

**OPEN ASIAN CONFERENCE ON**

# **COOPERATIVE MANAGEMENT**

**Kuala Lumpur, 1979**

**REPORT AND PAPERS**



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## Cooperative Management

Open Asian Conference on

# Cooperative Management

Report and Papers

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**INTERNATIONAL COOPERATIVE ALLIANCE**

Regional Office & Education Centre for South-East Asia

Bonow House, 43 Friends Colony,

New Delhi 110 065.

## **INTERNATIONAL COOPERATIVE ALLIANCE**

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# **Inaugural Session**





## Address of Welcome

by

Dato N. A. Kularajah,

*President*

*Cooperative Union of Malaysia*

Y.B. Encik Edmund Langgu anak Saga, Honourable Deputy Minister of Agriculture, Malaysia, Encik Shaaya Basheer, Director-General of Cooperative Development, Malaysia, Heads of other Government Departments, Mr. R.B. Rajaguru, Mr. J.M. Rana, Mr. Malte Jonsson, distinguished participants, ladies and gentlemen.

It is an honour and pleasure for me to welcome Y.B. Encik Edmund Langgu, Honourable Deputy Minister of Agriculture, Malaysia, to this Inaugural Session and to thank him most gratefully for having come to declare open the 6th Open Asian Cooperative Management Conference. I must tell you, however, the Yang Berhormat, Dato' Shariff Ahmad, Honourable Minister of Agriculture, Malaysia, rushed back from Europe last night to keep his promise to declare open this Conference but as the Honourable Prime Minister wanted to see him at 10 a.m. today he has delegated this responsibility to his deputy. We appreciate very much Encik Edmund Langgu's kind gesture in making himself available for this occasion. I would also like to personally say "Thank you Encik Edmund Langgu" for honouring this conference with your presence.

The Malaysian Cooperative Movement is very fortunate to have Datuk Shariff Ahmad as our Minister. The cooperative movement in any country is like a human body. I would like to elaborate on this analogy. It will be a healthy movement like the human body if all parts of the body function properly.

The Hon. Minister, the Head of the Malaysian Cooperative Movement, is like the brain. This is the most important and integral part of the human body. Luckily, again, he is assisted

by two helpful Deputy Ministers. We are also indeed fortunate that we have a dynamic and progressive brain. The Director-General of Cooperative Development is like the eyes and ears. If the eyes don't see things in the proper perspective and the ears do not hear the truth, then the body will weaken day by day. Fortunately for us, again, the eyes and ears function very perfectly.

The officers of the Cooperative Department including the Directors of Cooperative Development are like the limbs, hands and legs. Without these limbs, it will be difficult to have any movement and dynamism. We are also fortunate that most of the officers of the department at present are hard working and conscientious.

We, the Directors, Committee Members and employees of the Cooperative Movement are like the tissues and cells of the human body. We depend on the brain. We depend on the eyes and ears and we depend on the limbs. We on our part will always give full support to the whole body.

Next, I would like to extend words of welcome in typical Malaysian style to all participants from all over Asia. To them I say "Selamat Datang". Every possible measure has been taken to have a smooth and successful conference and ensure that nothing goes amiss in so far as your personal requirements are concerned. We want to make sure that you are all looked after well. We hope that each and everyone from overseas has a pleasant stay and will not hesitate to ask for assistance on any matter or problem that you may have. We in the Malaysian Cooperative Movement consider it a significant honour and privilege to host this conference. As I look around this vast audience it is definite that it is the largest Open Asian Management Conference ever held.

I would like to do something at this conference that I have never done before. Having had the privilege of attending the largest number of ICA Regional Council meetings since the beginning, I would like to place on record our sincere appreciation to the Regional Directors of the ICA Regional Office for the effective part they have played to bring ICA to this region through their well trained consultants including Swedish experts, through their publications and newsletters, through seminars and conferences and particularly through personal con-

tact. We appreciate their patience, their understanding and their leadership and devotion to duty. By referring to regional directors, I don't mean just Mr. Rajaguru, the present Regional Director. I also mean Mr. Weeraman and Dr. Saxena who served us very well. I would also like to record our very grateful thanks to Mr. J.M. Rana, Director of the Education Centre, Dr. Dharm Vir, Mr. Lionel Gunawardana, Mr. M.K. Puri and all others in the ICA Regional Office. Some of you may wonder why I am making this statement today. It will take a long time for another similar conference to be held in Malaysia and I may not have the opportunity to do so again in the future. I may then be sitting on the sidelines.

Thus the sixth Conference takes on great importance as we are on the threshold of the 80's. Accordingly, the theme is "Cooperative Development in the Eighties". The conference hopefully will give us some insight to our direction in the Eighties. We are going to probe our situation to prepare ourselves for the Eighties. Cooperatives in Asia during the course of the 70's have seen the difficulties and problems which world economic situation can cause on all, regardless of international boundaries. The year 1979 has clearly exposed to all of us the interdependence of nations and mutuality of interest. Furthermore, the frequency of economic cycles has increased and the intervals shortened. It would seem that only a year ago we came out of inflation and recession. As soon as it had subsided, we are already in another inflationary and recessionary situation.

Last week's news announcement that the European economies are stagnating points to the problems that we can begin to expect in the 80's. Many nations today also see new-found power in their backyard in that some economic assets they possess can easily affect the economic developments of other countries if they manipulate it.

Today America is a nation whose destiny can be dictated or affected by previously powerless countries. It is in this situation that we cooperators are going to operate and all the more reason that we should set about establishing ourselves as a way of life that respects all human beings. As an economic and social system, cooperation transcends all boundaries. We hope that the spirit of cooperativism which we can spread only by having success in our own countries at local and national levels

does reduce the antagonism, animosity and hate that exist between people and among people. Let us begin this in Asia.

Let us reach people, their lives, their souls and give them hope by alleviating their social and economic problems and by showing that there is a Movement which cares. We cannot do that if we do not keep to the spirit of cooperation and attack the problems that are basic before going into activities of national interest. Our theme should be to tackle the core of our people's problems essentially poverty and to have a mass of people, who, even though, may not believe in cooperation but would at least feel a sense of goodwill and faith in its power of the cooperatives to overcome the real problems of living today. You are the flag-bearers of your respective Cooperative Movements. You can give leadership in the 80's which will be decisive in the direction that we are bound to take.

Let Asian cooperatives through self-help and mutual help, build their own institutions so that no one says that we want help before doing anything to help ourselves. It has been said in the Western world that cooperatives in developing countries before seeking assistance in projects and others should have through their own initiative set up the basic infrastructure. I cannot disagree with this. We should not and cannot go into projects without first having planned and set-up the infrastructure. We should not seek assistance from outside to build our infrastructure unless we are in such a state of backwardness it becomes necessary. It is a fault among us that we tend to put the cart before the horse. Even in existing cooperatives we tend to wait for expansion to take place before undertaking the infrastructure development. We should have manpower and management for growth and not after growth.

The Cooperative Movement in Asia today faces another problem and that is the question of conforming to principles and ideals in practice. It is a real problem that has overtaken the Western countries. To deviate from or to forget principles and ideals would be disastrous to our movement. We have to ensure that in our practice we do not lose the objectives and purpose of cooperation. How can we do this with a professional management that may not believe in cooperation? We cannot also put our heads in the sand like an ostrich and pretend or ignore the need for professional managers for sound management. The

best way of resolving this, in my opinion, is that the management structure of cooperative institutions should be two-tiered. There should be professional managers as well as cooperative managers running the organisation on a parallel basis. The chief executive of a cooperative institution should always be a cooperative leader with general management abilities so that he can keep cooperative service concept going and gear the organisation to general cooperative development as well.

At the last ICIF Insurance Conference in Columbus, one speaker suggested that all cooperative institutions should immediately appoint a Senior Assistant General Manager in charge of cooperative matters and relations with very wide powers to act and prevent deviation. In developing countries, my suggestion would be the best. We have over the years developed and trained young cooperative leaders quite competent to head a cooperative organisation and ensure its proper and sound growth.

# Inaugural Address

by

Encik Edmund Langgu

*Deputy Minister of Agriculture, Malaysia*

I express my thanks and gratitude to the organisers of this conference on the invitation given to me to address and inaugurate the Sixth Open Asian Cooperative Conference of the ICA, ROEC, on the theme "Cooperative Development in the 1980's". I also wish to extend my warm greetings and the Malaysian hospitality which is well known to everyone of you from Asia.

We are very proud and privileged to have you in this country, and are indeed honoured that the ICA ROEC, should hold its conference in Malaysia. The Malaysian Cooperative Movement, I believe, has left no stones unturned as the host of this conference to lend its whole-hearted support and cooperation to ensure not only that your stay is enjoyable and the conduct of this conference is a great success.

I am pleased to note that the theme of your conference dwells on the development in the 80's. It is indeed inspiring and encouraging that you cooperators are keying yourselves up to the question of development of cooperatives in the Eighties, through the mobilisation and deployment of the resources in this next decade to improve the living standards of your members. In this it is almost needless for me to add that the commitments and efforts of the cooperative movement in Asia would be in harmony with the aspiration of the governments of the region.

We in Malaysia can be an example of the vast commitment of resources and efforts to overcome the socio-economic problems of the majority of the population who have not benefited from development and growth. Like other developing nations, we are always looking for ways and means of eradicating poverty and giving our people, particularly those in the rural areas, their right to enjoy a life without fear of the future and live with dignity and self-respect.

Like other developing nations, we have come to regard the

principle and practice of cooperation, as one of the acceptable instruments to alleviate our people from the clutches of poverty, ignorance and exploitation. There is no question or doubt in our minds that the cooperative system can achieve this without upsetting or depriving others of their right to a happy life.

We in Malaysia are now completing the Third Malaysia Plan which embodies the objectives and aspirations of our people. Currently also, we are formulating and planning policies, objectives and programmes for the Fourth Malaysia Plan, which will begin in 1981.

The broader objective of our Malaysia Plan is to reduce poverty and to raise the standard of living of the poorer sections of our society in order that they may achieve social and economic parity with the more fortunate Malaysians. In all of these plans, the Cooperative Movement has been given a major role. While we promote the Cooperative Movement in almost every manner, we do appreciate the shortcomings involved, an awareness which prompts and necessitates us to take more than a guiding role. The overall observation of the Cooperative Movement in Malaysia is that though, as a whole, it has made improvements and indeed even notable advancements, there are areas where the Movement can still play a more active role. Specifically, these are in helping to forge rural development and to provide services in the rural areas. The rural sector in particular has not been able to realise and enjoy fully the benefits of the cooperative system because the cooperative movement is yet to organise itself in a proper, effective, and efficient manner.

Consequently, in the pursuit of greater rural development, it has become incumbent on the part of the government to increase its own participation in the cooperative movement in this rural sector. The approach chosen was to set up two major organisations for rural cooperative development, namely the Farmers Organisation Authority and the Fisheries Development Authority. These two organisations have concentrated their efforts in consolidating and strengthening agro-based cooperatives, farmers' associations, farmers' cooperatives, fishermen's cooperatives, and fishermen's associations. The objective of the Farmers Organisation Authority is the integration and development of farmers' associations and agro-based cooperatives into viable and effective farmers cooperatives, while the Fisheries Development Authority does the same

with the fishermen's cooperatives and fishermen's associations. It should be noted that the urban cooperative movement, which is more advanced than its rural counterpart, is supervised and assisted by the Department of Cooperative Development.

The Government has also set up a revolving fund of \$25,000,000 to assist and foster the growth of the Cooperative Movement generally. This is because we look upon the cooperatives as an important vehicle in bringing about progress for socio-economic development. We hope that the cooperatives will pull their weight and respond in the true spirit and intentions of cooperation by utilising the funds provided and by implementing projects that would greatly benefit their members in particular and the people in general.

We also hope that the leadership of the cooperatives will be strengthened at all levels and their commitments and dedication to principles, goals, and objectives of the Cooperative Movement should take precedence over all others. I am sure that your earnestness, which is shown by the interest in looking towards your role and responsibilities in the 80's, will bear results to help the people in their needs and necessities.

