,029,767 |
| 1997 | 66 | 10,133 | 12,221,280 | 11,436,597 | 13,029,767 |
| 1998 | 67 | 11,494 | 15,023,128.90 | 12,941,197.12 | 12,57,146.50 |

Other issues

To become a credit union member, a person must register a share after fulfilling the procedural requirements. These shares accumulate over a period of time. Credit unions often use these shares as a gauge to determine how much a person can loan. These shares are non-withdrawal.

Credit unions have "shares", where the borrowers are required to save a portion of the amount they borrow. Typically, under this method, the borrowers do not have access their "savings" until the loan is repaid. The savings mechanism therefore functions as asset storage in a very illiquid form.

There are a lot of managerial problems relating to daily operations. This is due mainly to not understanding the nature and aim of credit unions, basically, a lack of understanding of vital matters relating to the processes which credit unions operates.

ing needs of the members, some credit unions confine their loans to small amounts. For most part, credit unions in Fiji are still single purpose entities. Short-term instalment credit is the principal financial service offered by the credit union.

Credit unions in Fiji have still to fully understand the concept of share capital. Management and members are still unable to distinguish between a share capital, savings and deposits.

This confusion is increased by the fact that a member is still buying endless shares, continuing the misconception that share capital, savings and deposits are one and the same things.

Credit unions in Fiji rely on members' shares to determine their borrowing capacity. These confines the members access to credit in a limited fashion. When members have been granted a loan, there is no facility available, for relief, should they need further finan-

range of financial needs that the credit union has provided. The ideal credit union would then be the one that has a zero surplus.

At present credit unions are exempted from tax. They are so, because the government believes, that they are providing a service to the community i.e. their members. The surplus is being ploughed back into the credit union business through a range of savings and deposit products. The savings of the members are increased through the proper investment of their funds.

Not through buying fixed assets and expensive refurbishing of offices or managerial cars. The more credit unions emphasise surplus to buy fixed assets and deprive members of the benefits that should be accrued to them, the less there should be of an excuse when the government does decide to tax the credit unions.

NEW APPROACH

Legislation

It is evident that there needs to be a relook at the present system. Credit unions in Fiji seem to be operating in a "time warp." The credit union Act Cap 251 of 1954 has now been reviewed. The recommendations of the movement were provided to government in March 1998. The review provides a more emphasis on the protection of members' funds through, close monitoring and supervision.

The main question of the legislation involves the relation to credit unions reaching their full potential as leading financial institutions serving the savings, borrowing, and related financial needs of people frequently denied access to traditional commercial banking systems in Fiji. It emphasises the credit unions need to:

- * specialise in financial intermediation,
- * operate under a specialised body of law,
- * be subject to a specialised agency with appropriate powers of examination, regulation and enforcement.

The Review legislation focuses on the improvement of prudential standards

and contributes to protecting members' savings. It also recommends some new approaches to credit union operation and new safety soundness topics.

Savings and Inflation Rate

An important objective of Credit Unions is to safeguard the value of the members' savings in real terms and credit unions have to pay their members interest on their savings and deposit at rates higher than those paid for by commercial financial institutions.

This brings into account the Inflation rate. Fiji, in November 1998, had an inflation rate of 9%. Often the inflation rate is usually higher than the rate of interest; credit unions pay on the members' savings. As a result, the real value of the members' savings is eroded. Most credit union leaders, do not take inflation into account, and erode their members' savings worth considerably.

Credit unions must pay a dividend rate above the inflation rate. It is recommended that that dividend, be paid into the members' accounts at far more regular intervals than yearly.

Credit unions in Fiji have yet to pay interest on their members' savings. Money represents the value of goods and services. Any *present* amount represents only so much, and no more, in goods and services *today*. In our economy, the same amount of money *today*, may not, in the *future*, purchase the same amount of goods and services.

Therefore, the person who saves today, is actually *taking the chance* that his money will not, in the future, purchase the same amount of goods and services that it would purchase today. This chance must be minimised or totally eliminated, by providing the person a return on his savings above inflation rate.

While money or coin is not productive in itself, the productivity lies in the wealth it represents. Therefore, the wealth it could purchase *today*, is capable of increase so as to provide the owner *tomorrow* (or at some determined "tomorrow") with an amount of wealth greater than that which his to-

day's money could buy on that *tomorrow*.

When we ask a member to save in the credit union, we ask the member to refrain from purchasing "increasable" goods and services, so that the consumer goods and services represented by his money may be available to someone else—the borrower. We say in effect, "Refrain from the use of your wealth, so that someone else, in greater need may use it." He is asked to forego the increment his wealth could earn. In justice he should be compensated for this.

Where there is productivity - *an increase* - in the wealth represented by the savers' money, that saver has a right to a just share of the increase. Otherwise, the members will take their savings elsewhere.

Credit deposits & Liquid Savings

A member must pledge his money for a pre-arranged period, usually the same length of time for which members are granted loans. This facility should be made available to members and they should be paid interest, which should be significantly higher than those offered by other financial institutions.

Members who have other savings accounts and withdraw continuously from this, should not be paid an interest on it.

This then would encourage members to keep their money for longer periods of time, thus enabling the credit union to conduct a more rational loan policy. Members needing funds urgently may receive it at a negative interest or withdraw money from an emergency fund where they can pay interest on it.

A Member must be accessible to a wide range of savings products, which will allow the person to fully utilise the credit union.

Savings and Loans

The nature and purpose of the credit union, is to serve its members. It provides a safe, and sound, savings base, and utilises these savings to on-lend to members. Granting the maximum loans to members, but only on suitable guarantees will have the effect of in-

creasing the members' total income. This should enable a higher interest to be paid on members' savings, and allowing a lower interest to be paid on loans granted to members. This indicates a better service to the member.

The credit union is a co-operative, which functions on the basis of the differential between its credit and savings operations. The credit union income is the interest it receives on the credit it allocates to members, while its outgoings are:

- interest payment on members savings;
- Direct and indirect expenses.

The credit union management is guided by a single criterion, that is:

The rate of interest members pay for credit should be lower than the rate offered by other financial institutions, and the rate of interest payable to members on their savings should be higher than that available at other financial institutions.

In order to increase its revenues (which consist of interest payments levied on credit allocations) the credit union must try to grant the maximum possible amount of credit to its members. In theory, the efficient credit union, is one, which initially grants its members credit allocations equal in value to their total savings in order to maximise its long-term receipts.

The aim of the policy is to offer members a certain amount of money to cover the credit union operating costs. These defines two principles at work:

1. Encouraging members to save by offering a higher interest rate than commercial banks,
2. Granting the members the maximum possible amount of credit providing that all the necessary guarantees are supplied.

These two rules can help us understand the system by which a credit union functions. The two credit union principle of operation, in fact, stems from the difference between the

two rates of interest on loans and savings.

Surplus

Surpluses are created in the credit union because the world we live in is full of uncertainties. To protect itself against this uncertainty, the credit union must marginally increase the amount collected to cover its annual expenses. It is important however that surpluses are by equal contribution from the members. Each individual member must contribute to the surplus. As soon as a surplus is created, a new body of funds alienating the member begins to form. Therefore, it is important that this newly formed fund, are individually owned by the members.

The problem we face consists of determining the source of the credit union surplus.

"Let us keep in mind that the credit union member furnishes all the millions of dollars we brag about - It is His money"

- Joseph S. Deramus

The expenses incurred in paying interest to savers constitute the basic capital for operating the credit union. Let us find an example, if we offer an interest rate on savings of 7% and members are charged 12% interest on their credit allocations. It would appear that the surplus is found in the 5% differential, which covers the credit unions operating expenses. If the credit union is run efficiently, it should be possible to reduce its operating expenses to some 3%-2%, for example. This would allow a payment of 9%-10% offered to members on their savings.

The surplus accrued then should be reimbursed accordingly to the members proportionally to the business transactions they have undertaken.

Two points here can help us understand the question of surplus:

- i. The surplus resulting from the operation of a credit union.
- ii. The payment proportional to a members transactions within the credit union.

The income generating operations in credit unions are credit transfers. The interest obtained from these should cover interest payment to savers, as well as operating expenses. Any remaining sum is a surplus-so we see that the surplus goes to those who have obtained credit from the credit union.

Each individual share of the surplus will be proportioned to the amount of credit received from the credit union. This concept should prove that savings in the operating costs lead to a reduction in the interest charged in member allocations.

A mistake in credit union management is that credit unions should realise a profit. The object of the credit union is to provide a superior service with products at very convenient price than those offered by other financial institutions. Theoretically, it could be said, that the ideal credit union is one, as mentioned, that ends the year with zero profit or surplus.

This arises from the nature of the co-operative, whose aim is to provide products at very convenient prices and services that is superior and its quality is not measurable in terms of commercial efficiency, but according to the quality of its' treatment of members.

This good treatment of its' members is not in the presentation of an annual report showing a profit at the end of the year. It is rather in the provision of a highly efficient service to the member accompanied by the possibility to buy at the very lowest of prices.

Unequal Investment

It is a mistake to invest part of the surplus in expanding the credit union. All members of the credit union must equally back each investment. If we invest a portion of the surplus, we oblige whoever has purchased most to take a greater share in the investment being shared equally by all members.

Whether they are for members economic or social welfare, the burden for financing them, should therefore be shared equally among the members.

Let us take for example, a man has \$100 in shares and another has \$500. Both funds being used for credit, the person who has invested \$500 will have more interest derived from his funds. If we decide to invest 50% from the credit union surplus, derived from their funds, it will work out that one member will have contributed more than the other. This seems an injustice to the person investing more.

Furthermore, a body of capital is now being built up within the credit union office, which is independent of the members who initiated it. We then fall into the trap that is continually being duplicated.

The member undergoes a process of alienation from the Credit Union, and gradually ceases to look upon it as his own. It seems then that as soon as the surplus is there, the management funds questionable investments.

Members are unable to access loans and they withdraw their membership totally alienated from the business they help set up to assist them financially in the beginning.

The beneficiaries are the "intimidated" Management and unscrupulous board and committee members who have now formed an exclusive "elite club".

Often helping themselves to bigger loans, posh offices and increase in allowances and perks that are hidden in education and promotional accounts.

The saving of the member earns him the right to borrow. Members can enhance their borrowing capacity through increasing their deposits.

However, the amount that the member borrows should not entirely be dictated by the amount in his savings. Financial discipline can be inculcated since the discipline to "save", shares the same quality of character that is required to repay obligations.

Members are Owners

Solely its members finance the Credit Union. All loans granted to the Credit Union for whatever purpose must be

entered in equal proportion in the accounts of each credit union member. Membership in a credit union enterprise constitutes its whole identity as a body. A co-operative enterprise can have no individual identity apart from its members.

The risk of failure of credit union is increased when a rift develops between members who are only held responsible for the capital, which themselves have contributed in the form of shares, and the "credit union." Which often represents the major part of the company's assets is placed under the authority of an autonomous body and cut off from the members.

"The rate of interest members pay for credit should be lower than the rate offered by other financial institutions, and the rate of interest payable to members on their savings should be higher than that available at other financial institutions."

The surplus, which is often emphasised by the Co-operative Principles, leads to the alienation of the member. The surplus funds must be collected and distributed amongst the members of the credit union in proportion to the level of their participation in its' activities. The financing of the overall investment of the any credit union venture must be equally divided among all members of the co-operative.

The member being the owner, must be the sole purpose for any plan for improvement or expenditure. The question for any board or management's financial decision must be "is it good or not good for the member?" When in-

tending to buy a car the credit union management looks at its accounts and see if some funds are available. They ask themselves, "Can the credit union afford a car?" Their question should really be, "Can the members afford a car?"

The members are the owners and therefore should be accorded the respect and service befitting the owners of the financial co-operative. All decisions regarding the use of credit union funds must be in relation to whether the money is going to benefit the member or not.

Often credit union decisions are being made because the Leaders are making them from the strength of the newly formed entity, the "credit union" which is now made up of a few buildings, a body of funds from interest and surplus and an elite club forming amongst management or board officials. The members, from whom the funds originate, are the least consulted and not the beneficiaries. Annual General Meetings then becomes a farce in democracy.

Being owners of the assets of the credit union brings responsibility to the members. This responsibility seems to be severed in the accumulation of surplus. A body is now formed far removed from the members and controlled by an elite group of people that make up the management and board and committee members.

The solution to this is simple. We need to look at the structure of the credit union. The structure is made up of two elements. First, there is the member in his financial relations with the credit union, and then there are the administrative expenses of the credit union.

The member is really the one who finances the credit union and is financially responsible for its' activities. Members are often not aware of this responsibility and unintentionally assist in forming a new body later alienating themselves in the process.

The member is really the one who finances the credit union and is financially responsible for its activities. When a member joins a credit union, they pay a share. The value of the share is ob-

tained from this formula:

$$\text{CAPITAL SHARE} = \frac{\text{MEMBER TOTAL ASSETS}}{\text{TOTAL NUMBER OF MEMBERS}}$$

As the credit union grows, the share value increases. New members pay a share value worth more than those previously joined. There are ways of paying off these shares. Someone who wishes to join the credit union will have full membership if their shares are fully paid. They can pay this fully, or lay their hands on a sum of money which is equivalent to 10%-30% of the whole share. The credit union will be the means by which they can access funds, either from within or outside sources. This will be debited to their accounts, with the funds going to the organisation. The member is accepted with full rights into the credit union, but the responsibility is on his shoulders, for the credit, which the person has to work in repaying.

A co-operative enterprise can have no individual identity as a body. Membership in a credit union enterprise constitutes its whole identity as a body. A credit union enterprise can have no individual identity apart from its' members.

The risk of failure of credit union is increased, when a rift develops between members who are only held responsible for the capital, which they themselves have contributed in the form of shares and savings and the "credit union" which often represents the major part of the company's assets which is now placed under the authority of an autonomous body and cut off from the members.

All funds borrowed from sources must realise that the cheapest source is from the members. All the credit union has to do is offer a higher interest rate than that offered by other financial institutions. At least some of these members possibly a considerable number will then be induced by such a scheme to transfer their funds to the credit union for investment purposes.

Both parties stand to gain from such a

deal. The member obtains an income in the form of higher interest rates than those offered by the bank. The credit union pays a much lower rate of interest on the loan than that demanded by other sources of finances. In this way, the credit union is able to mobilise at least part of the necessary capital at a better price under more favourable conditions than other financial sources.

SUPERVISION AND MONITORING

Fiji should seriously improve its' supervision and monitoring systems. The regulation review is the first step towards this. Improved supervision contributes to overall safety and soundness.

The Registrar of Credit Unions in Fiji, who is responsible for the overall administration of credit unions, is not adequately equipped to administer a modern credit union movement. The Registrar presently appointed has other responsibilities in the civil service and credit unions are the least of his wor-

ries.

The Fiji Credit Union League Office has no powers under the Legislation to stem misuse and abuse of funds. It can only provide advice. It is when Insurance claims for fraud and embezzlement is instigated that police enquiry can then be sought.

Supervisory Committee

The safety of members' funds is ensured through the powers invested in the supervisory committee.

Supervisory committees need to familiarise themselves with the Credit Union Act, By-laws and the Policies of the credit union. They need to understand financial reports. It is stipulated in the legislation that supervisory committees who are unsure "shall make or cause to be made" an examination by qualified external auditors.

In the existing framework, supervisors not sure of anything can bring in professional knowledge to assist them in their work.

Treasurers, managers, directors or credit committee members need not have any worries of supervisory committee powers properly used. Those who wish to use the credit union for personal use, or distort it to ends other than those consonant with its purpose, has every reason to fear the questioning of an alert supervisory committee.

Supervisory committees are answerable to the members. Therefore, they must "observe and supervise" the board of directors. They do this by examining from time to time:

- * The expenses budget are being followed.
- * That no members shares are being used to pay expenses.
- * That the treasurer's records are up to date and complete.
- * That monthly financial and statistical reports are being sent to the Credit Union League Office/Registrar.
- * Board minutes are up to date.
- * Member Register is up to date.
- * Savings are properly banked and any cash is secure.
- * Those loans of board members

"The risk of failure of credit union is increased, when a rift develops between members who are only held responsible for the capital, which they themselves have contributed in the form of shares and savings and the "credit union" which often represents the major part of the company's assets which is now placed under the authority of an autonomous body and cut off from the members."

are within shares and if they are above that the full board and committee members were all present when the decision to allow for the loan was done.

They supervise the credit committee by examining from time to time:

- That the loan records (including repayments) are complete.
- records of meetings are kept.
- Monitor that the Credit Union Act (or relevant) legislation, by-laws, and board policies are being met.
- Receive and handle any member complaints.
- The committee is a form of "insurance" for the members. It assists the Board to ensure the credit union is financially and legally sound. It identifies honest errors as early possible by acting as an internal audit process
- Is responsible and reports at least annually to the members.
- Those credit committee member loans provided were within guidelines.

True human nature being what it is, we know it often piques the pride of officers who must explain why certain actions were taken or not. However, we must always keep in mind that the credit union belongs to the membership. Managers, employees, board and committee members are only hired hands. If the membership through its supervisors demand an explanation, they should be gladly and promptly given.

For the system that protects the membership, also protects the sincere and dedicated credit union officer or employee. It is often found that when there is an inactive and weak supervisory committee, the opportunity of illegal activity and abuse, taking place is increased.

Credit union auditors should be changed every three years to ensure a new set of eyes and views are being used. This avoids collusion, taking place.

Supervisory committees must ensure that they do not compromise their own credibility through misuse of their po-

sitions. Supervisory committees play a prominent role in safeguarding the members funds. Their inspection of documents and credit union procedures must ensure that the safety of members' funds and the soundness of the credit union are safeguarded.

RISK MANAGEMENT (INSURANCE)

Living is a dangerous business. Each day our lives are at risk, we are faced with dangers, which threaten our very existence. We risk our lives constantly, yet we rarely consider what we do to the edge of the mountain over which we might fall. It is not that the human being is supremely brave or blissfully ignorant. We simply accept the fact that caution is a necessary ingredient for a safe and full life.

So we look when we cross the road. We are careful when we light the stove. We remember not to eat spoiled food. We do not walk in the jungle without a weapon. We build protective barriers about our families and our homes to keep the hounds of heaven at bay. Considering the number of threats we face 24 hours a day, we are quite skilled in ensuring our survival.