Finally, I hope that your conference will be able to study and understand the problems faced by the Cooperative Movement and to overcome these through concerted efforts at all levels.

May I wish your conference every success and, in that spirit, I take great pleasure in declaring open this conference.



**Commission-I**  
**Cooperative Development**  
**in the Eighties**



S. S. Puri\*

## **Cooperative Development in the Eighties**

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

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

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\*Secretary, Planning Commission, Government of India, New Delhi-1

large part of this Region in terms of membership, activities and importance.

Cooperative development in the Region in the 80's can probably be discussed around three principal questions : (1) What will be the principal characteristics of the socio-economic environment in the 80's in which agricultural or rural cooperatives operate ? What will be main problems or challenges which the rural economies of the countries in this Region face or the problems or difficulties which will spill into the next decade from the decade which is going out ? In other words, what are the problems external to the cooperative movement ? (2) What will be or what is the identification of problems which are internal to the cooperative movement and which will spill into the 80's and which to some extent might get accentuated or enlarged as the 80's proceed ? (3) What will be the reaction of the cooperative movement ? One way of dealing with this last question, which is perhaps the hard core question, is to try and see what will happen if the past is projected into the future. Another would be to try and say what the cooperatives ought to do to be able to react more meaningfully to the problems that will arise in the 80's. One would be merely a projection of the past and the other a deliberate planned effort to adequately meet both external and internal challenges.

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

While cooperators are, discussing cooperative development in the 80's, others engaged in the economic activities are discussing similar questions in meetings of the FAO, UNIDO, ESCAP and so on. Discussions are taking place on what will happen in the 80's, and what will happen in the two decades following the 80's and even what will happen in the two decades following the 90's. In fact, FAO has produced a very interesting document for a World Conference on Agriculture in 2000 A.D. Very recently the UNIDO drew up a document called "Industries in 2000 AD". The ICA has set up a small group to prepare a document "Cooperatives in 2000 AD". I happen to be a mem-

ber of that group.

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

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

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

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

This in turn determines what are the principal tasks and social which the people of these countries and cooperatives as representing a large segment of people will have to deal with.

A large part of employment growth will necessarily be in the agricultural sector. As far as one can see, in most parts of these countries, the employment that may be generated in the organised sector of the economy, in the industrial sector, is very very small. For instance, we have computed for India that if industrial production grows roughly at about 7 per cent per annum, which is a reasonably high rate of growth, the growth in employment in the organised sector of the economy is only about 12 per cent. In other words, for the entire additional labour force, as much as over 80 per cent must get gainful employment in rural economy in non-organised sector of the economy, or you can call informal sector of the economy. Therefore, a great deal of the employment development is linked to development of agriculture irrigation, development of allied activities and so on and so forth.

The other major task is that of distributive justice. The problem is how to redistribute the purchasing power among the mass of the people so that you have greater equality and greater nutritional intake among the mass of the people in this region. It has been projected that, in this region, the population will grow roughly at about 2 per cent per annum. If some of these tasks are to be met, the economy must grow at a certain order to generate necessary surpluses for the purpose. The historical growth rate in this Region for all countries taken together has been somewhere around 4.7 per cent. There is a potential for growing at 6.8 per cent. I am mentioning these figures largely to highlight that there is a large problem of increasing agricultural development per cent but more than that of redistributing the gains of the agricultural production among those who ought to be beneficiaries of this process, the small farmers, the marginal farmers, the agricultural labour, the rural artisans and so on and so forth. This is where I think a whole set of tasks are involved. First of all, purely economic tasks will be devolving on the cooperative movement—the cooperatives role in providing credit, in providing agricultural inputs, in providing marketing and processing. This, of course, is well known but I want you to have a feel of the kind and the size of operation that will grow in 80's and 90's. Of the increased production that will come about in these countries over the next decade, only about 28 per cent will be accounted for by area increase. As

much as 72 per cent will come by increases in yields- that is greater productivity. Now if that is to fructify, a great deal of expansion of irrigation, of use of irrigation, of use of inputs and of irrigation facilities etc. will be involved. By way of illustration, the figures of fertilisers are somewhat like this. In 1979 the total quantity of fertilisers used in developing countries would be around 19 million tons. This would have to increase to roughly about 94 million tons by 2000 AD.

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

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

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

The cooperatives will have to rationalise their structure,

develop a very proper kind of integration between the apex society and the primary societies, eliminate some of the middle tiers and develop professional cadres.

The principal question all over the world, especially this part of the Region, is : does the cooperative movement have any clear vision of the kind of socio-economic system it is trying to promote or has it reduced itself to a way of conducting business ? Is it just that it observes certain rules and procedures and regulations, say "one member one vote", limited return on share capital etc ? If a joint stock company were to observe all these rules, does it become a good cooperative ? In the 80's will the cooperatives only become bigger and bigger or will they become cooperatively better ?

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



R.B. Rajaguru\*

## Cooperative Development in the Eighties

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

The decade that we will be concluding at the end of next month would be the Second Development Decade of the U.N. and the Cooperative Development Decade as declared by the ICA in 1970-71. In trying to make guesstimates for the future I believe this aspect too would be of relevance as the decade we are just completing is one where the U.N world body and the ICA had emphasized as Development Decades. There is no such emphasis or underlining of intent in respect of the decade that is to follow. I, therefore, think that it would be appropriate to place before you the thinking behind the factors that led to the declaration of the 70's as Cooperative Development Decade (CDD) and leave it to you to judge whether within your own national environs, within your own movements, the CDD has had any special impact and if so whether in the ensuing decades the development process will be impaired by the absence of such focus. The intention behind the ICA's declaration of the 70's as the Cooperative Development Decade was "to under-

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\*ICA Regional Director for South-East Asia, ICA ROEC, New Delhi

take a concerted and intensive campaign for the promotion of cooperatives in developing countries. It was a means of channelling to developing countries that tangible help essential for bringing strength to the young cooperative movements in those areas". (ICA Studies and Reports, January 1971).

The 70's could, to my mind, be justly called the era in which most governments in the region accepted the cooperatives as a necessary instrument to ensure economic development of the weaker sections of the community and to usher in an era of equity and social justice. Many of the countries would have during this period made significant changes in their laws governing the cooperatives and brought the movements under closer supervision and control by governments. The decade is characterized also by the emergence of very strong and large sized cooperatives, some of which are effective enough to compete with the growing strength of the Multi-Nationals whose pervading influence we had occasion to discuss at the last Open Asian Conference held in Bangkok, Thailand, in 1978. In many of the countries of the region, through a process of amalgamation of cooperative societies, especially in the agricultural sector, larger societies were created to perform the multifarious services at the village level. In the urban consumer movements, one noticed a trend towards the establishment of supermarkets, to effectively compete with the private sector. There has been also increased emphasis on the development of fishery cooperatives, industrial cooperatives and even housing cooperatives, but the achievements in these sectors have not been very encouraging in many of the countries of the region. At least in some countries positive steps have been taken to enter into joint ventures between cooperatives of different countries or between different cooperatives within a country or even between cooperatives and private entrepreneurs from other countries. Notwithstanding these developments in the fields of production, development of regional or international cooperative trade has been most disappointing. In fact, except for a few transactions on the basis of bilateral agreements between the cooperatives of two countries, the achievements have been poor. The international organisation set up to help inter-cooperative international trade has been compelled to find alternate economic activities to keep itself going, because the member support and member patronage on

which its success would depend, was unfortunately not readily forthcoming. However, though inter-cooperative international trade has been disappointing this does not mean individual cooperatives, in many countries have not expanded their international trading activities even though with even this expansion, the share of the cooperatives in the international trade of the region would be quite insignificant.

The trend, therefore, in the development of cooperatives in many countries in the region has been towards the growth of the larger size cooperative, some with membership of over several thousands, and with the governments playing a dominant role in assisting their growth and also supervising and controlling them. Having identified this trend it is worthwhile taking a look at two important elements in a cooperative—its management and its element of democratic control. In a recent statement made by the Prime Minister of a very big democracy in the Region, he said “The Cooperative Body seems to be doing all right—but the cooperative soul seems to have got lost”. This statement clearly illustrates the concern of many a cooperator in the region. As many of you are aware, there has been during this decade, a continuing debate, not only in this part of the world, but also elsewhere, about the substance of the cooperative, its role and content. With the increasing size of the cooperative society and control passing from the general body to a representative body and finally to bureaucrats or technocrats, the continuing debate has been, what is it that distinguishes a cooperative from any other organisation for economic activity, is democratic control any longer relevant, or should there be several concepts of democratic control depending on the size of the organisation and the number and spread of its membership. This is a debate as mentioned earlier, not confined to this region but in fact having increasing emphasis in the developed world.

It is necessary to emphasize the need to professionalize management, especially to meet the increasing volume of business of the large societies. An area in which the cooperative movement in many countries have fallen short of expectations is that of the development of management cadres. Many movements had to fight hard for decades to break away from the heritage of the honorary office-bearer performing management functions. This was followed by the reluctance of the honorary office-bearers to

fix attractive salaries for managers. Cooperative managers all over the region, by and large remained ill paid. As a result, cooperatives generally attracted the incompetent and the hangers-on. In many places the gap was filled by deputation of government officers, on a temporary basis, to carry on until the societies were able to attract suitable managers to their cadres. The sad fact is that in many instances, the bureaucrat turned technocrat has come to stay. The societies and the movements are finding it difficult to shake them off. This is not to imply that the technocrat has not done a commendable job in either increasing the efficiency of the services rendered by the cooperative or in even increasing its profitability. This they have done in many cases, but the overall effect on member relations, promotional prospects of the lower down cooperative employee and even growth of leadership has not been very encouraging.

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

There is increasing involvement of women in cooperative activity, both as members and in roles of leadership. The U.N. focus on the International Years of Women and Child and population education, nutrition and health, has brought to the cooperative fold women from many ranks, apart from the usual textile weavers and those engaged in handicrafts and cottage industries. This, then, is another achievement of the 70's. To this can be added the concern of cooperators in schools co-

operatives, the teaching of the subject of cooperation in schools, colleges and universities and some significant achievements made in this regard.

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

On the economic front we are faced with the dismal picture of many of the countries of the region increasing their rate of economic growth, but with the rich getting richer and the poor getting poorer, with a large mass of the population hovering below the poverty line while the affluent 10% enjoy the benefits, at times as much as 60% of the total pie. The increasing influence of the Multi-Nationals, the severe energy crisis in the rising tide of double digit inflation, and the unfavourable terms of trade, coupled with the alarming population growth in many countries of the region have resulted in debates, discussions and strategies at the international level, and a search for satisfactory means of ensuring to the large mass of people at least a small portion of the good things of life. This international struggle and argument will spill over to the eighties and the creation of commodity funds and the concept of the 'Third Window' may eventually help the poorer nations to obtain some favourable terms from the developed North, but this remains to be seen. In the national sphere, the prevailing situations have led to the now famous slogans "Garibi Hatao" (Eradicate poverty) of Mrs. Indira Gandhi and the "Roti, Kapra aur Makan" (Bread, clothes and homes) of Zulfikar Ali Bhutto. To this dismal picture must be added the fact of growing unemployment, both educated and otherwise, and alarming socio-economic problems

arising out of the composition of the population. In some countries of the region over 50% of the population is below 40 years of age and many of the unemployed are in this age group. In many countries, 40% of the people in agriculture do own the land they cultivate. These facts are likely to influence the process of planning and programming and will determine the path of development in the eighties.