When it comes to our own lives, we are experts at risk management. When it comes to conducting our daily profession or business, however, we are often innocent and trusting children. There can be an inborn tendency to believe that everybody is relatively honest. While this may be true for a majority of people with whom we work or seek to serve, there are always going to be a few who pose a threat to the security and well-being of your credit union operations.

To avoid losses of your memberships' investment in their credit union, losses through activities, which are illegal or inopportune such as embezzlement or fire, respectively, one must erect defences, which will prevent losses. This pursuit of operational security is called "risk management" Risk means "uncertainty of loss".

BUDGET

A budget is a financial plan. Without a plan, there is a problem in reaching the objective. The main objective of a credit union is to ensure that:

- a. The members' funds are safe and secure.
- b. They are easily accessible to the member whenever the member requires them.
- c. Members make a return on their invested funds.

Budgets must be a controlling device. They must ensure that the funds are used for the purpose designed for. Budgets must be reviewed occasionally to ensure there is compliance and that changes are done to suit the financial environmental changes. Budgets provide the means to increase your understanding of operations and plan for where it should be in months to come. A budget guide's officials and helps control expenses.

A budget also allows for a comparison of where you are now with where you are expected to be. As a minimum the credit union should compile an annual income and expenditure budget.

The preparation of a budget also provides an excellent educational opportunity for the board of directors to inform the members at the Annual General Meeting of the direction to where they want the credit unions financial position to be in the next month, half-year or year.

The share capital in the beginning of a credit union is determined from a budget. Charts given in the following pages give a budget, mission, banks, etc., of the Fiji Credit Union Movement.

MANAGER'S RENUMERATION

The method of remunerating a credit union manager is another problem to consider. In order to provide the Manager with the necessary motivation for his task, the person must be paid a reasonable salary reflecting the success in which the person is running the credit union efficiently.

The Manager needs to earn an amount, which is comparable with the Market rate of Managers, and which will induce, the person to produce satisfactory results on behalf of the members. Some suggestions are discussed here.

- The performance of the credit union Manager could be based on

BUDGET FOR SAVINGS AND CREDIT- CO-OPERATIVE

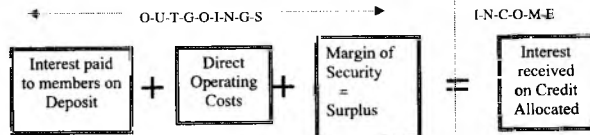
1. Investment in fixed Assets budget

We prepare an inventory of all the fixed Assets in our co-operative.



TOTAL VALUE OF FIXED ASSETS = SHARE CAPITAL

2. Then we have the working Capital Budget.



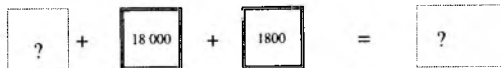
Budget for Savings and Credit Cooperative

We tally up the expenses that will be derived from a month's operation: This would include the following:

| | |
|-----------------|-----|
| Managers salary | 500 |
| Electricity | 200 |
| Water | 200 |
| Insurance | 200 |
| Transport | 200 |
| Etc. | 200 |

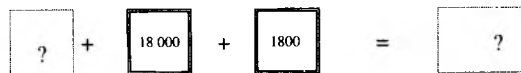
| | |
|------------------|--------------------------|
| Eventual surplus | 1500 x 12 months = 18000 |
| | 10% = 1800 |
| TOTAL | 19 800 |

OUR FORMULA



OUR MISSION

What would be the rate of interest to be charged on members getting credit?



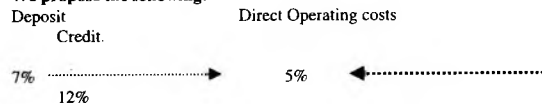
- What is the current commercial rate of interest on credit applied in your country?

| BANKS | |
|-------------------------|------------------------|
| Deposit (interest rate) | Credit (interest rate) |
| 3% | 13% |

- What is the annual inflation rate in the country?
- 9% (Nov. 98 Reserve Bank report)
- Our point of departure: To serve the members in the best possible way.
- rate of interest on deposits should be higher than 3%
- rate of interest on credit should be lower than 13%

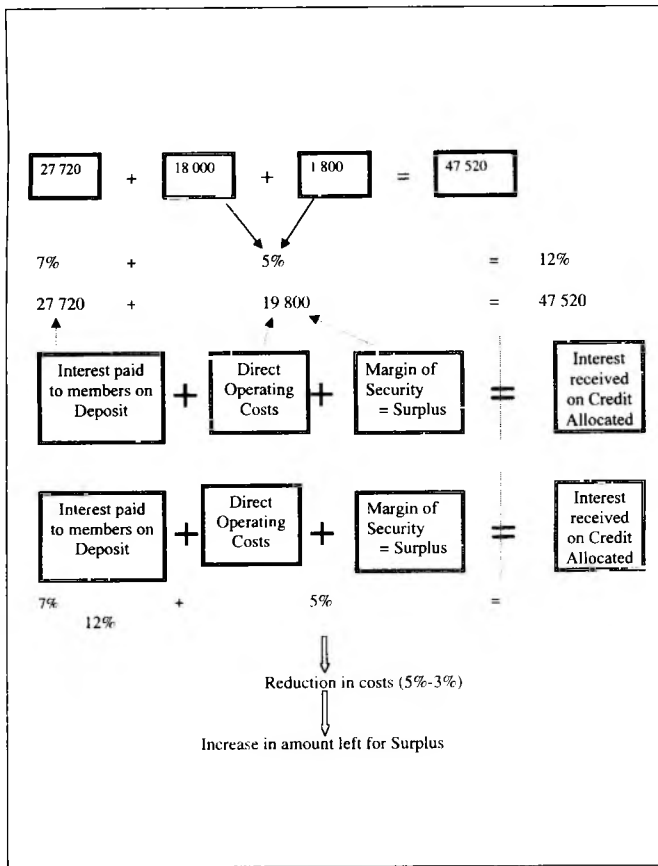
Our Mission

We propose the following:



We know now that:

| | | | | |
|-----|---|------------------|---|---------------|
| 5% | = | | = | 1 980 |
| 1% | = | $\frac{1980}{5}$ | = | 3 960 |
| 12% | = | 3960×12 | = | 47 520 |
| 7% | = | 3960×7 | = | <u>27 720</u> |
| | | | | 19 800 |



Members will have an incentive to save, if the interest rate accrued in so doing is favourable and the management is efficient and the credit union manager does their utmost to reduce the credit unions' operating expenses.

The manager is paid a salary commensurate with his performance. So, theoretically, if the person is highly remunerated, there is less inclination for financial abuse in any form.

The ideas suggested, is to increase the manager's motivation by external factors, as a contrast to self-motivation. This will have the effect of encouraging the person to alter their behaviour and strive to improve the results of their work.

ECONOMY OF AFFECTION

The cash economy in Fiji is very much influenced by the economy of affection. These phenomenon influences decisions made by the various levels of responsibility to take action that do not benefit the organisation they manage. It also prevents people from being influenced by factors of self-motivation.

Relatives often use their relationships to the decision-makers to decide on financial matters that create problems for the organisation. Senior employees use their rank to influence financial decisions regarding personal benefit. For Managers, factors that encourage people to earn more money can lead to improved performance on the part of management. It is suggested that the manager be paid according to his work performance.

The better the results the manager obtains for the credit union, the more highly they will be remunerated, while all the members of the credit union will benefit as a result. This may be the desirable method of solving the problems facing the credit union and its management in Fiji, where the economy of affection is very pronounced.

Credit union manager would receive a percentage of his income that is a percentage of the interest the credit union charges on loans to members. He would receive this payment only when the loan and interest on it is repaid. The manager's income will be reduced if the loan is not repaid.

The manager is inclined to do all that is necessary to ensure that this does not happen. Nobody likes to lose money, so by looking after his own livelihood, the manager will also be safeguarding the credit union's money.

BORROWER-BASED Vs DEPOSIT-BASED

Savings

Credit unions in Fiji need various forms of savings product. The benefits from institutional savings at village and household levels include:

Liquidity

Many households consider easy access to at least some financial savings essential in a partially monetised economy as Fiji. Liquidity is essential for mobilised household savings. The demand for deposit instruments permitting an unlimited number of withdrawals is high because people save for emergencies and investment purposes, which may arise

the achievement of measurable service standards and a percentage payment could be paid on these achievements.

- Bonuses could be paid to management as forms of incentives when certain standards are achieved. Such areas could include speedy loan procedures, acquiring reserves, dividend payments, and low expenses for high standard of service. These forms of incentives ensure that management is aware of their daily operational activities.

Then there is the method where the Manager is being paid a percentage of the interest payments charged on credit transactions. The Manager should be motivated to increase the total amount of the credit granted to its' members.

The Credit Union cannot grant credit in excess of its' total overall receipts from members savings. So the sum the general manager receives is totally dependent on the amount saved by the members.

The manager is aware, that any increase in his salary is dependent on the members receiving an amount of credit, which in turn, depends on their saving an increased amount of money. The person will do everything in his power to encourage savings in order to increase the level of credit available.

at any time. Therefore in areas characterised by economic growth and development and by a reasonable level of political stability, potential household demands for liquid deposit instruments in financial institutions may be unexpectedly high.

Returns on Deposits

Positive real returns on deposits are typically not available at low-risk outside financial institutions. When such institutions offer appropriate deposit instruments, the household as an income flow or as savings can use the interest. Fixed deposits accounts featuring lower liquidity and higher returns, especially, when held in conjunction with liquid accounts are suitable in various ways for the types of savings mentioned below:

❖ Savings for consumption

Households with uneven income streams eg agro-based enterprises with seasonal variations can save for consumption during low-income periods.

❖ Savings for investment

Savings for development of household enterprises. Households tend to save for other kinds of investments, such as children's education, house constructions and electrification.

❖ Savings for social and religious purposes and for consumer durables

Social ceremonies (birth, weddings and funerals) and religious donations or pilgrimages are some of the long-term goals for which people frequently save. Others are consumer durable, depending on household income level; these vary from cooking pots to cars.

❖ Savings instead of/or in addition to credit

Households save in order to self-finance investments and to avoid paying what are often very high interest rates in the informal commercial credit market. Self-financed investments are particularly important for middle and lower income households, which often do not have access to institutional credit. The interest rates

charged on original balances are very high indeed.

In general, the poorer the borrower, the higher the interest rate, since lower-income borrowers normally have less credit options. Many households hold savings accounts and loans simultaneously, especially if institutional loans are available to them. This strategy permits some savings to be held for emergencies, while loans, used, for working and investment capital and in some cases for consumption is repaid from income flows.

❖ Savings to build credit ratings and as collateral

Institutional savers may also be used as deposits to build credit ratings and as collateral for loans.

For Savings to improve, it should be based on the four main principles below:

- i. Liquidity is the key to local savings mobilisation.
- ii. Security and convenience are crucial.
- iii. A mix of instruments is needed to meet the varied local demand.
- iv. A set of deposit instruments and returns which can simultaneously meet demand.

As credit unions grow, they should move away, from being borrower-based organisations to one that balances the concerns of depositors, shareholders, borrowers and management. The stress on deposit mobilisation imposes discipline on credit unions and their members. Members are only too willing to place their savings with credit unions if the savings instruments offered are competitive and the organisation is well managed and supervised.

Therefore emphasising the borrower, with little concerns for the depositors and shareholders is a flow that needs drastic changes. Credit unions should depend on deposit mobilisation for growth.

Deposits are important to credit unions because:

- ❖ Many people wish to save;
- ❖ Deposits come with no political

strings attached;

- ❖ Deposit mobilisation leads to scope economies;
- ❖ Savings is a natural step in becoming credit worthy.

The combination of deposits and lending enhances loan recovery.

Credit unions are alluring channels for government and donor funding. They belong to the private sector, deal with people of modest means and ostensibly operate on democratic principles.

Given this, it is easy to policy makers to conclude that additional funding would allow credit unions to lead more types of individuals who are targets of donor or government affection-operators of micro-enterprise. Experiences in credit unions worldwide, suggests that donors should be mindful of how their intrusion affect the internal equilibrium of these self-help groups. The long run goal of enhancing the sustainability and efficiency of the credit union should accompany the short-run goal of providing more loans to micro-entrepreneurs.

Basically, outside assistance to the credit union movement should be for strengthening through technical assistance and training. This includes helping in developing more attractive deposit instruments, employing interest rates that are competitive on both loans and deposits and encouraging the hiring of full time-professional managers. This step with inclusion of a provision of a central liquidity fund would ensure ongoing liquidity support.

Under the best of circumstances, outside funding, should impose only modest additional transaction costs on the credit unions and its' members, avoid promoting dependency on outside funding, and employ incentives that induce the management and members to act in ways that foster the well being of the credit union. The following points could foster these desirable circumstances:

- * Outside funding should be done in ways that encourage credit unions to mobilise additional deposits and share capital.
- * Credit unions should be encouraged to charge interest rates on

their loans that cover the cost of funds, loan losses, transaction costs and the erosion of purchasing power due to inflation. To realise this, nominal interest rates must be flexible and adjust to changing conditions.

- * Loans should be based on creditworthiness rather than on need.
- * As they expand, credit unions should be encouraged to strengthen management, improve data processing and seek financial innovations that reduce transaction costs.
- * Especially when credit unions are mobilising significant amounts of deposits and handling other public funds, they should be prudentially regulated by an agency that is capable of doing so and that itself is not involved in the promotion of credit unions. /

Credit union is a vehicle for rural development, and in order that it develops well, should be assisted by government to ensure that the vehicle does indeed deliver the required services.

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ICA and the Need for Modern Technology

ICA-ROAP can play a significant role in improving the economy of co-operatives in the Region just by putting more focus on new technology. ICA is a non-profitable organization which plays a vital role of serving the community through co-operative efforts. And its mission is to enhance, promote and strengthen the co-operative movement in all sectors for the benefit of the producers and the consumers. Its vision is to provide an environment for a trading network between the co-operative members by facilitating exchange of information, experience and business data for mutual benefit.

So, how do we improve this technology? The Regional Database, internet technology and the World Wide Web through e-commerce can play a vital role in helping co-ops in many ways. Communications through internet and network facilities would facilitate exchange of important and useful information amongst co-ops. This will create coherence between market policies and wider social development so that the benefits are felt in all over the region. The Internet Technology and the Regional Database can establish a good trad-

ing network amongst co-operative members, enabling users to analyse data from multiple sources and help them forecast demand, production and marketing strategy. This modern technology would allow co-operatives to fully exploit information as a powerful marketing tool and for financial stability.

The world-wide communication revolution has intensified global competition and challenge the co-operatives to grasp the opportunity for e-commerce.

What would be the benefits for the ICA members?

1. Network for international trade amongst co-operatives.
2. Avenues to co-operative development amongst the members and the partners of ICA.
3. Access to ICA Regional Co-operative information resource centre and database.
4. Development, research and information support from the ICA specialized bodies.

- **Mohammad S. Huq**

Information Tehnology and Community Development

As the availability of information increases and the price of information decreases, the world cultures are participating in the greatest dispersal of power to individuals in human history. In the age of information, we must take steps to provide equal access to the data that form today's intellectual capital.

Countries that comprehend and anticipate the power and promise of I.T. and provide for Information Technologies development, implementation and application; will lead the way with a distinct advantage into the next millennium. Asia has taken up this challenge and has embarked upon various projects. For Asian cities, it is imperative to launch strong initiatives in their communities through people with a vision and commitment to change, which in turn would enable the cities to join the world community of Global Cities of the next millennium. Global Information and Infrastructure will start the process of interaction and learning leading to empowerment and development of a rich source of brainpower in Asia.

As a guideline to building Smart Communities, the San Diego State University Guide book published in January 1997, outlines seven principles with due acknowledgement to Professor John M. Eger, Executive Director of the International Center for Communications. These seven principles hold equally good for the Asian Smart Communities in the making and can be used as a valuable guideline.

- * **Vision and commitment to change** - along with understanding of the communities' needs, resources and infrastructure requirements.
- * **Compelling purpose to drive the idea forward** - This could be by

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Ms. S. Sawhney*

providing Internet access to the local schools, colleges and to the underprivileged segments with special support.

- * **Significant Transformation** - The vision must establish a significant transformation, rather than an incremental change. The IT should be applied to significantly transform the operations of the education, local business and government.
- * **User Participation** - The project from conception to implementation must focus on user needs and requirements. Inputs from target users must be integrated into the project planning, budgeting and formulation to ensure that the project is not done in isolation.
- * **Focus on Content** - The real benefit of the project is to be derived from content and services to be made available to the community.
- * **Public-Private Collaboration** - It is essential to have participation and collaboration of government, business, educational institutions and ordinary citizens. All the ideas and resources of the above must be combined for synergy to launch the Smart Community project successfully and within a reasonable time period.
- * **Market Driven** - The project must be marketed to the community to the maximum extent. Participation of the community must be maximised to ensure its success and sustainability.

Advanced countries have dramatically increased their per capita expenditure on education from \$295.8 to \$908.3 between 1965 to 1994. As against this three-fold increase, the increase in the developing countries has been only from \$17.0 to \$34.7 (UNESCO figures). Michael Potashmik, head of Education and Technical Training at the World Bank admitted that the comput-

ers and other information technologies do offer us exciting options for dealing with some age-old problems such as access, quality and equity. Most important, these offer a chance of better schooling and access to vastly expanded knowledge at low cost as it reaches out to more people in remote locations. Internet education could dramatically help in educating the poor and remote communities. The Tele-secundaria program in Mexico reaches out to 700,000 students in the 7th, 8th and 9th grades in remote villages. By stimulating knowledge, it turns classrooms from boredom to excitement. World Bank has supported the concept of African Virtual University, which provides high quality education at affordable prices.

The Indian Experience

Community Education and Development Foundation is a registered society, set up by the Ministry of Human Resource Development, Government of India, the Slum Department of the Municipal Corporation of Delhi and Rotary Club, Delhi Mid-west. It is a non-profit NGO, conducting employment-oriented courses for backward classes and other weaker sections of the society.

The rapid growth and transformation of Information Technology generated tremendous career opportunities and escalated the demand for computer skills. In view of this, in 1993 the Rotary Computer Vocational Training center was started. The main objective is to provide computer education to young people from economically weaker sections and prepare them for the entry level jobs in the computer industry, mainly as data entry operators, secretaries, accounts assistants, etc. This institute has been conducting a six-month certificate course, which provides extensive training on several software applications. The Computer Vocational Training Center has imparted training to over 1200 students and most of the trained students have been able to get rewarding jobs.

Co-operative Tourism in India

Tourism is a service industry. With the growth and development in the economy people started going to places of tourist interest in India and abroad. In the field of co-operation, the ramifications, which prompted the need to establish a tourism co-operative in India, were all pervading.

The offer of scholarship and training for the co-operative leaders and employees from various organisations in Canada, England, erstwhile USSR, Germany, Japan, etc., organisation of international seminars in various sectors of co-operatives at international level, underlined the need to set up a co-operative organisation in the tourism trade. The need was further strengthened by the growth of domestic air travel by co-operative leaders and officials. Before the setting up of COOPTOUR, the co-operatives were being served by the private trade.

It may be relevant here to add that the setting up of International Co-operative Alliance - Regional Office for Asia and the Pacific in Delhi and its activities further justified the need for setting up a co-operative tourism organisation at the national level.

To fructify the concept, the co-operatives of the country came together to organise the Indian Tourism Co-operative Limited (COOPTOUR) which was registered on 13th June, 1985 at Delhi, NAFED and IFFCO played a very important role by sponsoring COOPTOUR.

The objects of COOPTOUR are to organise, promote and develop facilities for travel by land, sea and air of functionaries and members of co-operatives, government and public sector undertakings. Briefly it may be mentioned that COOPTOUR facilities and promotes travel for business, tourism and educational purposes.

As mentioned earlier that tourism is a service industry, the membership is not confined to tourism co-operatives only. Since we serve the co-operative movement, our membership is open to all co-operative institutions.

In the last issue of the magazine, we had invited co-operatives involved in tourism to give information about what they have to offer for visitors, contact information, etc.

We have received this write-up from Indian Tourism Co-operative Ltd.

Though we were looking for factual information on tourism opportunities in respective countries, we are publishing this write-up so that co-operative readers who wish to make tours to India can contact COOPTOUR.

Please write us more about co-operative tourism opportunities in your countries.

-Editor

In its 14 years of existence, COOPTOUR has passed through various phases and seen ups and downs. However, it is a matter of satisfaction that membership of COOPTOUR has all along been very supportive. The ticketing and accounts of COOPTOUR are now fully computerized. COOPTOUR is serving its clients for their domestic and international travels efficiently and effectively.

COOPTOUR has got a very encouraging response from co-operatives in America, particularly National Co-operative Business Association and Co-opportunity, Manchester Co-operative Union, Co-operative League of Thailand, National Agricultural Co-operative Federation of South Korea, the Norinchukin Bank and JA Zenchu of Japan, etc.

Since these international study-cum-sight seeing visits are being patronised by ministers, senior bureaucrats, senior co-operative leaders and co-operative officials, these programmes need special attention. With this object in view, the Managing Director of COOPTOUR himself goes with these delegations and personally looks to the

Y.P. Sharma

Managing Director, COOPTOUR, India

convenience of the participants and attends to the interaction with the co-operatives abroad.

COOPTOUR also offer its services for inbound tours from foreign countries to India.

It is felt that with the emphasis of most of the countries on development of tourism and increased flow of tourists in the co-operative field, there is immediate need to develop and strengthen co-operative tourism at the international level. In this regard, International Co-operative Alliance (ICA) can play a very effective role. It is suggested that:

- * International Co-operative and Associated Tourism Organisation (TICA), as one of the specialised organisations of the ICA, should become a vibrant organisation capable to support tourism co-operatives world over and assist them in countries where they are not developed.
- * The ICA and TICA should prepare a directory of co-operative hotels and resorts and infrastructure, which may serve, for lodging and boarding of co-operative tourists and also a list of transport co-operatives.
- * ICA should advise its members to use the services of tourism co-operatives, wherever they exist.

It is hoped that with these measures, tourism co-operatives can take their rightful place on the international tourism scenario.

Abaca Eco-Tourism Co-op Ltd.
and

Navilawa Eco-Tourism Co-op

These co-operatives organise eco-tourism packages in Fiji, including visits to wildlife sanctuaries, highlands, national heritage parks, hikes, treks, etc. Those interested may contact them:

C/o Department of Co-operatives
Government Buildings, Suva, Fiji
Tel : (679)361-552/361-878
Fax : (679)361-312

Stressing the positive

Peter Clarke

The values and virtues of co-ops shine through. But it is up to co-ops themselves to identify those values and promote them strongly.

Co-op values present a package of high quality features which, if implemented with confidence and skill can yield enormous benefits. But much as co-operators know and cherish such values, they must make sure that they are known to the general public. They must become a means of winning the new "world war for world markets" to borrow a phrase from ICA President Roberto Rodrigues. Nurturing, supporting and promoting Co-operative Values and virtues can bring advantages in competitive economies.

The three core values identified by the ICA must form the basis for all co-op activity. These values are equality (democracy) and equity, voluntary and mutual self help and economic and social emancipation. They are the starting point for an analysis of co-operative values and virtues which will be unique to each co-operative sector in each country.

In Britain, for example, the Society for Co-operative Studies (SCS) has, with the financial support of the Co-op Movement in the UK, been carrying out a research project to 'Reassert the Co-operative Advantage'. Dr. Peter Davis, of Leicester University is one of the participants in this study.

SCS pointed out that there is "an enormous opportunity to respond positively and vigorously" and much good practice. "There is a mood of reassessing features of co-operation that 'make the difference' - in business and ethical terms". The society believes strongly that "good business and high standards can be a winning combination." The project will seek to identify where the co-operative advantage lies in the context of the contemporary business environment. It will investigate management and organisational development practices as they are presently emerging in response to the reasserting of

co-operative purposes, values and principles. Here the intention is to identify the potential and actual convergence and divergence between contemporary management practices and their business environment. The study will also examine the change in the social, economic, technological and competitive environment.

North America

North American co-ops have found great benefit in promoting their Co-operative Identity. They have found that marketing co-operative values freed from the ideological constraints of the past gives commercial advantage in the world's most cut throat market. Marcelo Campos, the President of Davis Food Co-op in California told me "*Co-op sells. Our co-op sells its values strongly. When the Berlin wall came down the word 'co-op' was no longer associated with communism. This was a big boost to us.*"

Anne Reynolds of the University of Wisconsin, Center for Co-operatives has been gathering information on these initiatives. She told me that the 'Values' campaign of US Credit Union federal CUNA is a model. It is selling credit unions as financial co-operatives.

Credit Unions in the USA

Credit unions are big in the USA. There are approximately 11,225 credit unions in the United States with 75 million members and \$360 billion in assets. The Campaign started in 1995 using TV and radio to raise awareness of credit unions. Tom Dunn of CUNA told me, in 1998 "it turned to developing a program to educate people about the basic differences between banks and credit unions."

Jan Wood Vice President, Advertising & Promotions at CUNA told me that the campaign, which is still under way, will have five steps. It started with award winning public service announcements on television aimed at raising awareness of credit unions and credit union values. This was followed by focus

group research and a pilot public education campaign. This campaign started when research revealed that even many credit union members could not define accurately the differences between credit unions and banks. So, a TV and print campaign was developed to educate people about the basics. "*Different media mixes ran in six US cities, and the effectiveness of both the media approach and the messaging was evaluated*", Jan told me.

The adverts asked and answered three questions. Who owns credit unions? What are credit unions? Where do credit union profits go? Research established that the campaign led to a "significant increase in the number of people who knew that credit unions are owned by members, that they're financial co-operatives, and that the profits go back to the people who own them", Jan said. "Our next step will be an expanded public education campaign which will be to educate a broader public about credit unions as financial co-operatives, and set the context for a strong national credit union brand." Planning for this campaign is now underway.

The long term goal of the National Credit Union Values Campaign is to create a brand presence for credit unions nation-wide. This will be "*a strong brand that evokes positive sentiments, that inspires loyalty, and that stands for credit union values. A strong brand is a bond of trust. Like credit unions themselves, our brand must 'belong' to the people, our members.*"

Touchstone Energy Co-op

Touchstone Energy Co-op, a huge rural electricity co-op, is also promoting its co-operative values strongly. Its message is bold, "*Co-ops are operated to provide at-cost electric service to the consumer-owners. On the other hand, investor-owned utilities that are not co-ops are operated to maximise profit for the shareholders.*"

An influential US Gallup Survey, in summer 1994 asked "What Consumers Think of Co-operatives. According to the Executive Summary made available by the University of Wisconsin, nearly two-thirds of study participants were "somewhat" or "much more likely" to use retailers (64%), purchase food products (65%), or use credit unions (63%) if known to be co-operatives. One-half (51%) said the same about holding policies with mutual insurance companies.

Member-owned co-operatives had significantly superior images regarding selected value statements than do non-co-operative businesses. 62% of respondents "somewhat" or "strongly agree" that co-operatives "have the best interests of the customer in mind when conducting their business".

Marketing our Co-operative Advantage - MOCA

An exciting and ambitious education programme focused on "Marketing our Co-operative Advantage" (MOCA) has been developed by Tom Webb of St.

Francis Xavier University Extension, in Nova Scotia in conjunction with the Co-operative Development Institute of the USA.

"The program has several elements. We have held three international conferences (Canada & USA); created a video tape of case studies using print and tv adverts; printed conference proceedings; and done custom workshops varying from an hour to a day in length."

He told me, "The core belief in MOCA is that being a co-operative is the most valuable asset a co-operative has in a rapidly evolving global society and economy. The co-operative nature of the business defines a Unique Selling Position that is attractive to people. It cannot be copied by other forms of business. Co-ops are in the business of selling trust, not just groceries, insurance, fuel oil, or financial services. The MOCA approach is to look at global trends, the strengths of co-operatives to respond to those trends, explore the relationship between marketing concepts and education, review

market research, and look at case studies where co-operatives have used a MOCA approach. "

The work is closely linked with a Diploma in Co-operative Management being developed at St Francis Xavier University. "This combines co-operative values with hard business skills to develop dynamic managers who are capable of innovative co-operative business development". This means not copying the competition. "It is our conviction that co-operatives offer an alternative in a world which has discovered the short comings of state planned economies and is becoming more aware of the risks presented by unfettered investor driven business."

Conclusion

The methodology adopted by these co-op sectors can and should be followed elsewhere. There is much to gain and nothing to lose by becoming evangelists for the values and virtues of co-operative working. □

Youth Adding Value to Co-ops in the New Millennium

CANADA was the setting for the most recent ICA Congress and General Assembly, the last of this millennium and the first ever held in the Americas. 55 young people aged 18-30 joined nearly a thousand co-operators from around the world in the historic setting of Quebec City August 29 – September 1, 1999.

These young co-operators represented 17 countries, including the following countries in the Asia-Pacific region: Indonesia, India, Sri Lanka, Malaysia, Japan, and the Philippines.

An important component of a number of recent ICA Congresses has been a Youth Forum, organised in the interest of promoting exchanges of information and experience among participants. Over the past decade, youth activities have been convened in association with ICA Congresses in Manchester (1995), Tokyo (1992) and Stockholm (1988). Youth involvement in Québec City was organised around the theme, "Adding

Cindy Murray and Richard Stringham*

Value to Co-operatives: Youth Involvement in the New Millennium", and built around the following objectives:

- To create a two-way learning process between youth and adult leaders through mentoring and shadowing.
- To encourage the sharing and exchanging of information and experiences on co-operative involvement.
- To promote the ties of friendship and co-operation between young co-operators from different parts of the world.
- To help create an informal network through which young co-operators can continue to exchange informa-

tion and experiences beyond the life of the Congress and General Assembly.

- To provide a focus for young people involved in the co-operative movement to promote positive images of young people and co-operators.
- To be an informative, learning and fun experience.

Approach

The Québec City gathering was unique in two respects from past ICA Congress youth activities. Firstly, youth participants were fully integrated into the ICA Congress. For the first time, youth participants attended the majority

** Cindy Murray and Richard Stringham were the Co-Chairs of the 1999 ICA Youth Event. Cindy is CCA's Education & Training, and Richard is a Development Education Co-ordinator with CCA.



Delegates to the Youth Conference participating in a discussion.

of the Congress business networking sessions as well as all social sessions associated with the Congress. The Canadian Co-operative Association (CCA) and the Conseil Canadien de la Coopération (CCC) jointly organized special seminars for youth participants in association with Congress activities. Youth participants in Québec City had the opportunity to both discuss youth issues with their peers, and to take advantage of networking and development opportunities in the larger Congress.

Secondly, a mentoring component was added and promoted during the 1999 ICA Youth Event.

Leaders from the co-operative sector volunteered their time to connect with youth participants on a daily basis throughout the Congress and General Assembly sessions. This linkage was designed to foster a two-way communication and learning process between youth and non-youth participants. Feedback from both mentors and youth participants identified mentoring as a positive experience which added value-added to the experience of the youth participants.

Similar to past ICA Congresses, the Youth Forum participants developed and delivered a presentation reflecting their deliberations during the Congress. The presentation was very successful

and well received by the Congress audience. What follows is a synopsis of their presentation and our commentary reflecting our experiences in the three areas the youth focused on:

- ① education
- ① membership
- ① marketing

Education

Co-operative education must be life-long: "from the cradle to the grave". It encompasses vision, values, principles, democracy, empowerment, and equality. A commitment must be made!

Whether we are teaching managers supervision techniques, or farmers new practices, or children to pick up after themselves, one basic challenge of education remains much the same. We need to create a desire to change the way we do things.

Learning can be defined as something "which creates a lasting change in behaviour" (e.g. the child picks up his socks more than once without being told). Typically, to create learning which has a lasting effect on behaviour, three changes must take place: knowledge, skills and attitude.

Knowledge is the easiest to change and requires the least amount of time to do so. Skills, the ability to apply knowledge, longer to change. But attitude, which is the motivation to put the learning into

practice, is the most difficult to change and takes far longer than the either knowledge or skills.

Therefore, if education is to be effective, it must make changes in these three areas. The participants in Québec City, while committed co-operative youth, were keenly aware that change doesn't come overnight. Their "cradle to the grave" perspective recognizes that co-operative learning must start early, and must be a continuous process of engagement.

We as co-operators need to recognize that short and sporadic educational activities will be less likely to have lasting results, and that comprehensive plans need to be developed in order to change attitudes. We need to incorporate a broad range of educational opportunities.

Their cradle to the grave concept also recognizes the changing needs we have as we grow and take on new roles within the co-operative.

As an action plan for education, the following needs to be considered:

Formal education opportunities:

- Board / staff / member / new member education
- Direct youth development
- Curriculum in schools

Informal education opportunities:

- * mentoring and peer education
- * internship programs and youth exchanges
- * youth camps

Membership

Youth Forum delegates spoke of the wheel of membership. The wheel has three components each intricately related to each other:

- ♦ accessibility to membership and services
- ♦ representation in all levels of input
- ♦ recognition of their contributions and leadership

Imagine learning a new skill which you believe will benefit yourself and your employer. You return to your workplace eager to put your new found skills to work. Your employer asks what you

have learned and you report with an expectation that your keen interest will be noticed and put to work. Your employer nods and smiles and you return to your workplace with high expectations. Time passes and much to your dismay, your employer does not follow up with you. Nothing changes in your workplace and the enthusiasm you once held has become a cloud of disappointment.

This is a common scene in the area of training for the workplace. Unfortunately, it also has similarities to youth entering the co-operative community.

Imagine a young person going to an educational program, learning about co-operatives and becoming enthused and eager to participate. That same youth returns home to their community full of enthusiasm and ideas. The co-operatives in their community are anxious to hear about their learning experience. But what then? Do those youth have opportunities for involvement? Are they consulted for their opinions? Are they groomed as the potential leaders of tomorrow?

Unfortunately, our experience has more frequently been otherwise. Too often youth returning from an educational experience are expected to report and then be supportive of the co-operative when it is appropriate. In many cases, this may not be for another ten years or more. During that time, the youthful enthusiasm dwindles.

Some co-operatives though, have found ways to meaningfully involve youth. One example in Canada is that United Farmers of Alberta Co-operative Ltd. has set up a New Advisors Council which brings together 18 young adults from across the co-operative's trading area.

The Council members meet twice a year in a facilitated discussion in which they present the perspective of their peers. The co-operative board and management respond with the same respect and consideration that they would give a non-youth advisory. The input of youth is valued.

The participants recommended the following action plans on membership:

- ❖ dialogue with youth members
- ❖ collect and publicize youth membership data
- ❖ share case studies of youth involvement with other co-ops
- ❖ invest resources in youth
- ❖ continually challenge youth to maximize their contributions within the co-operative movement

Marketing

Participants asked the question: "how to market the co-operative advantage to youth?"

Concerns regarding marketing to youth must address were identified as:

- ❶ perception of co-operatives as outdated and inefficient
- ❶ marketing messages are not reaching youth
- ❶ marketing does not take advantage of the technical opportunities to reach youth
- ❶ loss of promoting values and principles in the co-operative movement

Those who have been involved in the co-operative sector know that co-operatives have been innovators and leaders of change in many areas. They also know that newly formed co-operatives are more likely to succeed than other business start-ups. Unfortunately, the rest of the public, particularly youth, may have different perception. And, in the world of marketing, "perception is reality".

It is encouraging to note that the participants identified that the values and principles co-operatives hold are appealing to youth. Our experience bears this out. We recall a management group who were surprised by the enthusiasm of a group of young adults for the co-operative principles of their business. Until they heard the enthusiastic responses from youth, the co-operative nature of the business was not thought to be valued by youth. The fact was that many youth had not known about the co-operative distinctiveness prior to that session.

The recommendations the ICA Youth Forum participants gave expressed the need to target the co-operative advan-

tage message to young people. This includes thinking about their issues and needs (e.g. employment) and how they communicate (i.e. technology).

The following were recommendations made by the youth, regarding marketing:

- ♦ employ youth,
- ♦ promote youth activities,
- ♦ address youth issues: (e.g. unemployment, environment, political),
- ♦ capitalize on all marketing opportunities, including technology; create local markets and international networks,
- ♦ education.

Conclusion

Education, membership and marketing to youth, go hand in hand. Youth participants noted that the three areas are intricately related, and encouraged Congress participants and the co-operative community to add value to their membership through recognizing and integrating the needs, initiative, and enthusiasm of its youngest members.