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

Simultaneously, there will be tremendous pressure to develop small-scale industrial cooperatives, the workers participative societies which can harness the resources available at the village level and provide employment to the masses who now exert increasing pressure on the meagre agricultural resources. This will be the result of a conscious effort by governments to achieve a multiplicity of objectives. The increasing shortage of energy and increasing pressure on cities will make it vitally necessary to stem the flow of the rural population to the urban areas and even transfer some of the unemployed urban population to rural areas. The large mass of educated youth looking for job opportunities will have to be organised in decentralized develop-

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

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

In this context I would like to quote from two statements made by ministers of cooperatives in two different countries to illustrate the type of dilemma that cooperatives face. In his inaugural speech at the opening of the National Convention of Consumer Cooperatives in India in early 1979, Mr. Mohan Dharia, Minister for Cooperatives and Civil Supplies, said, "While government support, including financial, may be sought in the initial stages or for specific programmes of development, it is absolutely essential for the consumer movement to generate strength from within itself. Consumer cooperatives should, therefore, have mass membership of consumers who should be loyal to their institution, patronise them and give them a democratic base". Thus you will see, the intention is to help, to assist the poor man to find a place in the sun and this through a cooperative form and of course he is expected to grow in strength and stand up on his own. I shall quote also from the speech made by the Minister for Food and Cooperatives, Sri Lanka, Mr. S.B. Herat, when he opened the Experts' Consultation on Member Education, also in early 1979: "The organization of this Experts' Consultation has come at a very appropriate time, because the government, as a matter of principle, has decided to hand back the management of cooperatives to democratically elected bodies. With this view in mind we have already planned to complete the holding of elections in all multi-purpose cooperative societies by the end of 1979... I am happy that we have been able through persistent efforts to get the elections going. My intention as Minister in charge of the subject of cooperatives is to see that the movement is both de-politicized and as far as possible de-officialized. The pioneers of the movement in Sri Lanka, both official and non-official, succeeded in instilling a lasting devotion to member education in the first generation of cooperators and the remnants of their influence can still be found in many parts of the island today." Here we see an acceptance of the problem of the present but a firm direction towards which one expects the movement to grow. This is true of many other developing countries of the region as well.

In the complex task that lies ahead one would see the need for involvement of all sections of the population at all levels. This necessarily means the evolution, by individual societies, by fede-



ral organisations and others, of meaningful programmes which would give the membership the correct orientation in regard to the present and the future.

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

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

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

Report of Commission I

**Cooperative Development  
in the Eighties**

*Chairman:* Brig. Gen. D.E. Tutaan, Philippines

*Secretary:* Mrs. John Guruswamy, Malaysia

*Resource Persons:* Mr. S.S. Puri, India

Mr. R.B. Rajaguru, ICA ROEC,  
New Delhi

Dr. D. Vir, ICA ROEC, New Delhi.

The Commission discussed the subject of cooperative development in the 80's in the South-East Asian Region. It took note of the observations made on the opening day of the Conference in the two papers presented by Mr. R.B. Rajaguru and Mr. S.S. Puri. A large number of members of the Commission representing different countries of the Region gave their observations and reactions particularly in relation to the following three questions formulated for consideration by the Commission:

- 1) How far do you think the cooperative movements can influence national development in the 80's? In what areas cooperatives should gear themselves to make a significant contribution? What role devolves on the apex unions and others in this regard?
- 2) What steps should be taken by the cooperative movements of the Region to involve the poorer section of population which is still outside the cooperative fold?
- 3) In what direction should cooperatives reorganise and strengthen their structure, operational practices and management (including member relations) to be equal to the tasks which will confront cooperation in the eighties?

As a result of the discussions, a large number of broad conclusions and suggestions emerged. These are summarised below:

### **I. Role of Cooperatives in National Planning and Development**

1.1 It was noted that in a number of countries in the Region the national governments are formulating plans for the socio-economic development of the country. In some countries cooperatives have also prepared their own perspective plans of development. It is necessary to make efforts towards a proper inter-action between programmes of cooperative development and the general programmes of national development as conceived in the countries' plans. For this purpose, wherever necessary, the apex unions should take the initiative to formulate appropriate statements of objectives, policies and programmes which should be discussed by them with the national planning organisations.

1.2 It is noted that in countries where cooperative development is still at a very limited level, the role of cooperatives will necessarily be of a supplemental character. However, as the share of cooperatives in certain sectors of the economy such as insurance, housing, credit, marketing, etc becomes significant, they would be able to provide a useful feedback in terms of their knowledge and experience and thereby meaningfully contribute to the formulation of sound national policies and plans.

1.3 In several sectors cooperatives already command large membership and, therefore, they have the ability to experience, at a grassroot level, the favourable as well as unfavourable effects of national plans and policies. Cooperatives, therefore, can serve as effective agencies for conveying both the problems as well as the potentials of developmental activities back to those who are concerned with overall national planning and development. An inter-dialogue and continuous consultation between cooperative leadership and authorities in charge of planning should, therefore, be actively promoted. In this regard the national government should seek active support and assistance from cooperative enterprises.

### **II. Cooperatives and the Poor**

2.1 It is observed that over 80 per cent of the world's poor

resides in the countries of the Region. Hence the upliftment of the poor is necessarily going to be a major concern of the countries in this Region in the 80's. It is necessary that cooperatives pointedly recognise this aspect and take positive steps towards making an effective contribution to the problem of eradicating mass poverty in this Region.

2.2 In terms of their basic philosophy, cooperatives have always been recognised as organisations for promoting self-help and mutual aid among those who are in need of primary services such as credit, marketing, housing, consumer goods, etc. While cooperatives have helped to improve the economy of many households primarily from the lower middle class section, it is essential that the future focus of their activities should be shifted towards bringing the poor, particularly the marginal farmers, the rural and urban artisans and other under-privileged sections of the society into the fold of cooperative operations. For this purpose, cooperatives must make an active effort to broad-base their membership, bringing the poorer sections of the community and aiming at providing organised strength to these persons who are in need of such strength.

2.3 In several countries, governments are already committed to a policy of eradication of rural poverty and the principal responsibility in this regard is taken up by government itself. However, in collaboration with government efforts, cooperatives need to be alive to this basic requirement of the national economy. It was noted that in a phased manner cooperatives have to devise policies and procedures which, step by step, would aim at providing more and more services and attend to the requirements of the poor particularly those in agriculture.

### **III. Reorganisation and Strengthening of the Structure and Management of Cooperatives**

3.1 While the membership of cooperatives in recent years has grown, a large part of the eligible population is still outside the fold of cooperatives. It is necessary that an active drive should be made by cooperatives for membership enrolment.

3.2 Cooperatives must develop perspective plans for expansion and diversification and set for themselves appropriate targets for development.

3.3 One of the tasks to which cooperatives must address themselves is that of their own structural reorganisation and wherever necessary amalgamation and modernisation.

3.4 One of the areas where attention would be necessary concerns mobilisation of funds and resources so that the cooperatives have increasing capability to play a useful role in the expansion and development of national economy.

3.5 There is urgent need for cooperatives to improve their image. For this purpose public relations and in particular member relations is a matter of urgent necessity. The educational programmes of cooperatives should be broad-based so as to include farm guidance, agricultural extension and better living activities. Special programmes may also be developed for women and youth.

3.6 It will be necessary to ensure that the coming generations evince adequate interest in cooperative institutions. For this purpose teaching of Cooperation at appropriate stages in the schools to the younger generation should be seriously considered.

3.7 In view of increasing responsibility likely to devolve on cooperatives in various matters such as provision of more goods and services on a much larger scale than what has been possible so far, it was felt that in the 80's development of managerial know-how will be vital for the success of cooperatives. Hence training for managerial personnel so as to upgrade their skills will be a crucial necessity. This is an aspect where the apex organisations should be primarily concerned with and should take active steps to promote and strengthen the training facilities at different levels, and make more effective utilisation of such facilities.

3.8 It was suggested that the possibility of setting up a regional institute for training in cooperative management for senior personnel of different countries in the Region should be explored by the ICA.

#### **IV. Role of Labour Unions and other Voluntary Organisations in the Development of Cooperatives**

4.1 A reference was made to the experiences of Singapore in the active and helpful role played by labour unions in sponsoring and developing different types of cooperatives such as in-

surance, consumer services and transport. It was felt that elsewhere where labour unions are strong and are sympathetic to the cause of cooperative development, they should be encouraged to sponsor cooperative organisations. At the same time, it should be ensured that increasingly the cooperatives thus sponsored are able to develop as autonomous entities with the requisite freedom of decision-making on their own.

4.2 Caution would also be necessary to ensure that the cooperative movement does not get splintered and tied closely to the affairs of any particular labour union. The ability of cooperatives to provide a meeting ground for consumer/producers/workers irrespective of party or political affiliation should not be allowed to be impaired.

## **V. Relationship of Cooperatives and Government**

5.1 It was felt that the cooperative movement should endeavour to influence legislation affecting cooperatives so as to ensure that the legislation in itself is not restrictive but such as would assist the growth of a strong and independent movement. This is particularly necessary because it was observed that in the 70's some restrictive features had been introduced into cooperative legislations in several countries of the Region.

5.2 It is also observed in the 70's in several countries there was a growing tendency for governmental intervention in or control over the affairs of the cooperatives. This tended to militate against the emergence of a healthy and strong movement. It is necessary to ensure that in the 80's a more balanced and harmonious relationship would emerge between cooperatives and the government.

## **VI. Cooperative Integration**

6.1 Cooperatives have developed in several sectors in the various countries of the Region. Generally speaking, however, these sectoral movements have functioned in isolation from one another. It is necessary that suitable integration should be actively fostered so that a strong sense of solidarity emerges in the cooperative movement as a whole in each country. This is a necessary condition for the cooperative movement to be able to effec-

tively contribute towards both policy making and development implementation in their respective countries.

Apart from inter-sectoral integration of the cooperative movement there is also need for a proper vertical integration of cooperatives within individual sectors. It is observed that in several countries the apex institutions have tended to develop in isolation from their primary cooperatives. While the apex institutions have grown bigger and stronger, this strength has not been correspondingly reflected in their member organisations. It would be necessary that in the 80's suitable initiatives are taken for an effective vertical integration of the cooperatives at different levels.

## **VII. The Role of Apex Cooperative Unions**

7.1 In order to enable cooperatives to play an effective role in the 80's it will be necessary that the cooperative unions, which are the apex institutions in each country, are enabled to acquire the requisite strength and expertise. For this purpose, all cooperatives in the country should contribute out of their profits a suitable proportion or amount towards the finances of the union. Among other things, the unions must develop a strong cell for undertaking research and for formulation of perspective plans for cooperative development in the 80's.





**Commission-II**  
**Strategy for Mobilisation**  
**and Investment of Funds**  
**Through Cooperatives**



Dato N. A. Kularajah\*

## **Strategy for the Mobilisation and Investment of Funds Through Co-operatives in the Eighties**

Last year's world economy was characterised by sluggish economic growth and persistent yet fairly moderate inflation. Real growth in the industrial countries was 3.7 per cent, the same as in 1977. The rate of unemployment was 5.3 per cent with a pool of unemployed of 17.6 million. Inflation rate averaged about 8.5 per cent. This year, the position is expected to deteriorate and economists say that there is no dispute about this. What remains uncertain is the severity of this 'depression'. Already there are indications that point towards a recession. The United States, which carries a 40 per cent weighing within the industrial economy, has 'paved the way' to a recession with its first half-yearly report for 1979. Real GNP rose by less than one per cent, 'leading indicators of growth' flattened out, consumer confidence dropped, industrial production fell sharply and the rate of unemployment rose slightly. In addition, the increasing concern on the energy situation and the emergence of double digit inflation all have but only aggravated the situation. Therefore, the Eighties promises to be clouded with much uncertainties and the possibility of recession and/or inflation.

However, this might not appear to be the case in the Malaysian situation. Unlike the gloom predicted in the world economy, the Malaysian economy is expected to continue to grow, though not at the same pace. This belief strongly arises from the impressive past economic performance, particularly in the past few years, and optimism has been generated by these and other factors.

The real income has grown from an average rate of 4 per cent

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per annum in the second half of the Fifties (i.e., the period Malaysia became independent) to about 9 per cent for the 1976-79 period. Per capita income, too, went from \$600 per head (1957) to \$2,600 (1979). In addition, the nation's record of relative price stability was averaging 1% annually until the early Seventies. Now it is 4% still far below the world average. To top it all, the economic transformations was achieved without significant changes in the nation's balance of payments. One year, 1978 marked the eleventh consecutive one with an annual balance of payments surplus.

All this growth led to the Central Bank's reserve growing from \$770 million (1957) to \$8.5 billion (1978), equivalent of 7.5 months of retained imports at the current level.

The Malaysian economy is primarily agricultural and export-oriented. Therefore, its overall well-being continues to be subject to vagaries of international demand and fluctuating commodity prices. This means that her economy too depends (not wholly though) on the international economy. However, it has enough manpower and resources to continue to grow in spite of these dangers. This is because she has carefully diversified from a two-commodity dependent nation in 1957 (rubber and tin) to the world's leading producer and exporter of rubber, tin, palm oil, pepper and tropical hardwoods. Now she is almost self-sufficient in rice and is encouraging the growth of cocoa. This simply makes her look into the Eighties with confidence in continued growth. The recent budget presented to the country is a dynamic and innovative one reflecting the inherent strength of the economy as well as the social economic needs of a multi-racial nation.

### **Cooperatives as Economic instruments to counter adverse economic trends**

It is pertinent here to quote from the speech delivered by the Right Hon. Dr. David Owen, former British Foreign Secretary, MP, at the Central Committee Meeting of the ICA at Manchester, to show the value and importance of cooperatives and the role that they can play in any economy regardless.

“Those countries that have long experience of industrilisa-

tion appear to be the countries which find the cycle of unemployment, inflation, balance of payments, the most depressing. They have been the first to experience the deep-seated nature of the problems thrown up in the wake of industrialisation. Lack of motivation is thought by many now to be the inevitable accompaniments of automation and industrial conflict as the inevitable accompaniments of industrialisation. This depressing cycle of disillusionment with industrialisation is not inevitable. Co-operatives can circumvent the remoteness of the large organisation and their impersonal bureaucracies. Co-operatives do not attempt, however, to escape the realities of the market place. Nor do co-operatives ignore the need for greater efficiency in production or in marketing. Even those who opt for State Control of all means of production and distribution cannot ignore markets internationally. But most people who live in a democracy recognize that the abolition of even an internal market is unobtainable for the foreseeable future. The realists recognize the abolition of markets is actually undesirable even for the future. In advocating democracy, we desire choice, we recognize that there is a place for individualism and variety. Commercial markets are merely a mechanism for the allocation of resources. In those areas where provision is of right such as for health and education, markets are undesirable. In other areas markets are impractical, as in some major public industries, such as railways or energy. The challenge is how to develop a philosophy of market socialism which allows for efficiency, democracy and participation. The key is not to attempt the impossible by abolishing the market place, but not to involve workers and consumers in the state controlled economy. What is needed is a new mix with different ingredients rather than yet another shift in the balance between the existing mix. In many parts of the developing world there has been a clear cut refusal to follow either the path of unbridled capitalism or state socialism and instead an attempt has been made to search for a new path. There has been an understandable reluctance to settle for the uneasy compromises of the European mixed economies and a hope that Co-operatism offers an-

other way. Perhaps no country has yet found the right balance and there probably is no magic formula which will stand immutable. What is needed is a stimulus to developing the Co-operative economy so that it becomes of a sufficient size to interpose itself between the three striking pressures of Capitalism, Trade Unionism and Stateism and in so doing also contributes to the development of Consumerism. It should now become a major task to develop faster than hitherto the co-operative philosophy within not just the developing work but in mixed economies for the industrialised West.”

How amply Dr. Owen has stated our role. In fact, he has summed up what should be the direction and the responsibility in the Eighties for co-operatives and the urgency that exists.

What do we face in the Eighties ? We are told that 1980 will open with the recession being felt in all parts of the world – recession which will be the result of the downward trend that is already beginning in the United States, whose economic policies and situations have worldwide repercussions. Asian economies are not greatly advanced except in a few cases. Basically, they are still agricultural economies though rapid industrial development is taking place. We are neither here nor there and, therefore, any downward cycle in the world economy will have the greatest impact on us. We are countries developing our economies with special attention on concentration of resources to reducing poverty and to attaining an economic standing for individuals that would enable them to acquire the human dignity which is certainly the end purpose of all governmental activities. The Cooperative concept and objective is aimed at this all-serving goal and, therefore, co-operatives in Asia must direct their resources and efforts towards achieving this.

The industrial revolution that is taking place in Asia has caused numerous social and economic problems which include displacements of families, movement of people from the rural to the urban areas, crowding in cities, causing dislocation of all services, increasing demand for housing and the creating of a situation full of abuses and exploitation of the ordinary consumer. There is, therefore, no doubt that the co-operatives

know the problems that exist in their respective countries which will determine the living standards and styles of their respective people. The Eighties, therefore, present great problems, great challenges and great opportunities for cooperatives to work and to establish themselves as the best way of life which Dr. Owen refers to.

To accept and tackle these challenges and opportunities we have to develop strategies and plans of action for development. Garnering funds and using them towards the best advantage of our people and members is the first step needed. Cooperatives more than others have great potential for raising or mobilising funds and by that itself greater growth potential than other organisations or institutions. This is mainly because:

- 1) they have normally massive membership or potentials for massive membership.
- 2) they are made up of people, managed by people, for the benefit of people.

Large membership in cooperatives can raise an enormous amount of capital for any business or enterprise they wish to go in.

Cooperative resources are better resources in that these are contributions in small sums by a large number of people believing in the concept of self and mutual help. There is permanency in them for long-term funding. To ensure that cooperatives can pursue their aims of mobilising and investing funds into workable projects and schemes which benefit the people or members it is necessary that these people or members must be made fully aware of the essence and concept of cooperation and the principles attached to that. They must be made fully aware that the cooperative belongs to them and that they or their representatives manage them and that the services or benefits that are shared among them. The realisation on the part of all members is vital for the growth and success of any cooperative whatever type of cooperative that may be.

So the first strategy a cooperative has to take is

- (1) that members already in the cooperative are aware of the

principles of self-help and mutual help.

- (2) that the service concept is accepted.
- (3) that whatever is being done or provided through a cooperative is for the benefit of all and sacrifices must be made by some for those in a lesser situation.

Cooperatives in line with their principles should have an effective and continuous education programme for their members and for potential members, namely, the general public, to ensure mobilisation of resources for their growth, expansion and development. Every cooperative should ask itself whether its membership within the respective area or country is commensurate with the population that exist. A cooperative can only grow bigger with the support of its members. It is found in the Asian context today that education is generally undertaken by apex bodies and individual cooperatives often do not have in their infra-structure an education set-up with trained educational officers or others. It is not possible for central organisations of cooperatives to undertake education and training of individual members of cooperatives. That has to be undertaken by the cooperatives.

Often too, individual cooperatives do not undertake an aggressive sale in respect of new membership, of new services and facilities to their members. Many new members join out of hearing the existence of cooperative by accident or by being attracted to one particular service or benefit that they need or can obtain from the cooperatives. It is essential and necessary that membership campaigns be undertaken regularly and continuously to increase the size and growth of the cooperative as this is where the mobilisation of funds can begin with.

A well-defined public relations policy and a well-planned public relations programme can do a lot in promotional activities.

Publicity through mass media, talks, seminars and issue of cooperative journals stating out different aspects of cooperative activities and objectives will boost the name and image of co-operation and help in its growth.

Member communication programme and motivating members to enlighten and educate friends, relations and others will



prove extremely useful as a sort of direct approach to membership growth.

Cooperatives ideally should mobilise their funds for their need from their members only and not from any other source unless it is unavoidable. But these other outside resources should not be excluded as long as they do not interfere, deter or regulate the cooperatives ability to act independently and democratically. These external resources can be the Government as well as other financial institutions.

Not all cooperatives have a share capital. Thrift and credit societies funds are primarily made up of monthly contributions in the form of subscription. In such a case they have no alternative but to either borrow from financial institutions on a long-term basis or to go on a membership drive to undertake financing. The other alternative is to increase the amount of monthly contribution per member.

It must be pointed out that the best way to encourage savings is to have more members save 'actively', and to increase the number of members. This can only be achieved if the cooperatives come out of their current ways and give member education programmes greater priority which unfortunately has been neglected in the past. It will have to be carried out earnestly in the eighties.

Mobilisation of funds can fall into three categories of investment :—(1) Long Term (2) Medium Term and (3) Short Term.

### **Long-Term Mobilisation**

Long-term funds will be necessary for giving advance to members for housing, land development and land ownership. This means that long-term funds have to be raised and this can be done in the following ways :

- (a) by means of shares issued or subscriptions;
- (b) by borrowing from some financial institution for a long-term period.

However, before this can be done, the cooperative society has to make sure that this additional use of funds can be fairly

'rewarded' or the projected returns are favourable. This is where sound knowledge of financial management can be helpful. Some of you might argue that being a cooperative society, we should not bother about 'rewards' or projected returns because the cooperative is supposed to be service-orientated rather than surplus-orientated. Yes, we need to be service-orientated but we should be more dynamic in our thinking because constraining ourselves to this narrow line of thinking will lead to the downfall of our cooperatives.

This is so because

- (a) we must make surplus to survive and grow. Only if cooperatives survive and grow can they be of service to their members.
- (b) by being surplus-orientated, a cooperative will be sound and be able to give its best as the amount of surplus will reveal how efficient the cooperative is; and
- (c) surpluses should be realised to become sources of further funds for development achieving bigger surpluses as a strategy for investment purposes.

Though there are other ways of gauging efficiency, surplus is undoubtedly the overall efficiency measure. Efficiency is important especially in the Eighties which may witness keener competition than heretofore.

Good ways of encouraging members to save is to introduce various savings schemes related to their needs. An example in Malaysia is the Cooperative Central Bank which offers a variety of savings schemes in addition to the following outstanding ones :—

- a. The Normal Savings Scheme
- b. The Festive Savings Scheme
- c. The Special Savings Scheme
- d. The Fixed Deposit Scheme
- e. The Short-Term Deposit Scheme

These various schemes are offered to members to meet their different needs of the people. In fact, a member will be encou-

raged to participate in more than one of these schemes.

The Normal Savings Scheme offers savings facilities with a very attractive interest rate. The current interest rate offered under this scheme is 6.5% per annum as against 6% per annum offered by the majority of the commercial banks in Malaysia. There is no minimum amount and this means extending this scheme to even the small savers.

The Festive Savings Scheme offers the availability of funds to a member for festive occasions. Under this scheme, a member can deposit funds as and when he wishes but can only withdraw fourteen days before the festival. This scheme offers a better interest rate than that of the normal savings scheme. Incidentally members are advised not to be extravagant in their spending during their festivities and are encouraged to have a Normal Savings Account as well. In addition, some of the members use this scheme for certain future contingencies, for example, sending the children overseas for studies. As such they enjoy a preferential rate during the period, except when there's upliftment before maturity, in which case the normal 6.5% interest is credited. Therefore, though the withdrawal should be fourteen days before a festival, the Bank does permit withdrawal in the case of contingencies, in the true cooperative spirit.

The Special Savings Scheme on the other hand, tries to encourage members to save monthly. Under this scheme, they have to contribute a certain fixed sum amounting to not less than \$20 every month, preferably by way of deductions from the salary. These savings cannot be withdrawn until the expiry of one year's contribution towards this scheme or if the account has a minimum balance of \$250. An extremely attractive interest is debited yearly and varies according to the balance outstanding as at the end of the year.

The Fixed Deposit Scheme again besides offering very attractive interest rates has reduced the minimum required to be placed to \$100. This makes it within the reach of most individual members.