ICA President Rodrigues responded to the recommendation on the part of the youth participants that a Youth Commission for ICA be established by promising to firmly support their proposal, and to propose its establishment at the next ICA Board meeting. Follow up from the Event continues to build on the momentum and contacts established in Quebec City. A number of the ICA Youth Forum participants have already had an opportunity to make presentations regarding the Congress, which has allowed the young people to share the results of their deliberations with a broader co-operative community.

(If you have any questions about the 1999 ICA Youth Event, or would like to learn more about the Youth Event and Presentation you can find out more by:

- * Accessing CCA's website at <http://www.coopcca.com/youth>
- * Accessing ICA's website at <http://www.coop.org/menu/icasite.html>
- * Contacting Cindy Murray cindy@coopcca.com

or Richard Stringham at richardrured@compusmart.ab.ca

The Amul India Story

BOOK ONE - THE FIELD

MS. RUTH HEREDIA

A Strategy for Rural Renaissance

The nineteenth century of the Christian era, a century of numerous and diverse revolutions, was drawing towards its final decade. In the small village of Karamsad in Western India, Jhaverbhai Patel cultivated his 10-acre holding assisted by Vallabh, the fourth of his five sons. Father and son were inclined to be taciturn, but when the need arose they would speak so as to command respectful attention. Indeed, all the village referred to Jhaverbhai as 'mota-kaka'. At this time of his life he was a devout member of the Swaminarayan sect, as much esteemed for his piety, as he had been noted in his youth for his adventurous spirit.

Many years ago, when much of northern India had risen in rebellion against the British, Jhaverbhai had disappeared from Karamsad for three years. Some atavistic impulse, perhaps the natural response of one whose remote ancestors had been Scythian tribesmen, had combined explosively with a restless desire to do something more ambitious than tilling fields, and also, perhaps, with an undefined patriotism. Jhaverbhai journeyed north-east to serve in the rebel army of the valiant but doomed warrior queen, Rani Lakshmbai of Jhansi.

He survived the quelling of the Great Rebellion of 1867, but had found himself a prisoner of Tukoji Rao, the Holkar ruler of Indore. The king, who shared with his prisoner a passion for chess, eventually released Jhaverbhai, as recompense for the latter's useful advice in a chess game that Tukoji Rao had consequently won. These, at any rate, were the stories that the village lads heard from their elders; but Jhaverbhai himself now preferred to speak of religion.

During Jhaverbhai's absence, his wife Ladbai (who was only a girl in 1857) had learned to combine working in the fields with bringing up a family. She did not try to modify her hus-

band's unworldliness, but herself managed household affairs so prudently that, despite the expense of raising six children, she was always a hospital hostess. Ladbai, too, was pious in her religious beliefs and practices.

This, then, was the inheritance and the inspiration of Sardar Vallabhbhai Patel, that great visionary who was a man who knew how to translate vision into deed. And because he was the "onlie begetter" of the idea that grew into the organisation whose history is the subject of this study, it is necessary to understand (at least in part) Vallabh-bhai's vision of what independent India should be.

To the amalgam of qualities and convictions that Vallabhbhai inherited from his parents, he added a firmly fixed orientation towards the principle of order; this was probably why he took the first prize for Roman Law at London's Middle Temple, where he studied to become a barrister. It was an amazing feat for a more or less self-taught villager to whom English itself was an alien tongue, leave alone Latin.

But above all, imbuing every aspiration, was a deep-rooted love for the rural India that he knew so much

Dear Readers,

We are serialising the Amul India story for our readers. The Dairy Co-operatives in India and Amul in particular have been success stories for some years now.

Ms. Ruth Heredia, an English scholar has been associated with Amul since its inception. The book is published by Tata McGraw-Hill Publishing Company Limited, New Delhi.

The Kaira District Co-op Milk Marketing Society (Amul) has permitted us to publish it in our magazine.

We hope the readers will enjoy this book.

The remaining portion of the book will appear in the forth-coming issues of our magazine.

-Editor

better than his colleague, Jawaharlal Nehru, or, for that matter, their common mentor, Mohandas Karamchand Gandhi. Vallabhbhai's knowledge of both the techniques and the economics of farming was derived from his own experience. That same experience of being a peasant and the child of peasants, together with his native sagacity, had given him an unrivalled comprehension of the workings of the Indian peasant's mind. He was proud of his origins-went to say, that his only culture was agriculture-and he sympathised with the expectations of rural Indians after Independence.

Vallabhbhai recognised that Indian village society, granted its superficial faults, had evolved a structure that was sturdy and resilient enough to withstand the shocks of numerous

* Elder uncle

Preface

This is a story of a dream to which the interacting faith of a great many people finally gave substance.

The realisation of the dream began with the Kaira District Co-operative Milk Producers' Union, which was then like a small but sturdy plant, full of sap. That plant has grown into a fruitful tree, with spreading roots and branches, but it is still nourished by the soil from which it sprang. Likewise are the towering concrete structures and landscaped gardens; the array of computers; the clever, highly skilled technical staff; the busy researchers, eloquent teachers, and eager students; they all draw their purpose from the the 'white revolution' that has brought so much of rural India out of the feudal age.

The white revolution has not been easy to achieve. At one time, the milk lake of Kiara district was stagnant. A few traders skimmed off fat profits, leaving to the numerous producers only a sour thin whey of inadequate payment. But the co-operative movement began to churn that lake and soon it overflowed, spreading throughout the country. There was some pain for all those involved in the movement: for the traders, who lost much profit; and for the milk producers, who had to discipline themselves to responsibility, to a practice of democratic principles, and to the acceptance of changes in a lifestyle that had imparted a sense of security, chiefly because it was traditional: pain, too, for the men guided the movement with patience and perseverance, learning to accept temporary frustrations in the long-term interest of their project.

From the preparation of the soil in which a tree is to be rooted, until the time when it begins to cast its seeds and thereby causes other trees to grow, the life cycle of a tree presents a serviceable image of my two themes: faith and development. It presupposes faith even to plant a seed. And the long trial of faith followed by the joy of seeing it justified reflects. I think, the travail of development ending in the enjoyment of its rewards. In both, a farmer would see a parallel to the slow growth of his tree, the pains he takes over its nourishment and health, and the harvest of fine fruits that he reaps. My chosen image of the maturing tree supplies both the philosophical and chronological structure for this narrative.

There may be many who may not find a mention in the story. Were their names not too numerous, all would find a place in these pages; a roll call of honour naming milk producers, professionals in their employ, civil servants and politicians, social workers, and every one who have contributed something of value to Amul. Nor would the women be forgotten – wives, mothers or daughters – whose co-operation supported Amul's workers in raising a great and fruitful tree. For them, and for all readers, I quote a traditional Indian blessing:

*Swasthi prajaabhyaha paripaalanthaam nyaayyen
Maargaenn mahee maheeshaaha,
Go-brahmannaebhyaha shubam asthu nithyam.
Lokaaha samasthaaha sukhino bhavantu.*

Which may be freely translated as:

May those in authority rule with fairness and justice
For the welfare of all people,
May wise men and all creatures fare well.
May every one be happy.

Ruth Heredia

invasions down the centuries; shocks that might reasonably be expected to disrupt a community less well integrated. He foresaw that the only way to ensure that the democratic republic of India thrived (and not merely survived), was to root it in what was after all a much older structure than the newly integrated union of Indian states.

To communism, Vallabhbhai was doggedly opposed; about starry-eyed socialism, he had serious doubts. What he desired for India was an evolutionary change in rural society that would not affect its organic continuity.

Vallabhbhai was aware that Gandhi's ideal rural community, autonomous and entirely self-sufficient, was a romantic fantasy. On the other hand, industrialisation did not seem to him the perfect solution to India's economic problems. India was at that time primarily rural. So had Britain been dragged by the forelock into the industrial age. Britain had forfeited, in consequence, the strength of its previously stable and long-enduring rural society. Vallabhbhai feared that the shrewd but unsophisticated villager, hitherto familiar with common temptations on a human scale, was going to be confronted with the Dickensian horrors of the Industrial Revolution and – worse than economic exploitation – with political exploitation in which the corruption of village leadership would become inevitable.

Believing that political freedom without economic prosperity and social reform would deprive India's independence of its true meaning, he planned a strategy that, while it brought about the desired result, would control and contain the inevitable traumas of the country's sudden awakening to self-government, unification and modernity. Circumstances limited the trial of Vallabhbhai's strategy to the district of Kaira, the region that he knew and loved best.

The three harmonious elements of Vallabhbhai's strategy were of equal importance. The first concerned technology for the rural environment, which required the setting up of an institute of agriculture for development of relevant skills, for research into utilisation of suitable materials, and for transfer of this appropriate technology to the rural community. The second was a corresponding education of rural labour in a rural university. The third element was the organisation of producers' co-operative marketing institutions, which would serve the twin purpose of augmenting rural income and developing local industry.

The outstanding example was the milk producers' co-operative for development of the dairy industry. It was a model that could be adapted to suit the needs of a specific rural environment anywhere in India. Vallabhbhai Patel did not live to see the seed of his idea come to fructification, but the great tree that grew from it multiplied.

"...the life cycle of a tree presents a serviceable image of my two themes: faith and development. It presupposes faith even to plant a seed. And the long trial of faith followed by the joy of seeing it justified reflects..."

In Charotar

The choice of soil, tree, and milk as the three dominant images in this book is neither arbitrary nor fortuitous. The Charotar area of Kaira district, where this history begins, is a remarkably fertile tract, a land flowing with milk and honey. Four talukas^{**}, Anand, Borsad, Nadiad and Petlad, make up Charotar. Kaira district, comprising 10 talukas, belongs to the present state of Gujarat, once part of Greater Bombay, until the latter's bifurcation in 1960; whence the link between Kaira and the city of Bombay, over 400 km to the south.

Charotar's black and sandy loam soil derives from silting by streams between the rivers Mahi and Sabarmati. The principal stream is the Vatrak, which collects tributary waters and feeds them into the Sabarmati. The soil and the favourable climatic conditions make Charotar ideal for double-cropping vegetables with foodgrains and cereals. Tobacco is an important cash crop and cotton also does well here. Kaira has enjoyed the benefit of a railway line, which helped convert potential into actual economic gain.

An important reason for the rapid economic development of Kaira after independence, was the absence of the zaminadari system¹. But possibly the most significant factor was the settling of the Patidars in Charotar. The Patidars claim ancestry from the Gurjaras, eleventh-century migrants from Punjab². The men of this once martial tribe turned, as it often happens, to farming; and some obtained from their overloads permanent leases on small bits of land or patta. Hence the name Patidars, meaning owners of a patta. Whatever the validity of their claim concerning their origins, they established themselves fairly high in the caste ladder as Kshatriyas.

The largest concentration of Patidars was in Charotar: a tract the tribe won for itself by clearing jungles, draining marshes, and converting both into farmland. Not surprisingly, they earned the reputation of being excellent agriculturists. Indeed, they excelled in many fields as a result of their enterprising spirit and perseverance. They were also brave and determined, as the British learned to their cost during the freedom struggles of the 1920s. Led by the indomitable Vallabhbai Patel, named "Sardar" by an admiring Gandhi, the Patidars outfaced the British government in one campaign after another: The Kaira no-tax campaign of 1918; the Borsad Satyagraha of 1923; and, further south in Surat district in the great Bardoli satyagraha of 1928.

Their dogged opposition to British rule, however, did not blind the Patidar community to the advantages of western culture. The spirit that had sent their forebears into an unknown wilderness led a new generation into the well tended fields of western education. As always, they must excel, and certainly it increased their pride to know that they could successfully match the unwanted British on any ground. It was the Patidars who gave other communities in the region the lead, stimulating in them an openness to new ideas and a willingness to take chances. And it was their influence that

in great measure contributed to Amul's success.

Patidar women meanwhile did not hide their light under a purdah³ nor were they deprived of formal education. But even education did not change their attitude to manual labour. Young women with university degrees did their share of work in the fields and at home, even if their duties included carrying headloads of manure.

The frugality of the Patidars is as proverbial as the parsimony of a Scot. There was a reason – one that still holds good – for such a strong compulsion to save. The worthy Patidar father was expected to get all his daughters married, with a substantial dowry, even if the match was the result of mutual attraction rather than traditionally arranged. In addition, there was the expense of educating his children, boys and girls alike, for this too was an obligation imposed by the social conventions of the community. Undoubtedly, one of the deciding factors in the migration of Patidars westward, to Africa and beyond, was the combination of heavy financial obligations with limited opportunities to increase earnings at home.

But the strength of family ties and cultural bonds discouraged in these self-exiled Patidars a wholehearted renunciation of their native land. They sent home their savings: to relatives in the village to build houses, buy land or ornaments, or to invest in small businesses or in agriculture for wells, pumps and tractors. Careful with money they might be, but the Patidars were generous in their donations towards the establishment of such public welfare institutions as schools, colleges and hospitals, or towards such public works as water storage towers.

Motibhai Amin, a Patidar who was much impressed by the work of the Deccan Education Society, founded a Charotar Education Society in April 1916 on similar lines. The society established a number of educational institutions, whose curriculum combined new knowledge in the sciences and technology with the old values of religion and cultural traditions. Like its model, the Charotar Education Society (CES) was founded on the twin pillars of voluntary social work and public participation. One of its schools was named after the pioneer Dadabhai Naoroji. K.M. Munshi, the writer, educationist, barrister and politician, was an active supporter of the CES.

The Mansukhlal Trust, of which Munshi and Sardar Vallabhbai Patel were trustees, donated ten lakh rupees to establish the Institute of Agriculture at Khetiwadi, about 2.5 km from Anand, a taluka in Charotar, where Amul would eventually be established. The Institute was set up in 1938 with Sardar Patel as its chairman. Two years later, he made an agricultural scientist, Dr. Maganbhai D. Patel (1906-1981) responsible for running it.

Maganbhai was born in Kaira. After graduating from Poona Agricultural College, he took his master's degree in agriculture from Cornell University and his doctorate from the University of Wisconsin. In 1931, Maganbhai joined the faculty of the Allahabad Institute; in 1933 he became a manager of

** Sub-division of a revenue district.

the Cattle Breeding Farm in Bombay: and in 1935, he was chief marketing officer in Baroda state. While still in high school, Maganbhai had taken an active part in the civil Disobedience Movement and gone to jail for it.

The year 1946 saw the foundation of three other institutions in Charotar. On August 8, the Charotar Vidya Mandal was registered by Bhailalbhai D. Patel, an engineer, and Bhikhanbhai K. Patel, an educationist. Sardar Patel was elected its president. On September 9, the Charotar Gramodhar Sahakari Mandal was registered. Also that year, the foundation stone was laid for a university about five km away from Anand, which was named after Sardar Patel – The Sardar Patel University.

Sardar Patel was a discerning judge of men. He had the ability, rare as it is precious, to choose men who could be inspired with a single-minded resolve to apply their special talents to the task of nation building. For, by 1945, Sardar Patel was an old man who had flogged his body too long and hard to expect his physical strength to endure as long as he willed it. In the few years that remained with him, with heroic exertion of sinew, nerve and intellect, he would help to weld into a single nation those fragments of Britain's Indian empire that still retained the name India, but he recognised that he must entrust the preservation and continuation of his life's work to other men.

It was characteristic of Sardar Patel, to give the men of talent who he picked a mission in words of challenging directness, of a simplicity that made them unforgettable; as when he addressed one of the first batches of IAS (Indian Administrative Service) probationers soon after Independence. "The future of the country lies in your hands; see that you keep it safe," he said.

We do not know what Sardar Patel told Bhailalbhai Patel. Rhetoric was not his style, nevertheless he was able to charm the brilliant, successful engineer out of job and city, where he was well settled, and lead him into a robber-infested wilderness to build a rural university.

Bhailalbhai also known as Bhaikaka had qualified for the Bombay Engineering Service, and had worked in Sind on the Sukkur barrage. Ever since Sardar Patel had served in the Ahmedabad municipality as member and as president, he had taken interest in the city. He had observed with approval the transformation of the expanding city, wrought by Bhailalbhai. Bhaikaka's approach to town planning was very advanced for the time: it included, besides broad roads and an adequate supply of water and electricity, the zoning of Ahmedabad into areas for commerce, industry and education. Having observed Bhaikaka's practical application of engineering skills, together with his great energy and drive, Sardar Patel judged this enterprising engineer to be an appropriate instrument for translating his vision of true freedom into reality.

The farmers of Charotar wanted institutions of higher learning, in effect a rural university, and Sardar Patel was determined that there should first be a College of Agriculture,

then a College of Science and, later, a College of Engineering. To Bhailalbhai and Bhikhabhai Patel, Sardar Patel entrusted the task of building the first rural university in independent India. The foundation stone for the Bansilal Amritlal College of Agriculture was laid on April 6, 1947 by Sardar Patel, then the Home Minister in the Government of India. The College of Engineering, to which the industrial family of the Birlas had donated twenty-five lakh rupees, was inaugurated by Lord Louis Mountbatten on June 14, 1948.

Bhaikaka built the campus and structures of Sardar Patel University at Vallbh Vidyanagar with the active assistance of the Charotar farmers. For months, Bhaikaka and his colleagues camped under a mango tree³ while the wilderness that was their chosen site was cleared, and the first buildings constructed.

Funds for initial expenses were raised through land acquired from farmers in a most imaginative way. Bhaikaka asked about 500 farmers to contribute land for the projected university. If they gave it to him without expecting compensation, he promised to return half the area to them after developing it with roads, water supply, drainage and electricity. This half of the donated land, he explained, would then be worth more than twice its original value. The farmers were satisfied that they would lose nothing and gain much by this unusual transaction.

All the same, Bhaikaka was too practical a man to assume that the small resources of the farmers could support the development of his project. This was why he first founded the Charotar Vidya Mandal to create the complex of institutions for research and education constituting the rural university, and month later founded the Charotar Gramodhar Sahakari Mandal. In keeping with Sardar Patel's ideas, the Sahakari Mandal was a co-operative society dedicated to rural economic development. It set up and supported rural industries manufacturing tiles, rubber products, and prestressed concrete building material. A large portion of the co-operative society's profits were donated to the educational society, supplying the funds it required.

Thus Bhaikaka drew together the two resources available to him, his own great engineering skill⁴ and the active collaboration of the farmers, to establish in Charotar a university whose autonomy he assured by endowing it with income from viable productive enterprises set up in the very heart of Charotar.