The Short-Term Deposit Scheme was introduced to cater mainly for member cooperative societies who did not use their funds to the maximum. Previously funds were left to idle for probably a few days or weeks. This deprived the society of the opportunity of earning maximum revenue on the funds. Now

with the Bank offering this service, more and more societies are placing their funds with the bank. This can be on call, i.e., daily basis or weekly basis in which case the interest will be  $\frac{1}{4}\%$  more than that on call. These funds can be withdrawn on one hour's notice and the interest is credited on the upliftment. Another variation to the Short Term Deposit Scheme is also extended to cooperative societies who receive funds practically everyday by way of cheques. These societies can now open a Special Savings Account and divert all their receipts by way of cheques to the Bank. Immediate credit is given and interest is calculated on a daily basis. The interest is then credited at the end of each month.

As an added incentive for members to save, the Bank

- (a) allows withdrawals on savings amounting to not more than \$200 at any one branch and
- (b) operates branches which are open from 9:00 a.m. to 8:00 p.m. daily, with the exception of public holidays.

This was introduced because it was found that savers do not look at the interest alone but the various conveniences and features before deciding to save in a particular place.

The other strategies deployed by the Bank to increase the number of savers include opening of new branches all over the country. This also simultaneously meets the cooperative's cherished aim of being a service to the members by 'taking the service to them' instead of 'they coming for our service'. Besides they employ Development Officers to approach and advise (i) members to save for their benefit and (ii) potential members, whether an individual or cooperative society.

### **Medium Term Mobilisation**

Sometimes a cooperative society has a need for medium-term funds to finance the purchase of machinery. In such a case, they can always revert to borrowing from a financial institution or other cooperative credit societies. But these societies have to come out of their conservative ways to be more dynamic in their thinkings in the Eighties. They have to relate the mobilisation of funds closely with the investment of funds. Therefore, instead

of purchasing say a piece of machinery outright, they could revert their thoughts to one of the following:

- (a) industrial hire-purchase or
- (b) leasing

In other words, the cooperative society must study the possibility of 'purchasing' the machinery by means of hire-purchase or lease. It is not surprising to note that a large number of big private organisations rely on leasing as is revealed by their annual balance sheets. This method gives the user the use of the machine without tying down the capital on the cost of the machine. In the case of a society having inadequate funds, it might be the most appropriate alternative. The Cooperative Central Bank Ltd. is setting up a Leasing Department in 1980 after having mooted the idea a number of years ago. The delay has been due to lack of competent personnel.

Leasing is relatively new to this part of the world but promises to have a great potential. This is because research has shown that the private corporations in the United Kingdom, who rely on leasing to a large extent, have continued to grow tremendously, both in size and in profits. In fact, it may be surprising to know that most of the airlines throughout the world lease their aeroplanes. Leasing has two advantages:

- (a) The whole of the expense is allowed as an expense in tax computation in most countries (as against hire-purchase where only the interest portion of the instalment is allowable) and
- (b) The fear of obsolescence is non-existent.

This is because the ownership is not transferred to the lessee and if the machine does become obsolete, it can be returned to the lessor. It is this fact that makes leasing of computers extremely attractive.

### **Short-Term Deposits**

The final need for the mobilisation of funds is the short-term need, in fact, if a cooperative society faces a shortage of short-

term cash, it means poor financial management unless something beyond the control of the cooperative society has happened, for example, there is a shortage of cash in the market. In the case of a cooperative society where the movement of funds can change quite alarmingly overnight, sufficient liquid resources should be held to cater for such emergencies.

We can go further from here to add that the very working capital of a society should always be under scrutiny as to whether it is excessive or not. Excessive working capital will mean that maximum utilisation of funds is being neglected thus lowering the earning capacity of the society.

In fact, if a society is so hard-pressed that it really needs funds, it can impose a squeeze on its debtors to pay up quickly.

Before concluding on the mobilisation, we have to talk about the government aided or government-mooted cooperative societies.

First, we have to examine why these cooperatives were formed. Whereas in industrialised nations where the free play of economic forces was relied upon (and the government considered purely a regulatory body), developing nations faced numerous obstacles to economic expansion. This could only be overcome by concerted effort and this undoubtedly came from the government.

Massive investment and other intervention by the government may yield disappointing results if not matched by understanding and communication with the people themselves. Usually the government officer will have great difficulty in explaining, say, to the rural farmers, about new government policies actually meant for their benefit. Traditions, families with entrenched belief, moneylenders and merchants, lack of energy, fear of reprisals, frequent switches of government policies and distrust of a stranger are the causes for this reluctance.

Therefore, to bridge the gap, voluntary organisations like cooperative societies were set up by the various governments. Hence, it is not uncommon to see government backed agricultural societies, particularly in Asia.

Since these cooperatives are tools of the government, they should have no problem in mobilising funds should they require it. The government coffers are always open. Great care has to be exercised here as this might lead to the misuse of funds,

fall in efficiency and the cooperative society becoming a full government agency full of bureaucratic red-tapes, instead of being of service to the member in the true meaning of cooperation.

### **Importance of Correlation**

Before going to investments in detail, we must bear in mind that mobilisation and investment of funds are two sely related subjects and as such should *NOT* be treated independently. In fact, many a time a strategy of mobilising funds have been found by closely correlating it to the investment, as was clearly illustrated in the case of hire purchase and leasing.

### **Investment on Creditors**

When we talk of investment of funds, many will try to picture it within the narrow constraints of actually purchasing something solid for cash. This need not be so. Take an example of a manufacturing cooperative who may have a large number of big creditors. Usually these creditors offer very attractive discounts, should the payment be made within a stipulated period. For instance, a discount of 5% may be allowed by the creditors if the payment is made within thirty days. This offer should be taken up, because 5% per month is equivalent to 60% per year, which means that we will be saving quite a substantial sum if we take the offer. This also means a wise investment of funds though it does not appear so.

Coming back to the example. It may be wise to borrow at 10% p.a. to pay up the creditors. However, before making such a decision, we should weigh other factors like over-trading and gearing. Gearing simply means the ratio between equity holding to 'borrowed' or interest paying holding. Too high a gearing may put too much strain on the earning, thus depriving the equity holders of any income or very little income.

### **Short Term Investment**

The daily investment of funds is also important because it increases the income-earning capacity of idle funds a society has while ensuring its growth. This necessitates the monitoring of

the daily movement of funds to ensure maximum utilisation for funds and to maximise revenue by this use (or investment) of funds.

### **Investment to Counter Inflation**

The Eighties promises to be full of 'vigour' with economists predicting probable recession and high inflation. With inflation probably 'just around the corner,' investments have to be done with extreme care. Cooperatives must invest wisely so as to counter-balance the effects of inflation. This can be done by investing in items that appreciate in value with the rate of inflation. Property like freehold land and building and land development projects are good examples. In fact, small cooperatives must amalgamate to become more economically feasible units having sufficient funds and expertise to mobilise and invest funds in an efficient manner. However, investment in the area of consumer services would be the highest priority of cooperative development. It is here that direct benefits could be reaped by members. Cooperatives in Asia should make a concerted effort to create cooperative movement that is involved in production, manufacturing and marketing of consumer products. The priority would be production of food and basic needs. In Asia today, excepting of course our Japanese brothers, the consumer movement is not felt nor coming to live. In the Eighties there could be a tremendous awakening by the people to the shortcoming of the movement in this field which could cause disillusionment with the cooperative leadership and the movement itself. Here where cooperation could make the greatest contribution is where Asian cooperatives seem to fail. It is essential that investment of the major resources of the movement be diverted into all aspects of consumer needs and services. The cooperation and assistance of all sectors of the national and international movement be mobilised to create totally integrated consumer activities. Asian cooperatives should jointly sponsor a resolution at the next ICA Congress for the development and creation of an integrated international consumer movement able to ensure definite functioning of national consumer movement.



### **Investment by diversification**

The trend nowadays is for cooperatives to open subsidiary cooperatives to facilitate them venturing into new fields. This, incidentally, is why the majority of the new cooperatives being formed are multi-purpose cooperatives.

There are a number of reasons why many cooperatives prefer to diversify instead of relying solely on one particular good or service only. They are as follows:

- (a) In this world of uncertainty and constant changes, a particular good or service may become outdated or obsolete. Therefore, to prevent an over-dependence on one particular good or service means we are actually 'counting trouble' or increasing the chance of winding up. Therefore, by diversifying we depend on a number of items and should one particular good or service become outdated, the loss will not be deeply felt to the extent of winding up the cooperative society.
- (b) Over-dependence on one particular good or service invites other problems like tough competition, particularly from the private sector. Of course, if the society is efficient and has excellent marketing capacities, the competition can be warded off. But the question I like to ask is, are our cooperatives today efficient and do they have excellent marketing capacities? If the answer is no, then diversification is the only answer to the problem.
- (c) When the cooperative society has a large surplus and cannot usefully invest more into the present industry (whose market may be limited or 'saturated'), then the only logical solution is to diversify into new areas.

Before diversifying, feasibility studies must be carried out and high-risk areas and areas where it would not be of much service to the members must be eliminated. If the reason is either (a) or (b) the choice must be done with extreme care and only areas where surpluses can be created should be selected. However, other considerations and implications should also not be overlooked or neglected.

If the reason was (c), other considerations can get a heavier

'weighting' than the earlier case. The service to her members and the opening of labour-intensive industries (to help reduce unemployment) preferably in rural areas (to help reduce population drift from rural to urban areas) are among the prime considerations. Besides opening labour-intensive industries, the possibility of opening up land in rural areas for agriculture should also be examined. In addition, these societies must study the possibility of taking over 'ailing' societies by pumping in funds, revamping the set-up and revitalising the society so that it will be of service to the members of both the 'taking-over' and taken over' societies as well as other members at large.

In this area of diversification, I think Malaysian Cooperative Insurance Society Ltd. or MCIS Ltd. is a classic example. Beginning as an insurance society, today it has grown into a giant and diversified into a wide range of activities like supermarkets, investment property, manufacturing of electric motors, printing press, selling electrical goods on hire-purchase, travels and tours, hotels and orchid growing just to name a few.

### **Long-Term Investment**

Besides investing funds with the aim of getting immediate investments, a society should also invest in management training and research and development. Those might be thought of as a waste of money by some quarters because the 'returns' takes a very long time to materialise. For example, research has shown that 38% of business failures can be attributed to bad management. Therefore, in order for a society to survive and grow, it has to train potential managers. This is especially important for large societies and societies not having the correct 'age-mix' in the management team. Therefore if the society's management team is made of men beyond their fifties and due for retirement very soon (this is what I call a bad 'age-mix'), they should start training the younger generation so that they will be able to step into the shoes of those retiring. The other benefit of management training is that latest management techniques are taught, discussed and if suitable, implemented. New thoughts like Management by Objectives and Human Behavioural Management can be very educative and practical for everyday management use.

Small cooperatives may not be able to afford such management training programmes. In such cases, they can send their management team for training conducted by the bigger cooperatives or simply by some other management consultants.

In the case of cooperatives manufacturing, say, garments, the society will have to be more 'forward-looking' because of keen competition and constantly changing fashions and trends. As such it becomes inevitable for these societies to either carry out 'market research' or simply invest in 'research and development'.

Therefore, we can conclude by stating that cooperatives will have to have a sound knowledge of financial management, among other things, before they can think of mobilising and investing funds. The strategies they use must be in the best interests of the cooperatives and these strategies may have to be dynamic and suit the different conditions of the Eighties, especially so because of the air of uncertainty that hangs over the Eighties.

M. Matsuhira\*

## Strategy for Mobilisation and Investment of Funds

Since the middle of 1960's the Japanese economy was enjoying a rapid rate of growth, and the yearly rate of increase in GNP was more than 10%. The so-called oil crisis in the fall of 1973 was a turning point and thereafter the economy followed a stagnant or slow path. In 1974, the growth rate was negative for the first time since the end of World War II.

In the 70's, we have experienced drastic changes and fluctuations in our economy. In this connection, I can quote some examples.

Reflecting the unstable international monetary situation, the foreign exchange rates have fluctuated very widely, with the US dollar ranging between 360 and 200 yen. The discount rate of the Bank of Japan was revised as many as 20 times since 1970, ranging between 3.5% and 9% p.m. From these examples, it may be seen that the 80's will be an age of erratic fluctuations and uncertainty.

### Organisational structure of Japanese Agricultural Cooperatives

There are about 10,000 primary agricultural cooperatives in Japan. Out of these, approximately 4,500 are multipurpose societies. In other words, these cooperatives carry out not only credit business but also marketing, supply, joint processing, insurance business etc.

At the secondary level, there are federations. In each of the 47 prefectures of Japan, there are single-purpose prefectural federations of agricultural cooperatives. Similarly, there are

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prefectural credit federations, insurance federations, marketing and supply federations etc. These are all federated into national level federations.

The nation-wide bodies are single-purpose organisations. The National Federation of Agricultural Cooperatives (or Zen-noh) deals with marketing and supply. In the credit sector, there is the Central Cooperative Bank for Agriculture and Forestry, to which I belong.

### **Cooperative credit**

The peculiar points of cooperative credit in Japan are:

1) *Multi-purpose primary cooperatives.* All cooperative credit businesses at the primary level are taken care of by multipurpose cooperatives.

Thanks to this system, links between various cooperative activities such as credit, marketing and supply, and insurance can be strengthened for the benefit of member farmers.

2) *Three-tier system.* In principle, all credit needs of member farmers are to be met at the primary level where the network of multipurpose agricultural cooperatives is well expended. Management of primary cooperative knows very well current as well as past economic and social conditions of member farmers, and is ready to give necessary assistance and advice. The primary cooperatives can borrow from and/or deposit money with the credit federation which has a wider business area and is responsible for the adjustment of funds within the prefecture so far as agricultural cooperative credit is concerned. The same can be said for the Central Cooperative Bank for Agriculture and Forestry at the national level.

### **Domestic Strategy**

The share of outstanding loans to agriculture, forestry and fisheries by cooperative banking institutions was as high as 72% as of March, 1979. When we add to this figure, the share of 19% enjoyed by the governmental banking institutions such as Agriculture, Forestry and Fisheries Finance Corporation, we can see that more than 90%, or almost all of agriculture, forestry and fisheries credit in Japan was provided by cooperatives and the

governmental institutions for most of which cooperatives act as agents. At the end of March 1979, balance of deposits received by the primary agricultural cooperatives was roughly US \$100,000 million, that received by the secondary credit federations was of the order of US \$65,000 million, and that received by the Central Cooperative Bank was about US \$40,000 million. This accumulation of funds has not been achieved overnight. In the 1940's and 1950's agricultural credit organisations, including the Central Cooperative Bank, had experienced severe shortage of funds. In order to alleviate the tight money situation at that time, the cooperative credit organisations created the agricultural bill system in collaboration with the Bank of Japan. In this connection, I would like to emphasise that at the developmental stage of cooperative credit, it would be imperative to gain access to the central bank which is the bank of banks.

The agricultural bill system was introduced to provide the necessary crop loan to farmers. The most important aspects of this system were:

### 1) *Cooperative solidarity*

Farmers intending to obtain a loan by this system is to have not less than five farmers in the same hamlet who are willing to be joint borrowers. They should submit an I.O.U. in joint obligation to the cooperative. Whenever necessary, the cooperative can borrow money by drawing a promissory note, designated as agricultural bill, is payable to secondary agricultural credit federation.

Again, whenever necessary, the secondary credit federation may apply to the Central Cooperative Bank to discount the agricultural bills. Officers of the Central Cooperative Bank may file a request to the main and branch office of the Bank of Japan to have the agricultural bills stamped. This stamp is to certify that the agricultural bills are to be qualified as collateral acceptable by the Bank of Japan for the loan to the Central Cooperative Bank at a concessional rate of interest.

### 2) *Positive government support*

- (i) All rice was under government control, and farmers who

produce rice had no alternative but to sell rice to the government. The proceeds of the rice were paid through the cooperative banking system by transfer of accounts.

The Government paid a lump sum of money for the proceeds of rice to be paid to farmer. Such money was credited to the deposit account of the credit federations at the Central Cooperative Bank, and so on. This system of payment has been, and is, very much helpful for cooperative credit, especially for the promotion of savings among farmers and also the settlement of account of loans extended and account receivable for the supply of necessary materials for production.

(ii) Another important point is the crop insurance which has been, and still is, carried out directly by the government. Thanks to the national crop insurance system, even in the very unfortunate time of natural calamities, farmers can receive about 70% of the expected proceeds of farm produce from the government as insurance money.

Almost half of the insurance premium is paid by the government and the remaining half by the farmers. This crop insurance system was very much helpful to the cooperative credit institutions and was one of the pillars which support the repayment of short-term crop loans including loans extended under the agricultural bill system.

### **Measures to strengthen farmers' economy**

In order to obtain the necessary funds for agricultural production, by means of agricultural bill system or other methods, it is necessary for the farmers to have their own planning for individual economy. More specifically, the farmers should have dependable planning to determine how much credit is needed, and when, for purchase of fertilizers, living expenses, tax payments etc. Based upon such individual planning, the primary cooperatives and, in turn, the credit federations and the Central Cooperative Bank can prepare plans of their own. When the process of planning went well, the Bank of Japan was willing to extend loans to farmers through the cooperative credit channel.

Next comes the savings promotion efforts of cooperatives. Collection of savings was rather easy, thanks to government control of rice and the rapid economic expansion in the first

half of the 70's. Since the oil crisis of 1973, this trend has been weakened and more than 70% of the farmers income is now coming from non-agricultural sources such as salary of the son. working in an urban factory or employed as civil servant. Such diversification of the economy of the farmers makes it very hard for the primary cooperatives to collect savings from their members. One of the most popular activities now adopted in Japan is to set aside a specific day every month for promotion of members savings. On this day, known as "All Outing Day", almost all officers and members of the staff visit the member-farmers houses. Because of the multipurpose character of the primary cooperatives, it is imperative to make direct and constant contacts with the member-farmers. This is especially important at a time when a rationalisation programme is being promoted through the amalgamation of cooperatives.

The larger the scale or business area of a cooperative, the more efficient it becomes from the economic or business point of view, but at the same time the distance between management and members also becomes conspicuous. In order to bridge this gap, the primary cooperative makes the best use of the specific day to hear directly from the members about their needs and their criticism of the management of the cooperative, and to give them information, both technical and economic.

#### **Long term credit for agriculture**

When the needs for crop loans or short-term loans are met by various means, then the long-term credit needs should be met for the modernisation of primary industry. To obtain the necessary funds for loaning, the primary cooperatives depend, among other sources, on members' savings. Most of these savings are one-year time deposits. For this reason, it is almost impossible for the primary cooperatives to extend long-term loan of say, 10-15 years of maturity.

Here, the government came in. The Special Account for Agriculture, Forestry and Fisheries Loan was introduced in 1951, and based upon this Special Account, the Agriculture, Forestry and Fisheries Finance Corporation was established, with entire capital contribution by the government and borrowings from the Trust Fund Bureau, Ministry of Finance, on concessional rate of interest.



The outstanding loans of this Corporation as at the end of March, 1979 was nearly U.S. 11,000 million, the rate of interest ranging between 3.5% and 7.7% p.a. and the term of the loans ranging between seven years and 30 years. To avoid duplication of efforts and to ensure smooth repayment by farmers, the Central Cooperative Bank, Agricultural Credit Federations and Fisheries Credit Federations are designated by the Finance Corporation as its agents. The Corporation pays them a Commission, and they, in return, offer a liability-guarantee of up to 20% on the loans extended by the Corporation through them.

### **Savings promotion campaign**

The balance of savings collected by primary agricultural cooperatives reached U.S. \$5,000 million in 1961. At that time the next target was set at US \$10,000 million within three years, i.e. by 1964. To achieve this, all cooperatives made every effort to collect small savings from farmers by promoting instalment savings. For absorption of current deposit, such measures as expansion of domestic exchange and absorption for public funds were adopted. The "All Outing Day", was one of the most important methods taken at that time. The continuous savings promotion efforts of the cooperatives resulted in a tremendous amount of money accumulations within the primary cooperative, and outstanding savings reached U.S. \$100,000 million.

### **Government supported loans**

As cooperative credit became stronger than before, and almost all short-term credit needs of member farmers were met, some specific problems arose, especially for the Central Cooperative Bank at the national level. In the first place, there was the problem of how to make the best use of the funds accumulated with the credit institutions.

Since the beginning of 1960's, this problem has been partly solved by the introduction of government supported loans, which means that while the funds for loans come from the cooperatives, the government gives an interest subsidy and also helps to establish the liability-guarantee scheme.

The most important of the government supported loans in

Japan is the agricultural modernisation loan, mainly for the purchase of agricultural machinery. Under this scheme, farmers can borrow money from their cooperatives at a concessional interest rate say 6.0% p.a., and the government gives an interest subsidy equivalent to 3% p.a. (more precisely, 1.5% by the central government and 1.5% by the local government). In order to secure 100% guarantee for both principal and interest, an Agricultural Credit Fund Association was established in each prefecture. Under this system, if the farmer cannot repay the loan he has taken from the cooperative under the agricultural modernisation loan scheme, the Association repays the loan on his behalf. The members' investment in these 47 Agricultural Credit Fund Associations is as follows: local government 38%, towns, cities, and villages 8%, agricultural primary cooperatives 27%, prefectural credit federations 15%, other organisations 12%.

On an average, the multiplier for each association for the liability-guarantee is 15 times the members' investment. To ensure the smooth operation of these associations at the prefectural level, the Agricultural Credit Insurance Association was established in Tokyo. It pays insurance money when the Agricultural Credit Fund Associations subrogate loans on behalf of the borrowers.

Government grant-in-aid to the Insurance Association at the national level is more than U.S. \$9,000 million.

### **Supplementary measures to help Cooperative Credit Business**

1) *Agricultural and Fisheries Cooperative Deposit Insurance Schemes.* It is important for cooperatives to protect small savers from possible risks. Unfortunately, cooperatives have very little, effective measures, if any, to make up for a decline in the real value of savings under inflation.

In Japan, the mutual aid system of agricultural cooperatives was initiated voluntarily in 1964. Mutual aid deposits are accumulated at the Central Cooperative Bank by joint efforts of primary cooperatives, credit federations and the Bank. When an affiliated primary cooperative is in danger of failing to meet depositors' demand for withdrawal under emergency situation, the credit federation gives it an emergency loan. The Central Co-

operative Bank guarantees up to 70% of principal and interest of the mutual aid loan borrowed by primary cooperative from the credit federation.

This voluntary action by cooperatives gave a fillip to the deposit insurance scheme. In late 1973, the government enacted the Law on Agricultural and Fisheries Cooperative Deposit Insurance, and by this law each small saver was guaranteed up to U.S. \$14,000 of his or her savings with the cooperative. A similar scheme was established for savings with commercial banks under a separate legislation.

For cooperatives, a special Deposit Insurance Corporation was established in Tokyo, with a capital contribution of 1/4 by the government, 1/4 by the Bank of Japan, 1/4 by the Central Cooperative Bank and 1/4 by credit federations of agricultural and fisheries cooperatives.

## 2) *Liability-guarantee scheme*

This scheme has been touched upon earlier under the heading "government supported loans".

The current guarantee scheme is mainly directed to guarantee the agricultural modernisation loans. We should pay due attention to loans not covered by this guarantee scheme.

## **Creation and increase of owned capital**

The absolute volume of share capital of cooperatives in Japan is not big when we compare it with other sources of funds, i.e. deposits, borrowings, debentures etc. ✓

Owned capital and shareholders' reserves are most important because these funds represent the willingness of members to take active part in the cooperative business. No fixed dividend is assured for the share capital, and one of cooperative principles stipulates that "share capital shall only receive a strictly limited rate of interest, if any". The amount of share capital should not merely be a capricious donation to the village shrine by a passer-by.

There may be some arguments to deny the accumulation of internal reserves by cooperatives, but this is not correct since to strengthen the financial capabilities of the cooperative is to

increase the benefit to members.