One begins to see why the phenomenon called Amul should have sprung from the soil of Charotar.

Notes

1. The zamindari system introduced by the British government in the eighteenth century was a feudal system of land tenure by which the cultivator did not own the land he cultivated. The owner was the zamindar or landlord.
2. The Gurjaras were a Central Asian tribe, probably related to the Shakas (Scythians), who entered India with the Huns. Some tarried in the Punjab and Rajasthan

(where their descendants, known as Gujjars, still herd buffaloes), while others moved south in the ninth century to Gujarat, the region named after them. They were followed at intervals by fresh waves of migrating kinsfolk, hard pressed by new invaders. Gujarat had earlier been part of the Shaka kingdom established in the second century and remained powerful for over 200 years.

3. Bhailalbai set up his office under the mango tree and later continued to work there. Keeping him company under the tree was a Shaka relic that workers had uncovered, a statue of Suryadeva in the Gandhara style, said to be carved out of Pentelic marble.
4. If the function of the scientist is to add to our knowledge, while the function of the engineer is to apply that

knowledge to practical problems, then Bhaikaka was both a scientist and an engineer... Instead of lecturing people about his principles, he concentrated on practising them and turning them into realities. He had a sure, intuitive perception that the hub of the problem of rural poverty was then, as it is today, the nation's need to enlarge the resources available to our villages, and to improve the conversion of those resources into the goods and services that rural people need.

(Dr. V. Kurien, Sixth Bhaikaka Memorial Lecture, 61st Annual Convention of the Institution of Engineers (India), Hyderabad, February 9, 1981).

Milkmen of Kaira

At the entrance to the library of the National Dairy Development Board headquarters stands a bronze bust on a pedestal bearing the following inscription:

*Pestonji Edulji Polson
Founder,
Polson Manufacturing Company
In 1890.
Subsequently registered as
Polson Limited in 1939.
Born
28th February, 1875
Died
6th November, 1962.
In token of respect
and affection of his
business associates
and those who have
served under him.
And
Subsequently presented to
National Dairy Development Board
On
March 21, 1977.*

Polson played the role of Goliath to Amul's David, but honouring him thus is not merely the generous gesture of a victor to the vanquished. It is an acknowledgement of the constructive part that Polson took in the development of Kaira's dairy industry.

Polson was born Pestonji Edulji Dalal, a Parsi¹ from Bombay. Poverty drove him to seek ever more profitable ways of earning a living, but the young man had a natural aptitude for business as well; he was shrewd, toughminded and enterprising. He found a market for his fresh ground coffee and sold it under the reassuringly English-sounding name

of Ploson', eventually adopting the name as his own. From pure coffee, Polson expanded his business to include a chicory blend that he called Polson's French Coffee. He obtained the chicory roots from farmers in Gujarat to whom he had given the seeds. This connection with Gujarat was soon to grow.

The fortunes of Polson were built on three important wars engaging the British army: the Boer War at the turn of the nineteenth century, and the two world wars within the first five decades of this century. Polson's coffee was supplied to the British and Indian armed forces. In the civilian market, imaginative marketing tactics, including attractive packaging and gift coupon schemes, increased Polson's profits. But Polson got his biggest break with the marketing of butter. Again, it was the army that required quality butter; a steady supply in very large quantities.

Polson knew Kaira very well, and knew it to be overflowing with milk that was rich in fat. It did not take him long to organize the collection of cream, through agents, from villages in Charotar. In Bombay, this cream was converted into butter that passed the quality tests for supply to the British and Indian armies all the way up to the Eastern Mediterranean theatre of war. The first big order came to Polson in 1915. Soon, wherever there was a marketing outlet, Polson's Butter joined Polson's Coffee at the top of every upper-class housewife's grocery list. Indeed, 'Polson' was to become a name synonymous with butter, as 'theros' was once standard name for a vacuum flask, regardless of brand, and as 'xerox' is today interchangeable with 'photo-copy'. Simultaneously with the growth of the Polson butter business, dairying in Kaira flourished.

However, it would be inaccurate to credit Polson with establishing the modern dairy industry in Kaira. The first dairy plant was set up circa 1900 by A.C. Strafford of British Express Dairy (Strafford was a Swede, despite his name). He taught the local milk producers how to sterilize milk and, by

* Not related to the old English firm of Brown & Polson

1904, how to use hand-operated cream separators. The leftover skimmed milk was thrown away, and the cream sent to Bombay to be converted into butter that Strafford exported. By 1910-11, Strafford was sending about 45,500 kg of cream to Bombay everyday. This was a principal step in the development of dairying in Kaira. It led to the growth of an indigenous butter industry 'though on a small scale' in Bombay and Ahmedabad.

Noticing that the villagers threw away quantities of skimmed milk, creating noisome pools of the decaying liquid in the vicinity, a canny German named A.M. Kohler thought of the large profits he could make out of this waste. Kohler was in the business of manufacturing casein.⁺ In 1911, Kohler and his Indian partners, set up a unit in the village of Gamdi near Anand. At first he got his raw material free. Later, he increased the quantity he received by paying the absurd rate of a quarter anna³ for a headload of about 40 litres, describing this payment as transportation fee. At its peak, his casein production touched nearly 275 kg a day.

One of Kohler's assistant was Mansukhlal Kapasi, a local man. By chance Kapasi discovered that Kohler's 'magic' tablet, (which the latter described as essential to the manufacture of casein), was in fact no more than a device to mystify possible rivals. Kapasi approached the German buyers of Kohler's casein, and soon started a business of his own. Kapasi's former employer got him jailed for breach of trust, but was himself deported during World War I, leaving his own unit to its manager, Cawasji Banker. On his release, Kapasi started a creamery, Pure Milk Products, and a casein extraction plant at Anand in collaboration with C. Jivanlal & Co. of Bombay.

In the village of Nadiad, Strattppm & Co. started the Indian Dairy Supply Co., which pasteurised milk, and manufactured butter, milk powder and cheese. The English dairy expert, G. R. Reeves, joined the company in 1914. Reeves had come to India in 1892 as an adviser to British Army, which wished to set up military dairies in India. He established the first mechanised creamery in Gujarat; the Government Central Creamery at Ahmedabad. The Indian government also set up a creamery, at Anand, whose chief purpose was the production of dairy foods for the army.

By 1916-17, Indian Dairy Supply Co., benefitting by Reeves expertise, was able to transport approximately 11,365 kgs of butter every day to Bombay and only a little less than that amount of pasteurised milk, besides paneer.^{**}

All this activity in manufacturing dairy products was occasioned by World War I. With peace came a slump in demand. A collapsing German economy offered no market for casein, and the Great Depression was not far off. The Kohler-Banker casein unit and the Government Creamery had to be closed down. Creamery was handed over to the civil agriculture department, which reopened it in 192. The

⁺ Casein is phosphoprotein that is one of the chief constituents of milk.

^{**} Cottage cheese

Doshi brothers (who had started out with A.C. Strafford) had launched an enterprise of their own the year before.

After reopening, the Government Creamery was used to train students of dairy science. Among the earliest batches of students was one Dara N. Khurody, whose actions at a later date would greatly influence the course of Amul's history. The manager at that time then was William Smith, an Imperial Dairy expert, who had come to India in 1920 to advise the government on dairying and animal husbandry. He was succeeded by Dr. Zal. R. Kothawala, also an Imperial Dairy expert, and later director of the Imperial Dairy Institute at Bangalore. Dr. Kothawala continued to use the Creamery, but this time for additional purpose of doing research. The creamery ran into financial trouble, and in 1931 it was closed once again.

Polson's own genius lay in the skill with which he built a flourishing dairy business on the foundations laid by others. He perceived two salient facts: canned butter was a product of rich promise, and if his butter was to be more appetizing, it had best be made closer to where the cream was collected. Moreover, he would require a dairy plant, modern and well equipped. Whatever the investment cost, the returns would repay it amply. One of his European staff members was sent off to Denmark and other European countries famed for their dairy technology.

And so this was how Polson's Model Dairy, the first of its kind in the East, came to be set up in Anand, at a cost of seven lakh rupees. In India, before Polson, there was no one with any practical experience either of building such a dairy plant or of operating one. No less a person than the governor of Bombay, Sir Frederick Sykes, inaugurated Polson's Model Dairy on January 3, 1930.

It was a dairy to take pride in, as Polson plainly did. The plant included an automatic milk can washer, milk weighing platforms, milk storage tanks, cream separators, a flash pasteuriser, a tubular cooler, cream ripening vats, butter-churns, an automatic butter moulding and wrapping machine, and an automatic labelling machine; all organised to make the manufacture of butter a fully mechanised and efficient process. The dairy had steam engines, boilers, cooling plants for refrigeration, tubewells, pressure filtering plants for extracting iron oxides and similar impurities from water, and a unit manufacturing tins for butter. There was a laboratory to test milk for specific gravity, fat, sugar and ash content, acidity and bacterial counts.

Sir Frederick Sykes, in his speech, remarked on the importance given to hygiene and the purity of the dairy's butter. He was right: the two points would at any time be noteworthy in India, as much now as then. Four years later, the dairy installed a vacuum pasteuriser called a vacreator to process its cream. In the vacreator, cream is mixed with steam at fairly high temperature (ranging from 80°C to 98°C) and flash cooled under vacuum. This flash evaporation removes the condensed vapour and volatiles. The end product is an odourless, neutral-testing cream, ready to receive artificial flavour and colour.

Until Polson's butter came into the market, the Indian housewife depended on the cream and milk sold by the local *dudhwala** to churn her butter, no matter how insanitary were the conditions in which these were obtained and sold. The produce from Edward Keventer's farm at Calcutta, and from the dairies established in Delhi, Simla and Darjeeling, was intended for the viceroy's household, and for military and civilian officers.

In the beginning, Polson was compelled to turn to non-Indians to manage his dairy. Its first superintendent was R. Unglert, who was succeeded by N.H. Madsen and W.P. Foster, in turn. Foster was a New Zealander, who joined Polson's dairy in 1934 as an assistant superintendent. He was a trained and experienced dairyman, chosen by the agriculture department of New Zealand to meet Polson's request for such a person.

The annual production of butter at Polson's dairy was around 455 MT in the year that Foster joined. During World War II annual production was more than 1,365 MT, reaching a peak of 5000 kg a day. Butter was supplied to the British, Indian and American forces. Polson's Pure Coffee was supplied to the US forces in South-East Asia in such quantities that Polson, assisted by the US Forces Supply Office, had had to set up a modern coffee factory in Bombay, with an out-size roasting machine. In modernity, size and careful planning, Polson's coffee factory was a counterpart to his model dairy.

The Japanese blockade prevented Australian and New Zealand cheese from reaching the tables of the British. Yet cheese was an essential item in the severely restricted and rationed civilian diet; it was also required by the British forces. In 1942, the Government Creamery at Anand reopened as a cheese manufacturing unit, leased to and operated by Polson's dairy. Polson sought an elite civilian market for cheese in small packaging. (One should bear in mind that at this time no technology for making processed cheese from buffalo milk was known, although 'natural' cheese was manufactured). But in a year, and after producing about 214 MT of so-called processed cheese, the Creamery was compelled to close for technical reasons.

It was opened a fourth time in 1944, and a (roller) milk drying plant was installed for the research work of the Imperial Dairy Research Institute at Bangalore, whose director was the same Dr. Kothawala who had managed the training programme at the Creamery in an earlier period of use. Its history after 1944 is covered in another part of this book.

Lacking sufficient competition, Polson's Dairy won numerous medals at exhibitions and trade fairs. In 1940, in order to set standards for production, a creamery and butter conference was convened at Delhi by the agricultural marketing adviser to the Indian government. Polson's dairy was invited to send a representative, and he played a key role in the formulation of the Agmark scheme. According to this scheme, the government permitted the use of the Agmark seal on

those products whose manufacturers had agreed to maintain the standards of production specified by the agricultural marketing adviser's office, and had also agreed to permit sample-testing by inspectors from that office.

Following the end of World War II in 1945, Polson's butter and coffee sales to the armed forces declined. At this time, the government of Bombay undertook a scheme to provide the citizens of Bombay with milk at subsidised prices, and a proposal was made to Polson's dairy to provide pasteurised milk in bulk.

Unable to import the latest equipment, or to purchase it locally (very little dairy machinery or equipment was indigenously manufactured then), Polson contrived nonetheless to set up a pilot plant, with a processing capacity of about 7700 kl a day, which was the quantity of pasteurised milk sent from Anand to Bombay by rail every day. The first consignment, a little over 2700 kl milk in its pre-cooled insulated van, was received in Bombay on November 16, 1945. A little over a year later, the plant's capacity was doubled and thereafter the supply grew to approximately 22,750 kl.

Paradoxically, this triumph of the Polson dairy enterprise was also the beginning of its slide downhill. For three decades Polson had reigned supreme over the milk lake of Kaira and the markets of Bombay. He depended on the requirements of army, government, and customers in the higher income bracket. His organisation was large enough to operate 38 creameries. Besides butter, the dairy made ghee, and sold casein sent in from the creameries after it was dry. But Polson's style of functioning and business ethos were counter-productive. Local contractors were employed, and the producers kept at a distance. Though Polson insisted on daily cash payments, and it was reasonable to calculate the purchase price according to the fat content of the milk, Polson himself was not concerned about who actually gained from the transaction – producer or contractor.

Furthermore, Polson obtained from the Bombay government an executive order giving his dairy the monopoly to purchase milk from Anand and the fourteen villages that surrounded it, simultaneously banning the export of milk or milk products from Kaira District. In consequence of this official ban, small independent contractors trading in milk, Doshi brothers of Anand Milk Products, and others, were arbitrarily deprived of their business. It seemed a sensible idea to join forces, even to organise a co-operative society, and contrive to obtain a contract to supply milk to Bombay themselves.

Other people, too, had begun to think of co-operation as a means of self-defence against Polson's exploitation. These were the farmers, the milk producers. They had hitherto been obliged to accept whatever price Polson's contractors paid. Not long after the Model Dairy opened, some of the small traders, and a few producers influenced by them, had boycotted Polson. But their feeble and disorganized strike had failed. In 1946, the circumstances were altered. Now there were leaders – Sardar Patel, Morarji Desai and Tribhuvandas

* *Milkman*

Patel. Now there was an idea – a Milk Producers' Co-operative!

A second, better-organised boycott in January 1946, forced the government of Bombay to withdraw its order. In 1947, the government succumbing to pressure from Anand Milk Products, entered into a contract with them for supply of milk. However, the quantity was less than the amount purchased from Polson. In fact, Polson continued to have the effective monopoly of milk procurement because the milk producers' co-operative was obliged to go to him, having no processing facility of their own.

All the same, the signs of change were evident if only Polson had been willing to see them. Foster, his dairy superintendent from New Zealand, did see them, and realised that he would have to return to his home country while he was still young enough to make a fresh start. He did not actually leave until December, 1951. By then the participation of several people in a remarkable new venture had already begun.

Notes

1. Parsis are a community of Zoroastrians who fled religious persecution in Persia (Pars) and settled in India during the seventh and eight centuries.
2. Most figures in this book are approximate, because one litre of milk or cream is not quite equivalent to one kilogram, and also because all figures have been converted to metric units. When milk is measured by volume, the figure is recorded in litres; when measured to assess fat content, the figure is recorded in kilograms.
3. Until the metric system was adopted in 1960, a rupee was divided into sixteen units called annas. Each anna was divided into four pice; each pice into three pies. A quarter anna was, therefore, one pice or three pies. Quite apart from relative value in terms of purchasing power, one anna would be the equivalent of about six (modern) paise. It seems appropriate to mention here that a lakh is a hundred thousand, and a crore is a hundred lakhs.

BOOK TWO - SOWING THE SEED

A Leader Emerges

By 1946, the fertile soil of Charotar had been well prepared to receive the seed of faith in a great enterprise, one whose immense potential was not even imagined at the time of sowing. The prime movers, and the farmers without whose co-operation nothing could have been achieved, had not the haziest notion then that their solution to a local problem would grow into the vast complexities of national policy.

Co-operation was the key to solving the problem of how to get a fair deal for the milk producers of Kaira so that they could improve their living standards. Some one was required to organise and lead: co-operative societies do not spring fully from the heads of would-be members¹. Moreover, they are imperilled from the start by the selfish interests of persons within the co-operative and without. A leader emerged in Tribhuvandas Kishibhai Patel.

Tribhuvandas was born in Anand on October 22, 1903. A beneficiary of the CES's (Charotar Education Society) enlightened programme of works, he was one of the half dozen or so students who first enrolled in the school opened at Anand by the Society. Tribhuvandas received both his primary and secondary education at Anand, and came under the influence of a very fine man, Ambalal Motibhai Patel, secretary of the CES.

When Ambalal Patel came to teach at Anand, his first question concerned the school library: was there one? Where was it? He discovered that owing to lack of funds the rent

had locked it up. Ambalal persuaded him to hand over the key, organised his students to raise funds, and started a regular library service where the students took turns to open up the room and issue books.

In the cause of education, Ambalal was unselfish and devoted. He was also courageous and resolute. When the plague sweeping through the region in 1918 struck Anand, villagers fled their homes in panic, and many died of exposure. Believing it to be his duty to continue teaching, the Mahadev Temple. His example stayed the panic, but he paid for it with his young life. Worn out by his exertions for the stricken, he fell victim to plague before the epidemic ended. Her was one of Tribhuvandas's role models.

Another was Gopaldas Ambaidas Desai (1887-1951), called Darbar Gopaldas, a wealthy Patidar from Vaso, holder of the small Saurashtrian fief of Dhasa, inheritor of sizable properties in Ahmedabad district and around Charotar. His admiration for Motibhai Amin, founder of the CES, turned darbar Gopaldas into an exemplary landlord and patriot. He joined the Indian National Congress and, in 1921, became president of the Kaira District Congress Committee.

The following year, his Dhasa estate and much of his property were confiscated by the British in retaliation for his taking part in the freedom movement. Darbar Gopaldas then settled in Borsad. Undaunted, he took part in the Borsad and Bardoli satyagrahas, and continued to work in the Quit India

campaign. Not until after Independence did Darbar Gopaldas regain his confiscated lands. Here was another role model for Tribhuvandas.