### **Bank Debentures**

Flotation of debentures has been and is playing a big role, especially at the national level organisations.

In Japan, only six banks are permitted to issue bank debentures, and the Central Cooperative Bank is one of them. The main purpose of floating a debenture is to induce funds from the non-agricultural to the agricultural sector in order to alleviate the fluctuation of funds, both regionally and seasonally at the national level.

Debentures are issued by the Central Cooperative Bank with no government guarantee whatsoever. There is a law which limits the floating of debentures which is set to 20 times shareholders' accounts which consist of share capital and internal reserves. Therefore, an increase of share capital or internal reserves contributes 20 times to the capacity to raise funds by flotation of debentures of the Central Cooperative Bank.

## **DOMESTIC STRATEGY FOR JAPANESE AGRICULTURAL COOPERATIVE CREDIT IN THE 80's**

### **Current Situation**

#### *(1) Mobilization of funds*

Due to the stagnant or slow pace of increase of farmers' income, the increase rate of deposits received by primary cooperatives has been slowing down, and the proportion of time deposits to total deposits has been on the increase due to the investment portfolio selection on the part of member farmers.

#### *(2) Investment of funds*

The increase rate of loans extended by primary cooperatives has been declining, and a large amount of money is redeposited with credit federations, and the same can be said regarding relations between credit federations and the Central Cooperative Bank so far as the deposits are concerned.

Therefore, at the national level, i.e. at the Central Cooperative Bank, a large amount of money is redeposited which should be invested. This can be said as “imbalance between mobilization and investment of funds within agricultural cooperatives in Japan”.

### **Strategy for the Eighties**

(1) *Are all current credit needs of member farmers met?*

This is indeed a crucial question. To find the answer to this question we have to look into the strenuous efforts made to dig out the potential credit needs of members farmers.

(2) *Cooperative credit institutions are individual oriented, not corporate-oriented as in the case of profit making commercial banks.*

In order to win the battle with commercial banks, cooperatives should keep the superior service functions for individual persons.

Among other things, on-line real-time data processing system of computers is widely adopted by various banking institutions including post-offices which collect a large amount of money from general public. Cooperatives should catch up with this.

(3) *Investment functions of credit federations and the Central Cooperative Bank should be strengthened and enlarged.*

### **International Strategy**

Until 1973, agricultural cooperative credit in Japan was secluded from international banking activities. A major revision of the Law on the Central Cooperative Bank in October 1973, made it possible for the Central Cooperative Bank, for the first time in its history of 50 years, to deal with foreign operations.

As primary cooperatives and even credit federations are not in a position to go into international credit activities, the Central Cooperative Bank is the sole cooperative banking institution in

this area. Though the Bank is in its initial stage of development in this field, it is expected to develop further during the next decade. Expansion of international businesses of the Bank is an imperative because of following reasons:

(1) A nation-wide bank like the Central Cooperative Bank should deal with all aspects of credit businesses, that is to say "total banking".

(2) Due to internationalisation of business activities of member cooperative organisations and of Japanese primary industry, the Bank should penetrate deeply into this field.

(3) As a representative body for all agricultural, forestry and fisheries cooperatives in Japan, the Bank should enlarge overseas operations.

The needs for the Bank in this field are imminent, but there are many hurdles to be cleared. Government policy is one of adherence to the "seniority system"—that is "first come, first served". The Central Cooperative Bank, a late-comer, is inevitably treated as such. When the Bank becomes a full-fledged foreign exchange bank, overseas loans and investment will surely be more active than has been the case so far. Nevertheless, as a banking institution dealing with money entrusted by farmers, fishermen and small forest owners who are members of cooperatives (savings) and by general public (debentures), its overseas operation should be carried out strictly according to sound banking principles.

For the smooth flow of funds beyond the national boundaries, various studies and a number of suggestions have been forwarded to cooperatives throughout the world. Aid and credit are quite different things. When we consider international banking, two important factors should not be overlooked: (1) reasonable returns, (2) safety measures to avoid risks.

It has been suggested that an "international guarantee fund" may be created to promote cooperative international lendings.

Government participation in such a fund is essential as in the case of liability-guarantee system prevailing in Japan. At the same time, the cooperatives should make every effort to enhance their reputation in international banking circles with good repayment practices.

## Report of Commission II

# Strategy for Mobilisation and Investment of Funds Through Cooperatives

*Chairman:* Mrs. S. Satyabhama, India

*Secretary:* Mr. A.K. Markandu, Singapore

*Resource Persons:* Dato N.A. Kularajah, Malaysia  
Mr. M. Matsuhira, Japan  
Mr. M.K. Puri, ICA ROEC, New Delhi

The Commission discussed in detail the strategy for mobilisation and investment of funds by and through the cooperatives in the Eighties in the countries of South-East Asian Region.

The Commission took into account the two papers on the subject presented on the second day of the conference by Dato N.A. Kularajah and Mr. M. Matsuhira and the discussions during the plenary session.

Members from nine countries represented in the Commission gave their experience and suggestions on the three questions placed before the Commission for discussion namely:

1. Cooperatives function within the total climate of fiscal and monetary disciplines and the development plans of the country. What should be their strategy in resource mobilisation during the Eighties?

2. Within this broad framework what should be the methods and devices for raising resources from members and non-members?

3. How will the cooperatives fulfil the diverse objectives of resource mobilisation, its proper deployment, and the social responsibilities, keeping in view the cooperative philosophy.

The broad conclusions of the discussions on the subject, tak-

ing into account these three questions are given below:

Most of the countries of this Region come under the category of the developing countries with national planning for economic development. Cooperatives have been accepted as an appropriate form of organisation for economic development, particularly in the rural sector of these countries. Strategy for mobilisation and investment of funds through the cooperatives has, therefore, to be an integral part of the planning process itself. Policies geared to promote cooperative mobilisation and investment of funds have to be built into the plans and the fiscal and monetary policies of the countries of the Region. The Commission agreed that mobilisation of resources was more relevant for the credit sector of the cooperatives both in respect of agricultural cooperatives and the urban cooperatives.

It is noted that in many countries of the Region, agriculture was the major economic activity of a large proportion of the population and that the rural sector as a whole requires considerable investment and capital resources for development. The internal resources of the cooperatives would need to be supplemented by governmental support and even concessional finance from specialised institutions or the central bank of the country. This is in fact the prevailing situation. However, the cooperatives have to mobilise themselves for increasing the generation of resources from within by supporting such investments for members that could help them to save. In the urban sector, in almost all these countries mobilisation of resources particularly of deposits was relatively successful, and the strategy for the Eighties would be more in the field of adopting appropriate investment policies for the resources mobilised.

The cooperatives to be successful should function as viable economic units and become self-reliant institutions. This would apply not only to size but also to their internal organisation, administration and objectives. In some countries, like Malaysia, there is a need to provide a forum or organisation at a higher level to serve as a consortium for the smaller societies to find avenues for optimum utilisation of their funds.

The Commission emphasised the need for member education to mobilise savings, particularly in the rural sector. There should be involvement of members in taking up all such activities by the cooperatives that will motivate them and enhance their own



capacity to save. One of the aims of the cooperatives should be to take up such investments as would protect the savings of the members against pressures of inflation in the Eighties. Examples are investment in real estate and plantations.

A balanced plan of action for mobilising the deposits and for other investment will have to be drawn up by the cooperative sector as a whole in the country and by each participating unit. A careful mix of the long-term, medium-term and short-term deposits has to be planned for balancing investment and income. The cooperatives require technical expertise and professional management for this purpose. It was mentioned that most of the cooperatives in this Region lack such expertise. This will have to be built up in the Eighties.

Measures to ensure the safety of deposits are important if resource mobilisation is to pick up in the Eighties. The examples of India and Japan where deposits are insured whether in cooperative or commercial banks can be adopted in other countries of the Region.

A number of countries have introduced special incentive schemes for attracting deposits like prizes for savings, special rebates etc. The cooperatives have to draw up appropriate schemes for mobilising savings in their area of operation, taking into account the savings habits and savings pattern in their area.

Awareness of members about the utilisation of funds should be encouraged to serve as an incentive for deposit mobilisation. The cooperatives have also to improve their services to their members so that the members feel encouraged to deposit their savings with the cooperatives.

To enable cooperatives to find profitable avenues of investment outside their areas of operation, there should be an organised system within the cooperative sector for finding and evolving suitable patterns of investment and for surplus resources of one area to be utilized in another where funds are required for investment.

To attract deposits from non-members, it is necessary that cooperatives should improve their public image and build up good public relations as in the commercial banking system. Cooperatives could adopt the example of providing banking services for seven days of the week, 24 hour service etc.

The ultimate test for cooperatives is in the confidence that the members place in it; the resources mobilisation from members is a reflection of this confidence. While collection of share capital is a traditional method of raising resources, with payment of dividend thereon, more emphasis has to be given for collection of deposits and proper investment of such funds in the Eighties. In addition, cooperatives should ensure that the recycling of funds lent out to members is ensured by (a) proper evaluation before sanction of loans, (b) supervision over end use, and (c) timely return from income generated.

The distinguishing feature of cooperatives is services to its members as distinct from deriving profits from an economic activity. The long-term objective of cooperatives is therefore to inculcate the habit of thrift and saving among its members. The strategies and policies that the cooperatives adopt for mobilisation of deposits or for investment of funds should, therefore, adhere to this basic principle. The management of cooperatives have to pick up such activities as are not merely profitable but inspired by these social purposes.

**Commission III**  
**Role of Thrift and Credit**  
**Societies Vis-A-Vis Better**  
**Living and Community**  
**Development**



R. Mathimugan\*

## **Role fo Thrift and Credit Societies Vis-a-Vis Better Living and Community Development**

Ever since the advent of cooperation in Rochdale and its spread throughtout the world, it has become a vehicle of hope and expectation for thousands of individuals falling into the category of low income earners whose lives existed with very little enrichment or dignity. The concept, principles and practice of cooperation raised the hopes and in many parts of the world they also raised the standard of living of those involved in or affected by it. The improvement in living standards experienced by thousands of people caused the rapid spread of the idea to different parts of the world. There are thousands and thousands of living examples of those who benefited from the cooperative activity of mutual and self-help.

### **Western World**

The Western countries, particularly the Scandinavian countries today boast of farmers, consumers and other citizens who have benefited tremendously and whose living standards are very high comparable to those living in capitalistic societies. There are also good examples of the cooperative idea having proved itself the saviour of farmers and workers in certain parts of Latin America and the United States. In these countries too, considerable success has been achieved in developing this new way of life for the betterment of the people participating in it. Over the years, cooperation has also become diluted. Where they have succeeded, the success has gone to the head. There have been many failures particularly in the developing countries.

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## Asian Development

In Asia, the base of the cooperative movement has been the agricultural sector. However it has been concentrated in organising and meeting credit needs. Over the years, Asian cooperatives have gone through serious difficulties in establishing their activities and establishing themselves in the minds of its people. The failures, deficiencies in practice and poor progress has been due to a number of reasons—primarily illiteracy, ignorance, apathy and lack of knowhow. There have been and there are successes, here and there, in different fields, but these have affected only the lives of a small percentage of the communities.

### Successes

Today in Asia we have many cooperative activities in many different sectors of industry and commerce. They are doing reasonably well but whether they have actually met the needs and overcome the basic problems of the people is the big question mark. There are countries like Japan who have achieved tremendous success and progress for their people through cooperative activities. There are scattered examples of success in India and in other countries. There are examples of success in Malaysia but it is time that we take stock of ourselves to decide the direction that we should strike at and whether we should be at the so-called crossroad or go right back and start all over again to achieve real progress and success in the true sense of cooperation. Translated, it means that our people and our members should see a measure of success of the practice of cooperation that has not only taken away or removed some pressing social and economic problems but also taken them up the ladder of a better life and expectations. It is true and fair to say that there are many cases where cooperative societies have been organised true to their character and provided real social and economic benefits to their individual members, enriching and dignifying their lives and their functions. These cooperatives are normally “user owned” cooperatives. In India the AMUL milk cooperative is an outstanding example and one to be emulated. Japanese agricultural cooperative activities and their off

shoot activities are also good case studies.