A third influence in his life was Ravishankar Maharaj (1984-1984). He was born Ravishankar Shivram Vyas, an Audich brahmin from Baroda, who became an Arya Samajist and, after 1915, a true disciple of Gandhi. Following that illustrious personage Ravishankar maharaj became a zealous advocate for the Baraiyas and Patanvadiays of Borsad taluka, who were economically backward and despised by other communities.

Then there was Gandhi himself. Tribhuvandas studied at the Gujarat Vidyapith started by Gandhiji. He had met Gandhi and frequently attended meetings addressed by him. He was still a student when Gandhiji called for opposition to the Rowlatt Act of 1919. Following an abortive attack on the government-owned creamery in Anand, Tribhuvandas and his fellow students turned to a group discussion of essays, written by themselves, suggesting more effective acts of protest and defiance.

Tribhuvandas's essay, written in 1920, was on co-operation. It resolved to persuade milk suppliers not to sell milk to the Government Creamery. The students achieved this by paying for the milk themselves and pouring it away. Such a course of action could not be sustained without unlimited funds, which the agitating students did not possess. That was how Tribhuvandas learned an important lesson about co-operation, particularly its problems. It was appropriate that the occasion should concern milk; as a farmer himself, Tribhuvandas would some day keep two buffaloes. But it was also a pointer to the 'milky way' that lay ahead of him and in the future of Kaira.

Tribhuvandas's next move was not an unusual one for an educated and patriotic young Indian of his time: he started a printing press in Anand. The Charotar Printing Press, which began to function in 1924, soon got into trouble with the authorities for printing two nationalist pamphlets. He was fined instead of being imprisoned, but the authorities attempted, albeit unsuccessfully, to prosecute his wife Maniben², whom he had married in 1918, for allegedly selling some straboard at a rate higher than the controlled price. Tribhuvandas then owned about 20 acres of land from which, together with the press, he derived his living³.

At the Haripura session of Congress in 1938, Tribhuvandas met another of his heroes, Sardar Vallabhbhai Patel; he caught the flame of the latter's visionary zeal and absorbed the ideas on rural development. That was a year of drought, famine and, consequently, of unemployment in Gujarat. During the session, Sardar Patel received reports of incidents involving housebreaking and looting in Kaira. He sent for Tribhuvandas.

"What's the use of talk?" Sardar Patel said. "You belong to Kaira. Go back there, visit the villages on foot and restore people's morale."

Vallabhbhai's future refrain was to be a question that he asked tribhuvandas time and again: "Are the farmers happy?" Tribhuvandas privately adopted this as his motto (privately since he is not given to flaunting his virtues), and it has guided his action ever since.

Sardar Patel had a great desire to see the beginning of an agricultural institute in Charotar. He gathered the Kaira district Congress workers and explained his idea to them. Fired by Sardar Patel's words, Tribhuvandas returned to Anand, collected maps of the region and consulted his cousin Bhagwandas Kashibhai Patel, then the Secretary of the Anand Taluka Congress Committee. They helped select the site on which the Institute of Agriculture stands.

Like almost every ardent Congressman of the 1930s, Tribhuvandas proved his loyalty to the cause of Indian independence by numerous terms in jail for participating in the Civil Disobedience and Quit India movements. In 1942, he was imprisoned for the last time and sentenced to a term of two and a half years. By 1944, he had fought bravely and suffered enough to prove himself a worthy leader. He was accordingly elected vice president of the Kaira District Congress Committee.

Tribhuvandas is nothing if not tenacious, once he is convinced of the rightness of an action. He was convinced of the necessity of organising the milk producers of Kaira into a co-operative society, and it remained his goal as India struggled for freedom.

Notes

1. There is always the exception. The modern formal co-operative movement originates in the actions of 28 poor weavers of Rochdale, Lancashire, who founded in 1844 one of the first consumer co-operatives – the Rochdale Society of Equitable Pioneers. With a capital of one pound each, they opened a small retail store. The set of rules they adopted came to be known as the Rochdale principles; these are the basic tenets of co-operative societies worldwide. But even the Rochdale weavers were inspired by Robert Owen, pioneer of the co-operative movement.
2. This was not Maniben, the daughter of Sardar Patel; the name is very common in Gujarat. Maniben was Tribhuvandas's second wife, his child-bride having died in 1912.
3. Tribhuvandas lost 16 acres of his property upon the enactment of the Tenancy Act of 1947. He took the loss philosophically, a response typical of the man.

*"May those in authority rule with fairness and justice for the welfare of all people,
May wise men and all creatures fare well.
May every one be happy.*

- Traditional Indian Blessing

The Churning Begins

The co-operative movement in Kaira had an early beginning. A resolution of the Bombay Presidency Government in 1904 had directed that work should begin on organising co-operatives in six districts, including Kaira. A Co-operative Societies Act from the same government in 1912 was more effective. The Congress ministry, which took office in 1937, showed greater interest in the co-operative movement, recognising it as an instrument of rural reconstruction. A report was commissioned by Vaikunthlal Mehta, the Finance Minister, and M.D. Bhansali of the ICS (Indian Civil Service), who was registrar of Co-operative Societies. After World War II, the movement progressed greatly in Bombay presidency, despite the short tenure of the Congress ministry.

Milk production was unsatisfactory particularly because of two deficiencies. One, in order to produce milk of better quality and larger quantities, milch cattle should have been upgraded (as European dairy cattle have been), but that a costly process that was beyond the means of the average milk producer. (As long as short supply kept the selling price of milk high, traders could not be expected to bother). Two, to make the most of whatever milk was available, it should be distributed efficiently and economically, which was impossible with primitive chilling facilities and lack of transport routes.

Summers in India are very hot; monsoons turn the mud tracks, which were once the only link between Kaira's villages into quagmires or rushing streams. Unprocessed milk has very short shelf life, no more than three to four hours from milking to souring. Milk producers in Kaira often had to walk long distances to deliver milk at the agent's collection point, and this was disadvantageous to both. The man collecting milk was not much inclined to accept small quantities because he had to singlehandedly manage such tasks as measuring milk, testing it, checking it for staleness or sourness, maintaining records for payment, and disbursing payment. Numerous small transactions only multiplied his duties. Nor was he willing to accept milk carried in from a distance, because even a small quantity of stale or sour milk could spoil quite a lot of the good milk that he had already collected. (During early 1980s, a large volume of milk delivered at creameries was sour and suitable only for low-grade casein, not creamery butter.)

The milk procurement system prevailing in Kaira before 1946 functioned thus: milk contractors, employed by Polson or any other manufacturer of dairy products, along with agents of traders in milk and its products were the middlemen who actually purchased milk from producers. After cream separators were introduced, the rate of payment could be related to the fat content of the milk, a reasonable arrangement. But the fat content was not measured by scientific instruments as it is now. Most often the middleman, claiming expert knowledge, simply dipped his finger in to the milk and declared the fat content, and thereby the price.

Milk producers had no choice but to sell at the price that was offered to them, which was frequently no more than the equivalent of five annas a litre. The middleman took his commission from the manufacturer or trader, who in turn made his profit from sales to consumers. These customers paid fairly high prices for skimmed and watered-down milk, which often contained chemical preservatives and micro-organisms.

To make matters worse for the milk producer, production of milk varies with the seasons. At calving time, during winter, there is a glut of milk, but in summer milk is scarce. It was customary for a village to auction, every year, the sole right to collect milk. The contractor who promised the largest contribution to the village welfare fund gained a monopoly. But there was a catch in this seemingly satisfactory system.

Contractors' agents deliberately collected less milk. They were only persuaded to take more – as a great favour – after the price had been beaten down to the lowest that a producer could be forced to accept. Since the milk producer was left with a large, unsaleable surplus in the flush season, that was when the contractor could squeeze him hardest.

Milk could be, and was, converted into traditional dairy products: like *khoya* and *ghee*. But the prices and conversion ratios made the sale of fluid milk more profitable. One kilogram of milk took over 20 minutes to be converted into *khoya* by the process of slow boiling. Similarly, the making of *ghee* took time and labour. This the contractors knew. They also knew that the hard-pressed producer sometimes adulterated milk with water. Middlemen made this an excuse to lower the prices even of unadulterated milk.

The tremendous increase in demand for milk and milk products generated by World War II, and continuing thereafter, only served to enrich the milk merchants and other agents in the commercial chain leading from producer to consumer. However, milk merchants recognised that there was an upper limit to the already high selling price of milk in the cities. If they crossed that limit, an articulate urban population would voice its grievance and the government would be compelled to intervene. In addition to their gains from watering-down the milk they sold, and from the cream they skimmed off it, traders also pocketed the difference between the selling price of milk and the price they paid the contractors. Those who suffered most were the hapless milk producers, especially in the remotest villages.

Because milk contractors and traders frequently combined moneylending with milk trading, it was in their interest to keep farmers debt-stricken and on the borderline of insolvency. This, then, was the plight of farmers until the year before Independence. It should be noted however, that Kaira had a well-developed milk tract and an organised procurement system (this made the task of the milk co-

* Dried Milk and clarified butter.

operative that much simpler later on) because of the private traders in milk.

In January, 1946, a meeting of milk producers was convened by local Congress leaders at the village of Samarkha in Anand. Polson's dairy had pushed the milk producers and traders of Kaira too far this time. Polson had obtained from the Bombay government an executive order that gave him, in effect, the monopoly over milk procurement rights in the area. Without competition, producers were now forced to sell milk to Polson's contractors for two and 2.5 annas per half litre whereas earlier they had sold it for four to five annas. The producers and small traders took their troubles to Raojibhai Manilal Patel, president of Kaira District Congress Committee, and he consulted Bhagwandas Patel, who was by this time president of the Anand Taluka Congress Committee.

An appeal to Sardar Patel drew from him a reiteration of his opinion – most clearly stated in his letter of June 30, 1942, to Dr. Maganbhai Patel – that the milk producers of Charotar should unite in a co-operative society. Sardar Patel warned the delegates from Kaira who had come to seek his assistance that anything he himself did to organise the co-operative he was advocating would be construed by the government as politically motivated. The government would then most certainly oppose it. As his representative, Sardar sent secretary of the Gujarat Provincial Congress Committee, Morarji Desai, the Congress leader beginning to be known as Sardar's lieutenant. Morarji was to preside over the meeting of Samarkha convened by Natvarlal Dave, a local Congress worker.

Meanwhile Tribhuvandas, whose health had been badly affected by his last, prolonged sojourn in jail, was taking a rest cure at the Kaivalya Ashram in Rajkot when word was brought to him of the milk producers' agitation. He hurried home to Anand, anxious to prevent the taking of any hasty step. His cousin Bhagwandas awaited him with news. It was quite clear that the producers were being manipulated by

the milk traders of Anand who, envious of Polson, were determined to share at least some of the profit he was making from the sale of milk to the Bombay Milk Scheme (BMS). In fact, they would have been pleased to see Polson forced out of the arrangement altogether. Since milk producers' co-operative would continue to be controlled by these traders, producers would continue to be exploited through middlemen.

What he foresaw made Tribhuvandas reluctant to serve on the committee for setting up a milk producers' co-operative. When Morarji Desai showed surprise, Tribhuvandas explained, in confidence, his hesitation and his suspicions. Morarji was quick to grasp the point, but he wanted Tribhuvandas to play along with those whose motives were suspect, until honest workers like him could take charge of the movement and direct it. They had two advantages that must not be lost: the strong feeling among the milk producers against the exploitation by Polson, and the favourable disposition of some towards the idea of a co-operative.

At the historic meeting under a shady tree in Samarkha on January 4, 1946, Sardar Patel's message was read out. He reminded them that previous attempts to organize farm co-operatives had failed because of some of the persons involved were dishonest, and because of caste divisions. For this project to be successful, it was essential for all the workers involved in it to be unselfish and sincere.

Sardar Patel had a simple proposal. Since Bombay is over 400 km south of Kaira, necessitating pasteurisation and chilling of milk before it is transported to the metropolis, the producers should sell their milk to a co-operative that would own and run a milk processing plant. They should belong to a village milk society that in turn should federate with others in a co-operative union that owned the processing plant. Milk producers should be members of the union as well as the primary co-operative society. In order to persuade the milk commissioner to accept their proposal, so Sardar advised, the milk producers should stop selling milk to Polson's agents.

After much animated discussion, two resolutions were passed: no milk would be sold to Polson's dairy, and a co-operative society of milk producers would be formed, with milk societies in the villages and headquarters at Anand. Until the government undertook to buy milk from the producers' co-operative, farmers would refuse to sell milk to any contractor in Kaira. The strike would entail losses, for how long none could tell; but the producers were prepared to bear them.

The milk strike achieved its purpose. After 15 milkless days, the government gave in, and withdrew the offending order by which Polson stood to benefit. The milk commissioner came down to



Mother Dairy storage tanks at Gandhi Nagar, Gujarat.

Anand himself to discuss terms. It was decided that local societies of milk producers would sell directly to the contractors until their co-operative union was formed, after which the co-operative union would be accepted as a supplier of milk to BMS.

The milk producers' co-operative as an idea was no longer congenial to the real promoters of the strike; not if a person like Tribhuvandas was to be associated with organising and running it. Tribhuvandas himself was unwilling at first to sit on the sub-committee set up to frame the bylaws of the co-operative. Before the sub-committee could meet on January 15, the local Congress worker Natvarlal Dave's true allegiance was revealed by the merest chance – a mischance from his point of view. A telegram addressed to him as member of the Congress sub-committee, and showing him to be working in the interests of Anand Milk Products, was placed before Tribhuvandas, who read it before he realized for whom it was meant. The owners of Anand Milk Products were Ratilal Doshi and Brothers. Confronted with evidence of his double dealing, Dave withdrew from the sub-committee. Tribhuvandas and Bhagwandas were given the task of framing the bylaws. Others on the sub-committee included Raojibhai Manibhai Patel, Raojibhai Nathabhai Patel, Madhavlal Shah, and Babubhai Jasbhai Patel.

In the early months of 1946, Tribhuvandas found few to support his stand. The general belief was that it would be best to let milk collection constitute in the hands of small traders and contractors. They could run the co-operative union and make payments on its behalf. Tribhuvandas saw this as a thinly disguised extension of the pernicious system that exploited producers. His uncomopromising stand promoted opposition of more than one sort. The mildest was dissuasion: there was already an Anand taluka purchase and sale union with enough funds to promote the projected milk societies – what was the need for another co-operative union? Harsher was the judgement that Tribhuvandas knew nothing about the collection of milk, or its valuation, preservation and transport and so on; that he would certainly muddle things and so discredit the very idea of a milk producers' co-operative. Rumours circulated that Tribhuvandas neither knew nor cared a jot about the milk producers, and that his motives were entirely selfish. Ultimately, he was threatened with violence.

It is unwise to challenge a Patidar, more so to take on a man of proven mettle like Tribhuvandas. The Patidar community has always had its share of black sheep, but it has as well a galaxy of outstanding men of talent and integrity, among whom was Tribhuvandas Patel. He set off on foot to try and establish at least one milk co-operative society in a village. By October 1946, he had succeeded with two: Hadgud and Gopalpura. Hadgud was registered as an affiliate primary co-operative on October 7, 1946, and the first milk collection from there was made that very day.

This achievement had a deeper significance than is at first apparent. The population of Hadgud was mainly Muslim; that of Gopalpura was a mixture of Hindu and Christian. Without

a fuss or fanfare, Tribhuvandas had made a point of great importance: membership of the milk producers' co-operative would be open to any villager with a milch cow or buffalo. Religion, caste or community made no difference¹.

Each of the two pioneering co-operatives had fewer than a hundred members, and they collected scarcely 250 kg of milk a day. It was transported to Anand along the dusty tracks that linked villages in the 1940s, carried in shining brass ghadas² balanced on the head. Tribhuvandas himself endlessly tramped through the countryside, from hamlet to village, home to home, winning the confidence of the householder, introducing the idea of a co-operative, persuading him to join.

Country folk did not travel much in those days. The presence of a stranger in the village was a thing to wonder at. What was his purpose? Was it an honest one? Tribhuvandas was not always met with open-hearted friendliness. Sometimes he had to gain entry into a wary farmer's home by appealing to the traditional hospitality offered to footsore and thirsty travellers. It was a painfully slow process, but membership to the Anand taluka co-operative purchase and sale union increased.

Ignoring all gloomy predictions Tribhuvandas, as chairman of this union to which his milk societies were temporarily affiliated, began to plan and work for the Kaira district co-operative milk producers' union. Towards the end of 1946, he was closer to his goal: he had registered five milk societies and formed a co-operative union with 70 promoters. The next step was registration of the Kaira Co-operative or Kaira Union by which diminutives it was known in later years.

To register the Union under the Co-operative Societies Act, Tribhuvandas had to travel by train to Poona, to the office of the registrar of Co-operative Societies for Bombay presidency. He carried with him the bylaws and regulations of the Union, approved and signed by its directors. The registrar was Bhogibhai P. Patel, of the ICS and a fellow Patidar. Coincidence or providence, whichever one prefers to think it was, the event remains remarkable. The registrar, B.P. Patel was on the train with Tribhuvandas and met him there. He was curious to know why the latter was travelling to Poona. When he had heard Tribhuvandas's reply, he asked to see the documents and scrutinised them carefully. He found it necessary to alter some of the matter, but the last page, carrying the directors' signature, required no change.

Perhaps it was the Patidar network, perhaps it was only the way civil servants in that golden age understood their duty. B.P. Patel, who was also the director of Rural Finance and Agricultural Marketing and an honorary secretary of Sarvodaya, could not have been more helpful. He had the alterations made and the documents processed quickly. As a result, on December 14, 1946, Tribhuvandas had the satisfaction of seeing the Kaira District Co-operative Milk Producers' Union Limited (KDCMPUL) registered.

It was unwise of his detractors to try and daunt this gentle, quiet man who had the tenacity, tirelessness, courage and unshakeable confidence of a missionary. It would appear

that his efforts were mysteriously blessed, for not only had he achieved in the space of less than a year what few had believed he could, but an unexpected combination of circumstances had enabled him to get his Kaira Co-operative registered before any opponent could prevent it. And there were powerful forces ranged against him, not least of which was the deputy commissioner, Dara Khurody, who was inclined, for his own reasons, to favour Polson, the dairy king.

Notes

1. The Baraiyas who are by far more numerous in Kaira district than the Patidars, are strong supports of the co-operative movement: as are Harijans, Muslims and Christians.

Fortitude

Few occupations demand so much patience and courage in affliction as that of the man whose livelihood depends on cultivating the soil. Farmers are accustomed to slow growth; the quick-buck ethos of the trader is alien to them. The farmers who come together in a village milk producers' co-operative society now saw dramatic results: milk was tested scientifically and a fair price paid promptly twice a day.

In the first year of its functioning (the financial year 1946-47) Kaira Co-operative's transactions, for the most part, took the form of purchase and sale of cottonseed and groundnut cake for use as cattlefeed. Its authorised share capital was five lakh rupees, part of which was paid up capital, contributed principally by individual members who gave sums varying from one thousand to three thousand rupees. They included Tribhuvandas and his young Congress co-worker, the advocate Babubhai Jasbhai Patel, who put his professional services at the co-operative's disposal. Long-term loans were taken from the Bombay Provincial Co-operative Bank in Anand, and from the deposits of non-members. At first, the only aim of the Kaira Co-operative was to supply milk to BMS, which it did on an annual contract. Manufacture of dairy products could not be thought of as long as there was not even a pasteuriser available to the Co-operative. For the same reason, the quantity of milk had to be restricted to the 250 kg collected from two milk societies.

Kaira Co-operative registered only eight village societies, with 432 members, in the year 1947-48. The following year, there were 13 societies with 924 members. In 1949-50, the number of societies had risen to 27, with 1995 members. In 1956, two years before the Amul Dairy was built, Kaira Co-operative had a membership of 64 village societies, with 18983 members.

Kaira Co-operative was not unique. There were other milk co-operatives in India from whose experience Tribhuvandas learned about management, operations and organisation, The Madras Co-operative Milk Union, which was 19 years old in 1945-46, the Coimbatore Co-operative Milk Supply Union, the Allahabad Milk Supply Union and the Lucknow Milk Supply Union. Where all of them differed from Kaira Co-operative was in the nature of membership, in the assurance given to milk producer members that all their milk

would be purchased even in the flush season, in the character of the Gujarati farmer running his village milk society, and in the character of the leaders running the Co-operative.

The path was not smooth. For years, there was something very like a war waged between Kaira Co-operative and private traders; a war in which one side fought by the rules and the others did not. If it was the Co-operative that won on in the end, it was as much because of the dedicated work and patent honesty of the Co-operative's workers.

Despite his other occupations and anxieties, Sardar Patel never forgot the Co-operative to which he had been godfather. Sometime in 1948, he happened to be in Ahmedabad as a guest in the house of the industrialist Kasturbhai Lalbhai when Tribhuvandas came to visit him. Sardar had been very ill and forbidden to exert himself with talking. Straightaway he asked:

"How are your milk societies working?"

"Working well," replied Tribhuvandas.

"Good. Are the farmers happy?"

That was the kind of inspiration Tribhuvandas had to see him through stormy days, of which there were many in the early years. Kaira Co-operative was plagued by problems. Until April 1947, it had no pasteurising or chilling plant of its own. Milk from the Co-operative had to be sold to Polson's dairy, which took advantage of the situation to refuse the milk from time to time on the pretext that it was sour or contaminated or that it smelt foul.

Tribhuvandas made inquiries about the Government Creamery in Anand. Although it had been reopened only for research in milk drying, as far as he knew it still contained the dairy machinery and equipment of its earlier activities. In fact, a large part of the Creamery along with its contents lay unused. Tribhuvandas found that there was a pasteuriser, out-of-date and in disrepair, which nevertheless might serve the purpose.

He spoke to his friend and colleague, Maniben, daughter of Sardar Patel, about his plan for Kaira Co-operative to take a part of the Creamery on lease. When deputy milk commissioner, Dara Khurody, an old adversary, sought to delay the forwarding of the relevant file to Delhi after failing



Modern automated milk processing plant at Mother Dairy, Gandhi Nagar

to get Kaira Co-operative's application rejected, Tribhuvandas asked Maniben to help him. Her connection with Sardar Patel would induce the governments in Delhi and Bombay to move in the Co-operative's interest.

Unlike the deputy milk commissioner, Dinkarrao Desai, minister for civil supplies in the Bombay Government, and Rajendra Prasad, minister for agriculture in the interim government of India, were well disposed to the co-operative. On April 6, 1947, Kaira Co-operative obtained the portion of the Creamery it had applied for, on a five-year lease at a nominal rent.

Tribhuvandas even wrested from Khurody two refrigeration units that the latter had attempted to divert to a private firm. Kaira Co-operative also obtained from him, not without difficulty, a generator, an ammonia compressor and an electric motor. Yet, if ever Tribhuvandas had reason to doubt the worth of all his efforts he had it then. For what should he find but that the pasteuriser leaked so much it was unusable. However, with typical fortitude, he cast about for a way of his trouble. In the end, Kaira Co-operative leased an old pasteuriser from a private firm.

Furnished with a milk weighing platform, a can washer, a primitive flash pasteuriser and even more primitive cooling equipment (an unreliable tubular cooler), and taking his chances with the vagaries of the Anand Power Company (a private enterprise), Tribhuvandas bravely undertook pasteurisation of milk at the Kaira Co-operative's very own plant. Fully expecting it to work, he had negotiated a contract with the BMS to begin supply of pasteurised milk in June.

On June 1, 1948, B.G. Kher, chief minister of Bombay state, inaugurated the plant. That same day, Kaira Co-operative's cans, containing 250 kl of milk, were proudly placed alongside those of Polson's dairy, in one of the dairy's insulated vans. The only sour note on this happy occasion was having to ask Polson's dairy for a favour because the co-operative could not afford to hire a rail transport van only to carry a dozen cans of milk.

Initially the plant processed handling 250 litres of milk a day, increasing the quantity until it was pasteurising 5000 litres daily by the end of the year. Milk collection continued to grow and processing had to keep pace with it. Rather naively, Tribhuvandas believed that all his difficulties were over. But the plant, which dated back to World War I, was in a ramshackle state and the building was dilapidated. Time and again, with grim satisfaction, Khurody,

(who had taken charge as milk commissioner on April 14, 1947) sent back from Bombay the entire vanload of 400 cans of milk. As a result of inadequate refrigeration, the milk had curdled. Daily wastage because of power failure was between 100 and 200 litres of milk. Repairs served little purpose and unless some remedy was found, Kaira Co-operative's losses were going to endanger its survival.

Matters became worse when Khurody began to delay payments and reduce purchase of milk, which he frequently did. Buffaloes calve after the monsoon, producing in winter more than twice as much milk as they do in summer. Khurody's refusal to ease this winter glut by seasonal increases in the BMS's purchase of milk was intended to teach the rebellious milk producers a sharp lesson. Things proceeded in this fashion until 1949.

Some time that year, a bored young man from the other side of the creamery building watched with interest the serio-comic events unroll next door. He was an Indian engineer trained in America, intelligent, ambitious, and full of energy. A series of ill-sorted events had beached him like flotsam in the Dairy Research Institute at Anand. The job was utterly futile, which was why he was idle and bored. In Anand he had made acquaintance of Dr. Maganbhai Patel, Kaira Co-operative's vice chairman. Maganbhai suggested that Tribhuvandas seek this clever young fellow's assistance. He appeared to be good-natured and friendly, it could not hurt to ask.

One day, Tribhuvandas walked across the compound to talk to the young man. That was how he met Verghese Kurien.

The Unlikely Recruit

It was kindly providence that brought Verghese Kurien to work at dairy engineering in a part of India that was so different and far from his native Kerala. Kurien was born in Calicut on November 26, 1921. His father, Puthenparakkal Kurien, was a civil surgeon serving in Madras Presidency. In his fifteenth year, Kurien passed the Secondary School Leaving Certificate Examination. Too young for admission to an engineering college, he took a Bachelor of Science degree from Loyola College, Madras, graduating in 1940 with the seventh rank in the presidency. Intelligent, hardworking and ambitious, he was a credit to his family and community.

Kurien belongs to a small community of Syrian Christians, which is influential in its home, Kerala. The community claims descent from high-caste converts by St. Thomas, an apostle of Jesus Christ. Kurien's own family traces its line back to one of the 32 Namboodiri families converted by St. Thomas. He himself was brought up in the Church Missionary Society by his mother.

Syrian Christians as a community have a high level of literacy, and gained much from the British policy of educating Indians. Kurien's grandfather died young, and Kurien's father was brought up by his elder brother, a distinguished lawyer. In fact, Kurien himself was named after this uncle, Rao Saheb P. K. Verghese, whose contribution to the public life of his town, Ernakulam, was notable. In his youth, Kurien's father had been an athlete of repute, and he passed on to his son a love of sport. From his mother, Kurien inherited what occasionally seemed more a handicap than an advantage. It was kinship with her uncle, Dr. John Matthai; for Dr. Matthai, almost the same age as his niece Mrs. Kurien, was a redoubtable character.

Enrolled at the Guindy Engineering College, which served all South India from Hyderabad to Cochin, Kurien represented his college in tennis, badminton, cricket and boxing, without disadvantage to his excellent academic record. And that time World War II was under way and a strong nationalist wind was blowing through India. Kurien seemed unaffected by it because he joined the University Training Corps. He took to this new activity with enthusiasm, earned a medal, and was named company quartermaster sergeant.

At this time, the Indian army urgently required engineers, greater numbers than could be found. The engineering degree course was shortened by six months to help meet this requirement, and Kurien, who ranked second in his mechanical engineering class (taking his degree with a high first), was immediately given a commission in the Corps of Indian Electrical and Mechanical Engineers. Earlier, he had been adjudged the best cadet. He appeared to be destined for a career, probably a brilliant one, in the Army.

But his mother disliked the prospect. Her husband's premature death at Cochin in 1942 had been a severe shock.

She did not want her youngest son to go off to war. A woman of decision, Mrs. Kurien tore up the commission, reminding her son, instead, of the job with Tata's that Uncle John Matthai had promised her husband for his clever son, if that young man got a first class degree in engineering.

Dr. Matthai was then a director of Tata Industries, responsible for Tata Iron and Steel Company (TISCO). TISCO was scanning the lists of newly graduated engineers as eagerly as was the army. It, too, needed trainee engineers. Employment by a Tata company was much sought after: they paid very well and had an excellent reputation: a job in Tatas was as prestigious as one in the ICS. In Mrs. Kurien's opinion nothing could be better for her son. Nevertheless, he himself may have been reluctant; at all events his application was late, calling for the first of his great-uncle's momentous interventions. Dr. Matthai wrote to the managing director of TISCO at Jamshedpur, Sir Jehangir Ghandy, requesting him to overlook the delay. Yet, with his record, Kurien could have been selected as one of the batch of ten trainees on merit alone. He joined TISCO in 1944.

It was not long before that irksomeness of his heritage, mentioned earlier, began to make itself felt. Everyone at TISCO showed a degree of interest in the new apprentice, which first embarrassed and then oppressed him. Perhaps the unjust imputation of nepotism troubled him, perhaps he cared little to have his career overseen, or overshadowed by his great-uncle. Whatever his reason, Kurien began to seek a way out.

In 1945, the Indian government recognizing the need for trained personnel in numerous technical fields, approved a scheme for postwar reconstruction. Some 500 young Indians would be sent abroad on scholarships to the United States and the United Kingdom. Kurien applied for a scholarship and was called up to Delhi for an interview. Sir Maurice Gwyer, vice chancellor of Delhi University, was the chairman of the selection committee.

"What is pasteurisation?" he asked the surprised candidate.

Quickly raking through the odds and ends of information remembered from his school days, Kurien ventured a guess that it was "a process of boiling milk at a certain temperature".

"Thank you" said Sir Maurice. Then, to Kurien's consternation, he added: "You are selected for dairy engineering".

Protests that he had applied for a scholarship in metallurgy availed him not at all. There was only one scholarship open to him, Sir Maurice told him, and he could take it or leave it. Kurien took it. At least it offered an escape from Jamshedpur.

Armed with this scholarship, he braved his great-uncle, who had come down from Bombay on a quarterly visit to the plant. At the end of his speech Kurien said, "Perhaps it is best that I leave this place."

Dr. Matthai responded with characteristic sharpness: "Are you asking me, or are you only telling me?"

But his great-nephew was not to be overawed any more by the formidable Dr. John Matthai.

Kurien revealed that he had been granted a scholarship to study in the USA. If all he wanted was to study abroad, said Dr. Matthai, a shade disdainfully, Tata's would give him a scholarship. Kurien did not rise to that bait. All the same, he had to admit that his scholarship was to study dairy engineering. That, said Dr. Matthai, was stupid. To leave Tata's because he felt he would always be suspected of receiving undue favour was odd, but understandable; to study a subject which had no future in India was mere folly.

There is a pleasant footnote to this account of strong wills clashing. After Kurien had acquired an international reputation, and received an honorary doctorate from Michigan University, Dr. Matthai came to visit him. Kurien, who is an incorrigible tease, reminded his great-uncle of that long-ago battle: "And now do you concede that Dairy Engineering had a future?"

Laughing, Dr. Matthai was happy to recant, but had a question of his own: "Now that you have proved your point, will you consider joining Tata's?"

If that bygone disagreement had rankled in either's mind, it could do so no longer.

As a preliminary to his studies abroad, Kurien was sent, in January 1946 (the month of the famous Samarkha meeting), to the Imperial Dairy Research Institute at Bangalore. This Institute, which was renamed National Dairy Research Institute in 1955¹, had been founded in 1923 by William Smith, with the objective of improving the quality and usefulness of Indian cattle. Four years later, it was here that Mahatma Gandhi came to study the management of cows and dairying in India. But Kurien learned hardly anything during his eight months at the Institute. Some of his instructors there had hoped to get the very scholarship that this mechanical engineer had so undeservedly been granted; therefore they refused on one ground or the other to teach him. His only gain was the friendship of Pheroze Medora, a fellow student who was a nephew of Dr. Kothawala, the Institute's director.

Kurien realised soon enough that he had made a mistake. Apparently dairying was the last resort of those who had failed to get into any other graduate course. In this experience lies the explanation for his rather curious course of action in the USA.

The *Liberty* ship that Kurien found a berth on at Calcutta, landed him at Boston six weeks later, on a winter's night. He presented himself, as instructed, at Ohio State University in Columbus, only to find that he had been misdirected. To study dairy engineering he was sent to Arthur W. Farrall at Michigan State University, if that world-renowned professor would have him; but Michigan offered no master's degree in this subject. Thankfully, Kurien opted for metallurgy as his major, with nuclear physics as minor. Dairy engineering took third place as a minor for credits only.

At Michigan, Kurien renewed his acquaintance with Medora, and through him found a new friend in Harichand Meghaa Dalaya. In 1948, Kurien obtained his master's degree in mechanical engineering, with distinction. Professor Farrall suggested that Kurien undergo some practical training to justify the scholarship on which he had come to Michigan, and arranged two spells for his pupil. For three months Kurien was to work at one of the many Wisconsin plants of Creamery Package, a dairy machinery manufacturing firm; later, he was to train for a while at Sheffield Farms, a small dairy on Long Island. At the dairy he was only allowed to work between 11 p.m. and 4 a.m., to avoid tangling with the labour union. After he had completed what Farrall considered the minimum practical training in dairy engineering, Kurien returned to India.

Before he left the USA, Kurien was interviewed by Union Carbide at Philadelphia. He had been recommended to them by the dean of his faculty (as much for his tennis as for the excellence of his academic record). When Kurien returned to India, it was with an appointment letter in his pocket for a job at Union Carbide's Calcutta factory, on a monthly salary of one thousand rupees. However, he could not accept it without a release from the Government of India, on whose scholarship he had gone to the USA. Union Carbide allowed him three months to make his arrangements before he joined duty.

Kurien went to Delhi, where he stayed with Dr. Matthai, who was then union finance minister. Mrs. Matthai offered to introduce him to Dr. Humayun Kabir, the education minister, because his case was a matter for the ministry of education, but Kurien politely refused her offer.

At the ministry, an under secretary informed him that he had been assigned a job at "a place near Bombay". It carried a basic salary of Rs.275. The official was peeved by Kurien's lack of enthusiasm for this desirable appointment. As for the release from his bond to the Government of India, it could not be granted. Shrugging, Kurien gave him the address to mail his appointment letter. The magical words "care of Dr. John Matthai" worked a curious change. The under secretary professed to be moved by Kurien's plight and said he would recommend for him the maximum salary of Rs.600, subject to the finance ministry's sanction – which he had no doubt would be given.

Back home, Kurien was questioned by his great-uncle, who did not hide his displeasure at the arbitrary proposal to raise the young man's salary. Would he in that case assist Kurien to obtain his release from the bond? He would not.

"You made your bed: you must lie on it", he said.²

Rather bitter at the harshness of his fate, Kurien set off for Anand, to take his posting as a dairy engineer, at the Dairy Research Institute located in the old Government Creamery, on a sanctioned salary of Rs.275. He arrived on a Friday morning on May 13, 1949. As he stepped off the train in his smart suit and felt hat, Kurien noticed that he was the object of close and rather critical, scrutiny by a stranger. The man

boarded the train, which then proceeded to Ahmedabad. Kurien did not give him another thought, and certainly did not expect to meet him again.

Notes

1. An institute with a bewildering number of name changes. Founded as the Imperial Institute of Animal Husbandry, it was restyled the Imperial Dairy Institute

in 1931 adding 'Research' in 1941; and later exchanging 'Imperial' for 'Indian'.

2. It was either the bond or a fine of 30 thousand rupees for Kurien, that sum being the estimated cost of his education in the USA. Kurien was obliged to serve out his term of 'bondage' because he did not have the means to pay the fine. About Kurien's salary, Dr. Matthai appears to have relented, for he was drawing a basic salary of Rs. 600 by December, 1949.

Fateful Decisions

Waiting to receive Kurien at Anand railway station was Barot, the storekeeper, and Kodanda Pani, the man he was to replace. The latter was one of those tutors who had not wished to teach him at the Institute in Bangalore. Now, Kodanda Pani was returning there. It occurred to Kurien that because of his training abroad, a place on the Institute's faculty should have been his instead. He decided that the ways of government were both mysterious and unjust.

Meanwhile, here he was in dirty, dusty Anand, a glorified village described as a town, but one that could not even support a hotel; a one-horse town in which *tongas*⁺ were more common than motorcars, for those who could afford them. Kurien was taken to the quarters assigned to him: a garage next door to the Creamery and opposite the railway station. The living quarters (hardly meriting the name of house), to which the garage was attached, were occupied by K.K. Desai, superintendent of the Dairy Research Institute, and his family. Barot lived in one of the servants' rooms.

Kurien wished to begin work at once, in order to take his mind off his unfortunate situation, but his colleagues would not hear of it: Friday the 13th was an inauspicious day. All the same, Kurien insisted on taking over from Kodanda Pani that very day. He found that the Institute at Anand functioned from a dilapidated building, which housed a roller dryer and assorted manufacturing equipment. Its stated purpose was research into the manufacture of dairy products, chiefly milk powder, from buffalo milk. Three gazetted officers and a score of other persons were employed, presumably to keep the roller dryer in operation; which they did not do, for it was not in working order. As they were only marking time until headquarters at Bangalore finally decided to close the Anand unit, the staff lost no sleep over the condition of the milk dryer.

Shockingly inadequate living quarters (there was no bathroom until Kurien contrived a suitable enclosure with corrugated iron sheets), insalubrious surroundings, and enforced idleness: Kurien might well consider himself to be serving a term of punishment. A natty dresser, he no longer took trouble over his appearance but grew a beard, wore khaki overalls, and began to smoke continually. His

brother sent him an old-fashioned cook-bearer named Anthony, who carried out his duties in full panoply of turban, sash and started uniform. This added the final touch of absurdity what Kurien could only regard as a farce.

To relieve his boredom, Kurien got up a card game every evening with the chief dairy chemist, Bala Rao, and friends from the Beedi Tobacco Research Station¹ outside town. He became acquainted with Foster, superintendent of Polson's dairy, and occasionally dropped in for a chat at Polson Villa, Foster's bungalow next to the dairy. Once a month, he went to Bombay for a weekend, to meet his old friends Medora and Dalaya and live it up at Bombay's world-famous luxury hotel, the Taj. At the end of each month he mailed a letter to the agriculture secretary, Government of India, the content of which did not vary. Each stated that he had collected another month's salary for doing no work, and sought his release.

K.K. Desai had three of the Institute's staff working for him as domestic servants. Not only did he fail to pay them for this work, he deducted from their monthly wage an extortionate sum as house rent for the servants' rooms in his quarters which he allowed them to occupy. Kurien discovered this quite by chance but Desai was not inclined to forgive him on that account. In the confidential report that he sent to Bangalore, Kurien was described as an efficient engineer who knew his job but one who was also "very arrogant and unlikely to become a good officer".²

Anand was such a small town that a newcomer was bound to be noticed and talked about. As a meat-eating bachelor (in a largely vegetarian town), and a Malayali-Christian with a *phoren*^{*} degree, he provided ample scope for speculation in local gossip. The man who was particularly interested in Kurien was the one who had watched him alight from the train on the thirteenth of May, Maganbhai Patel. He sought out this engineer who, like himself, had studied at an American University. It was fortunate that they became acquainted for when Tribhuvandas came to Magabhai with

⁺ One-horse carriage

^{*} Phoren is the vernacular pronunciation of foreign.

another woeful tale of his struggles with the malfunctioning plant, Maganbhai advised him to talk to Kurien.

Kurien listened with mild interest as Tribhuvandas told his story. He was not surprised, having observed some of the mishaps that were being described to him, and was quite willing to walk across after office hours to see what could be done. In no time it became his habit – to the disapproving Desai, he described it as a hobby – to spend his evenings working on the chilling plant and the pasteurizer. At first he did not guess Desai's reasons for being annoyed. Later, from hints in Desai's remarks, Kurien discovered what was really vexing him. He had expected Kurien to take payment from Kaira Co-operative and pass on a percentage in return for permission to lend his services. But before he became aware of this, Kurien had plainly told Desai to keep from meddling, and the latter, mindful of Tribhuvandas's link to Sardar through Maniben, held his peace, although resentfully.

Time passed in this peculiar fashion, with Kurien idle by day and working most evenings; paid for his idleness but working gratis. There came a day when even he was exasperated by the continual patchwork he had to do on Kaira Co-operative's decrepit boilers, gear boxes, shafts and belts. "Get rid of this junk and buy new equipment," he told Tribhuvandas. "You will save a lot of money in the long run. And you won't give Khurody a chance to return your milk."

When Tribhuvandas hesitated, Kurien spoke with deliberate bluntness. "If you don't do as I suggest in your own interest, you are just wasting my b... time."

Tribhuvandas gave in. What equipment should they buy? A plate pasteuriser to begin with, said Kurien. How much would it cost? Kurien could not say offhand, but equipment was expensive. A plate pasteuriser might run to sixty thousand, may be even eighty thousand rupees.

Poor Tribhuvandas! Neither the Co-operative he managed nor he himself could afford so great an expenditure, yet it seemed he had no choice about it. He borrowed forty thousand rupees from his brother-in-law, a prosperous businessman who owned Chandan Metal Works in Baroda, with the rueful warning that the latter might never be able to recover the loan. It says much about Tribhuvandas that he could get this kind of response from people, for it was surely his honesty that disarmed them.

Tribhuvandas had learned to trust Kurien, and this confidence was reciprocated with respect for Tribhuvandas' integrity and his selfless dedication to the service of Kaira's farmers. Before Kurien's next excursion to Bombay, Tribhuvandas asked him if he would buy a plate pasteuriser for the Co-



Milk being delivered to the plant in tankers - milk reception deck.

operative and handed over the money. In Bombay, Kurien consulted his friend Dalaya. They agreed that he should try Larsen & Toubro, the leading manufacturers and importers of dairy machinery.

The vexations of Kurien's enforced sojourn at Anand had caused him to neglect his appearance. Consequently it was a bearded, rather scruffy-looking young man who walked into the office of Larsen & Toubro's Danish manager. Now, Kurien has two rather disconcerting traits: an inclination to tease, and a generally unresisted urge to play act – anything from simple comedy to mock heroics. When Axel Petersen was curt with Kurien, quite understandable considering his appearance, the latter was tempted to enact a comic scene. "What do you want?", Petersen asked.

"One Silkeborg Pasteuriser," was the terse reply.

Petersen digested this answer. On one hand it was the first enquiry for such a machine in India. On the other, he was unaccustomed to hearing orders of such value given so carelessly.

"Do you know what a pasteuriser is?"

"Yes," Kurien replied without expression. "I have qualified in dairy engineering."

"Have you the money?", Peterson asked, not believing he did.

"Yes," said this peculiar customer, very coolly.

"I should like to see it," Petersen persisted. "I don't want to waste my time."

Kurien looked him over in silence, then drew a wad of notes from his pocket and slapped it down on the desk.

"You can see it now," said he.

The bewildered Petersen had no choice but to accept the

order. Later on, he became a good friend to Kaira Co-operative, especially on one crucial occasion in 1953.

When Kurien suspected that he was being kept on ice by the government he was right. He had been sidelined because it was clear that he would not remain in government service longer than his bond held him. But authority failed to reckon with his prodigious energy. Although his relations with K.K. Desai were strained, after a while Kurien decided to create some work for himself. He set about putting the old roller dryer to rights. It was not long before he had begun to manufacture milk powder in such quantities that storage became a problem. Desai called for a halt. What, he demanded, did Kurien expect him to do with the stuff? Kurien supposed it should be sold. Very well, Kurien could now occupy himself with selling it. Kurien demurred. He was an engineer, not a salesman, least of all a salesman of milk powder. Desai would take no denial.

All Kurien could think of was that Bombay, city of luxuries, where he enjoyed his onthly trips, might also offer a market for his milk powder. He asked to be sent on an official visit so that his taxi fares in Bombay could be reimbursed. Desai responded indignantly. There was no provision for such expenditure in his budget, and he was not willing to be pestered with official inquiries about it. If Kurien went, it must be privately, but if he did not go, Desai would not authorise manufacture of ilk powder any ore.

So determined was Kurien to keep himself usefully occupied that he undertook a private expedition to Bombay to sell the milk powder. With the help of his friends he made a list of likely customers, then tried them one by one. At the end of two days when he was almost at the end of his list, he found a buyer. A biscuit factory was prepared to take all five tonnes of the milk powder. Tired but pleased, Kurien returned to Anand in a fatefully altered state of affairs.

Dr. Kothawala, who was now also a dairy development adviser to the government had finally decided that the Anand unit should be closed down permanently. An interim telegram ordered Desai to suspend production of milk powder because the unit had no marketing facilities. Kurien was overjoyed. He foresaw an early release from his enforced service. Criously, it was Desai who was perturbed. He wanted to telegraph a reply reporting Kurien's success and the changed circumstances of his unit, but that did not suit Kurien at all. He urged Desai to take the credit entirely, for he feared that otherwise he would be compelled to serve out his full term in Anand.

Kurien need not have been anxious. Dr. Kothawala came in person to wind up the Anand unit's affairs. On his recommendation, Kurien's letter of resignation, which had long mouldered in government files, was finally accepted. He was his own master at last.

There were no emotional ties to Anand. A single thought filled Kurien's mind: he must get away as soon as possible. He bought himself a rail ticket to Bombay and prepared to leave for the station. Then someone he had temporarily forgotten

walked in.

Tribhuvandas was very upset. He had heard that Kurien was leaving, but not the reason why. Kurien told him.

"Have you found yourself another job?" Tribhuvandas asked.

"No. Not yet, But I will," came the confident reply.

They studied each other in silence. Tribhuvandas spoke first.

"Kurien, what a fine thing this is you are doing to us. First you say we are wasting your time repairing junk, then you persuade us to order expensive equipment. Now, when we have borrowed the money and paid the advance, you say you are leaving Anand. Are you being fair to us? Tell me!?"

"No," he went on "you cannot do that to us. It is not proper. We have no one but you. Kurien, please remain here and help us with the new equipment and teach our men how to operate it. Then you may go."

"But it will take time." Kurien was inclined to be impatient.

"How Long?"

"Fifteen days, may be, just for the equipment to reach Anand."

"And how long to set it up?"

"Let's say another six weeks."

"Stay till then, Kurien. We will pay you for the two months. Help us. Don't go."

Why did Kurien choose to remain? He himself still cannot answer with certainty. As with most people it was probably from mixed motives, which did include a genuine friendship for the man, mild as milk but strong in his convictions, who had asked him to stay. Kurien would have other occasions to make the same choice in later years, but the die was truly cast that night two day before the new year of 1950 began.

Notes

1. A beedi is a poor man's cigarette, made from crumbled (uncured) tobacco, rolled by hand in the leaf of the Tendu tree.
2. By an odd coincidence, K.K. Desai's superior in Bangalore, who endorsed the unfavourable report on Kurien, was Dr. S.C. Ray – many years later appointed secretary of the National Dairy Development Board by its chairman, Dr. Verghese Kurien.

The rest of the book will continue to appear in the forthcoming issues of your magazine.

Readers' comments and suggestions are welcome. For more details or clarifications on this study, please contact :

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-Editor

Le Gentile Suren Saxena

The French Ocean Liner had just left Marseilles and was heading towards the deep waters of the Mediterranean on its fourteen day journey to Bombay (now Mumbai). After completing my studies at the Loughborough College in UK and after a leisurely journey across Europe, I was heading for home with a revived mind. The autumn sun shone beautifully on the blue waters of the Mediterranean and decks or the Liner was full of passengers one among who was Dr. Suren K. Saxena. This was in October 1959.

I met Suren Saxena while strolling on the deck the day we left Marseilles. We did not know each other, but after a few words of greetings, we fell into conversation and very soon I realised that Suren was closely associated with co-operatives and was tipped to join the Education Centre in New Delhi, which the Swedish KF was planning to open, in consultation with the ICA, for promoting co-operative educational activities in the South East Asian Region. As I was heading at the time, the Regional Training Centre in Poona (now named Pune), we had found common ground and our conversation usually turned to co-operatives whenever we met on the Liner's deck. Little did we realise then that the encounter on the ship was going to be the beginning of a four-decade long association in work and at leisure with Suren Saxena.

Although I joined the Regional Office and Education Centre at the beginning of 1962, I was associated with most of the ICA activities organised from the beginning in New Delhi including the Seminar on Co-operative Leadership, which Pandit Jawaharlal Nehru inaugurated, with the Regional Office in November 1960. Suren was then in the thick of Education Centre's activities with Bertil Mathsson, who was its Director and with U Nyi Nyi from Burma as the Regional Director. Bertil Mathsson and Suren played a very important role in creating a favourable atmosphere conducive to the opening of a new chapter in the history of the

Madhav Madane

Mr. Madane some time after the sad demise of Dr. Saxena wrote this. On 9th January, 1999, it is already one year that Dr. Saxena left for his heavenly abode, we thought it fit to remember him on his death anniversary and publish this to remember him.

-Editor

ICA for operating in the South-East Asian Region. Writing about the opening of the Regional Office in his famous history of the International Co-operative Alliance – 1895-1970, W.P. Watkins, the then Director of the ICA said, "It was KF also which selected one of its education officials, Bertil Mathsson, to go to New Delhi to make the necessary preparations and appointed Dr. S.K. Saxena, an Indian Co-operator who had spent some years studying European Co-operative Movements, to assist him. It was due to the outstanding ability and skillful collaboration of these two co-operators that the Indian authorities, whose attitude was in the beginning rather reserved, were won over to cordial support for the scheme and the granting of facilities which enabled the Regional Office to be opened on a provisional basis in the autumn of 1960."

Suren Saxena won over friends and influenced all those who came in contact with him both at work and in leisure. A genial personality with sharp memory, meticulous in his writings and presentations, smooth articulation in speech and above all his ability to get along with people of differing temperament gave Suren a unique momentum to provide meaningful leadership in every area he chose to work after joining the ICA Regional Office and Education Centre. Soon thereafter, following U Nyi Nyi's resignation, he became the Regional Director for South East Asia and after an eventful career in New



Delhi, he was the natural choice, in the year 1988, for the ICA Directorship at the Head Office in London. During his tenure as Regional Director, the ICA activities in the Region expanded beyond the South-East Asian Region and covered most of the countries of the Orient and the Pacific.

The experience in the South-East Asia Region gave ICA and the KF the confidence to venture into other regions, especially in East and Central Africa and in West Africa. Suren was at the helm of ICA affairs when expansion and development was the keyword in the Head Office. After an eventful innings with the ICA in London, Suren Saxena retired and moved over to Canada to work as an International Consultant in matters co-operative. His vision and rich experience brought him in constant touch with co-operators and their organisations. Although his health during recent years did not permit him to embark upon vigorous activities, he attended most of the ICA Congresses and other important meetings. He continued to write for journals and undertook studies in some of the countries of the Region, on a selective basis. Co-operators the world over will miss his familiar figure at the ICA meetings in future.

In his personal life, Suren was a contented person having married to a very charming partner-Ingalill from Sweden. The children have lived up to the family tradition and have made their mark in the fields they have ventured to study and work. Personally for me, Suren's departure brought in a great sense of loss of a sincere colleague and a friend whose memories will linger for the remaining years ahead.

Co-operative Management – A Philosophy for Business

By Peter Davis and John Donaldson

Published by New Harmony Press; 41 Clarence Square, Cheltenham. GL50 4JR.

'CO-OPERATIVE MANAGEMENT – A Philosophy for Business' tackles the top-heavy power of business and puts forward people-friendly alternatives. The benefits of modern business, say the authors, are cornered by a small minority of the world's population. They dispute the idea that there is no alternative and point out that the oppressive and suppressive concentration of business power is no more permanent than the political blocks and empires that it has replaced. They call for discourse and discussion for people-led, human-centred values to ensure an increase in benefits that are shared more equitably. They lead with the premise that the structure for doing better is in place in the form of mutual and other membership-based organisations. These organisations offer the opportunity to ensure that people, whether employees or consumers, are the 'end' and not just the 'means' to increase the growth of capital and profit from which they are largely excluded.

This compact text flows logically and smoothly through six chapters – The Context of management; the development of management theory, labour and management, ethics and management, seven principles for co-operative management; and applying the seven principles.

Chapter one reveals the backdrop – share-based owner ships have not lived up to expectations while membership-based co-operative businesses have demonstrated a track record that has been ignored by management schools and researchers. Alternatives are needed but they will only flourish in a changed intellectual climate. Chapter two traces and assesses the nature of management theory and introduces features of the co-operative alternative. A discussion on 'perspectives on work and labour' in Chapter three acknowl-

A review of this book by Mr. Akira Kurimoto had appeared in the July-September, 1998 issue of this magazine. We are coming out with another review, in view of the divergent views readers may have.

We would also request authors and publishers of Co-op Publications to send their publications to us, if they wish them to be reviewed in these columns.

Please send preferably two copies of your publications.

-Editor

edges that the treatment of work and labour is not the only factor in the development of a constructive philosophy for management. The role and possibilities for co-operative forms of business in the provision of access to the labour market and in participating in the creation of income and wealth are discussed.

The Chapter four topic – ethics and management – is introduced by noting an inevitable gap in the 'fit' between theory and practice in business. Discussions on the actual role of business ethics in bridging this gap follow, as the whole concept of ethics and ethical issues in business evolves from its roots in the Industrial Revolution to modern day corporate business. An insight into how business executives see business ethics makes fascinating reading.

Chapters 1-4 are meaty but Chapter five provides the 'bone', the seven principles for Co-operative management which are: pluralism, mutuality, individual autonomy, distributive justice, "natural" justice, people-centredness and multiple role of work and labour. Applying the seven principles is the subject of the sixth and final chapter

bringing all the theory into proposed practical benefits – the potential advantage of mutual societies and co-operative societies over their private, share capital based rivals. There is a need for more emphasis on co-operative management development and a requirement for the management of inclusive partnerships on the basis of transparency, long-term commitment, diagnosis of constituents' aspirations and business needs, and the close monitoring of agreed standards. With this achieved co-operative management is the future, say the authors, because it is the approach that customers and suppliers want.

Peter Davis, founder Director of the Unit for Membership Based Organisations in the Management Centre, University of Leicester and John Donaldson, researcher and author, offer a thought provoking discussion for all those in business. With its concise chapter summaries and comprehensive glossary of terms 'Co-operative Management' is a stimulating and easy read. Unlike many similar texts 'Co-operative Management' not only states what is wrong with the system but puts forward concrete proposals for its improvement.

- Dr Terry Mabbett

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