### **Credit Movement**

The people of Asia, in line with the general economic situation of their respective countries, have been concerned with the problem of poverty and the oppressive effects of unemployment. Living on credit has become a way of life to survive. Consequently, credit societies have become the major activity, the backbone of the cooperative movements in Asia. "Whither to, the Credit movement and its sole in the Eighties?" is the question before us. It is, indeed, an important question, for the general development of economic and social activities in the cooperative movement would invariably be decided by the leadership and direction given or taken by the credit movement. It is, therefore, vital for the credit movements to decide the nature of their activities, and more important, to analyse the past to consider plans for the future.

### **Crossroad**

Frankly, we are not at the crossroads, but we may be at a standstill brought about by routine and satisfaction over success in keeping a thing going. It is a standstill that has been deadly to the cooperative movement, for it has caused the neglect for the kind of achievements or activities that we should strive for.

To be more precise, we have over the years become so accustomed to thrift and loan activities that we have accepted it as a way of life by itself. We have not even gone deeply into all aspects of encouraging thrift and finding ways and means of overcoming indebtedness of our members. In a sense, the original objectives have been forgotten and the operations of the societies have become the essence of the activity.

The operation of thrift and credit societies have continued for years at the same pace and rate of growth—a situation from which has surfaced the fact that many of us are indifferent or ignorant of the cooperative objective. From time to time committees change but the organisation remains the same. However, this provides the staging point for our future role and development.

### Malaysian Situation—Urban Movement

In Malaysia today the urban credit cooperative societies represent one of the strongest group of cooperative societies. About 40 per cent of the total membership and resources of the cooperative movement comes from this group. The urban cooperative societies comprise mainly thrift and loan societies, employees credit societies, thrift and investment societies organised by employees of both sectors namely the public and private.

The number of societies as at the end of 1978 was 351. Out of this, 217 were thrift and loan societies, 96 estate employees societies and 38 thrift and investment societies. Some of these thrift and loan societies are multi-purpose in activities. The total membership stood at around 400,000 while total resources amounted to \$450,000,000. Of the total resources 80 per cent was made up of subscription capital and deposits and others made up the balance.

The first of the cooperative thrift and loan societies was formed in 1922. More than 50 years later they are still retaining their identity and function with very little changes. The thrift and loan societies provide a wide range of credit facilities short-term consumer loans being the major activity. These consumer loans are advanced for a number of purposes which include:

1. Indebtedness;
2. Marriages, births and funeral services expenses;
3. Educational needs of children;
4. Purchase of durable consumer goods;
5. Purchase of household goods;
6. Redemption of land and other properties; and
7. Other reasons including investment.

Long-term loans are given for the purchase of homes under the heading of building loans etc. The multi-purpose credit societies are engaged in loan activities related to land ownership schemes, hire purchase etc. Total loans outstanding under the above schemes of these societies amount to nearly \$300,000. The balance of the funds is however, invested in shareholdings in other cooperative societies, fixed deposits with the cooperative banks and commercial banks and in corporate securities.



In recent years a number of large credit cooperative societies have invested in joint venture companies involved in commerce and industry. Unfortunately these are mainly in non-consumer goods unrelated to general membership needs.

### **Cooperative Central Bank Ltd**

The Cooperative Central Bank Limited is one of the cooperative banks in the country whose objective is to mobilise funds from member societies and individual members for channelling to cooperative ventures and to undertake and provide financial and other related services to its members.

The bank's total resources currently are around \$82 million and total loan outstanding is around \$60 million. Total deposits at the moment stands at about \$65 million. The bank receives deposits under a number of fixed deposit schemes ranging from short-term deposits (including overnight money) to longer terms exceeding two years and offers a fairly wide range of savings accounts schemes to its members. These are geared to meet specific needs like purchase of homes, festive occasions etc. The bank provides finance to both individuals and cooperative societies for a wide range of purposes. It has 10 branches to reach all levels of people. A number of branches are open from 9.00 a.m. to 8.00 p.m. seven days a week. It has become to many a member, the first exposure to any kind of banking or financial service. Its deposit rates and lending rates are geared to the market around and are generally more favourable than market rates. It has a wide range of membership in terms of income and occupations and provides services to members in the lower income group at a nominal cost. An example of a service the cost of which is borne by others is the special rate of interest given to deposits of pensioners or members who have retired from service, the interest being payable monthly. We call it the Pensioners Scheme.

### **Credit Movement—Present and future**

While the current services provided by thrift and credit societies do help members, these services are more in meeting a hard-pressed problem which gives temporary relief and less

towards improving or enabling a member to improve his economic and social well-being in the long term.

Thrift and credit societies have to open their eyes to the larger and wider role that they could play. The role could be pinpointed in many areas of their members' economic and social lives. These include the factors that cause their members to be in debt. Indebtedness of members or living on credit is today still one of the main causes of a member not improving his family's social and economic standing. The circumstances responsible for this continuing problem should be studied and tackled at source. Why our members are not able to live within their means and to save for their future needs should be understood and action taken to overcome. They should be assisted to definitely live within their means and provide opportunities to increase their savings and to increase their income. Thrift and credit societies should know their members' situation. Members who seek loans should be able to provide the statistics to cooperatives to study the causes and types of problems these members face. Take some of the reasons for borrowing; they range from wedding, funeral, indebtedness, festive occasions and purchase of consumer and household goods. The reasons are both social and economic.

### Services

Costs of wedding, costs of funeral and costs of other household goods and expenses are all going up simply because they are being provided by others. Cooperative credit societies should band together and organise these services for their members which would reduce unnecessary expenses as well stabilise the cost of these services. A programme of educating and encouraging members to save and contribute towards specific funds to meet such expenses as ways to overcome problems should be considered.

A study of how members get into indebtedness will reveal that lack of financial knowledge and lack of budgeting or financial planning in the homes often cause members to live beyond their means and to get into the vicious cycle of borrowing and indebtedness. Educating our members to save in their homes through careful budgeting and planning and extending

this service to housewives who are the treasurers of the homes can go a long way to avoid waste and increase savings. Little booklets on budgeting and other guidelines on spending can improve the economic well-being of our members. For it is here that the first and major problem of members exists which affects their livelihood and reduces their economic strength.

### **Countering Inflation**

Members of cooperatives can substantially influence the cost and demand for goods through unified action. This could be a sound method of fighting inflation or at least mitigating its effects. Cooperative credit societies should provide different types of personal services to their members examples of which are as follows:

1. They should organise essential food distribution centres within their own organisations using wherever possible the services of large consumer cooperatives or cooperative supermarkets to provide the goods. This was experimented in the country through the efforts of a non-credit society, the M.C.I.S. The idea is basically sound and should not be discarded because of difficulties, mainly relating to management.

2. They should identify and recommend to their members stores and retailers who indulge in fair practices where there are no cooperative consumer stores.

3. Cooperatives should advise and encourage their members to patronise cooperative organisations.

4. They should organise and provide credit facilities to members through reputable retail stores whose charges and practices are fair. The objective is to obtain discount prices for their members who patronise on the arrangement that the thrift and credit societies will make the payment to the retail store promptly and punctually on behalf of the members every month.

5. They should join or encourage their members to join consumer associations to fight malpractices and other kinds of activities detrimental to the interests of consumers.

### **Management and Education**

The programmes above cannot become possible or effective if

the organisation and structure of cooperatives are not properly built. A management body must exist with all the decisions and extensions to undertake the service. The first investment and commitment a cooperative has to make is in setting up its infrastructure to improve and undertake services and to ensure that these services reach every member. Credit co-operatives themselves should be properly organised to have the communication system that allows it to know its members' situation well. A cooperative cannot and will not be able to do its best for its members if it fails to know and understand their problems or if its members do not know the objectives and aims of their cooperative and the reason why they have joined it. For this reason we may have to start all over again investing resources in education and training and the development of our infrastructure. A sound management structure with proper leadership must exist to enable it to have far reaching and pervasive effects and results on membership. A famous and eminent Swedish cooperator once said that given a choice between managing a large and successful cooperative with an unenlightened membership or a small and not so successful cooperative with very highly enlightened membership he would choose the latter. I think this is very important for us in the developing countries to realise. Many cooperatives have failed to achieve their objectives because their members are ignorant and do not believe in cooperation.

### **Problems of large membership**

Our cooperatives have very large membership coming from different levels of society. We have members who are from the middle income and above the low income and also from the poorer sector. A certain amount of pain has to be taken to ensure that the benefits and services reach all, particularly those from the poor and low income groups. The aims of cooperation would be nullified if only those who can take advantage of cooperative services due to their situations benefit most from it. Serious thought should be given to find ways and means to make it easier and convenient for those from the low income and poor sectors to avail themselves of the facilities. Maybe different rules, rates and regulations should be introduced so that

such services, if necessary, are subsidised. This is in line with the high ideals of cooperation. Here again for achievement, it is necessary that all its members have a good understanding of the movement and the system by which it operates. The members should accept this commitment to the development of the system and its philosophy. Education and training of members and employees is very essential.

Education and training cannot be undertaken if cooperatives do not have a sound infra or management structures, even they be the credit movement. Our cooperatives must set up effective and efficient education departments and research departments to venture into understanding and satisfying members' economic and social needs. Credit cooperatives in particular should not be made into investment clubs by members to exploit the needs of those in want.

### **Leaders for tomorrow**

Another area where the credit movement in particular must make an investment is developing and building leadership. The movements in Asia as a whole do not have enough leaders to meet the needs of their members. In Malaysia we have more than a million members and about 300 to 400 cooperative credit societies. How many of these have leaders who can give the kind of motivation, guidance and direction needed for the development of essential cooperative services and needs is the most important question. We need thousands of leaders who possess cooperative conviction and commitment to its ideals – leaders who have innovativeness and imagination to tackle the various problems of the members. The cooperative idea and practice as thought out by the simple folks of Rochdale is innovativeness at its best to meet a problem. Similarly, we must use our heads. There is a great need to develop and create unity of purpose in the whole movement. The credit movement can provide leadership and has definitely a main role to play in this. Unity of purpose in the movement means that the different sectors identify themselves with one another as having the same objective and are committed to the same sense of purpose, thus creating a harmony of interest to meet the needs of all cooperative members. Achievement of unity of purpose

by the national movement would enable it to realise the cooperatives full potential to serve their members. Consequently the thrust that we need to possess for development and the role in social and economic growth for our members increases. Lack of interdependence and unity of purpose is one of the major weaknesses that has to be overcome. Financially strong credit cooperatives do not support other cooperatives that provide economic services because of question of profitability and difference of objectives. The credit movement's role is great in this respect because it is, financially speaking, the most important wing of the cooperative movement.

### **Leadership and Initiative**

The credit movement is the most important aspect of the cooperative movement as it concerns the financial aspects of the cooperative movement. The credit movement is responsible for the mobilisation and accumulation of funds which become the work-wheels for development. No economic activity or development can be undertaken without capital, its formation and accumulation. Cooperatives just like any other organisation needs to have the financial capital to undertake their activities. This capital must be mobilised, accumulated and kept growing by various means so that it would generate the activities for economic and social services required by members. In Malaysia, the credit movement which forms the backbone of the cooperative movement has to provide the capital requirements of the entire movement.

Mobilisation of resources and the cultivation of the habit of thrift among the people are going to be the two major factors for success of cooperative services. The credit movement must give the impetus and embark on a planned campaign to mobilise the resources required for cooperative services. The mobilisation of resources has to be undertaken with the objective of ensuring that members save and invest in cooperatives for services and not to realise monetary profits. If the cooperative movement is to show and to achieve results there must exist or function in the Eighties the essential economic services which members require for their social and economic upliftment. These

services include :

1. Consumer services,
2. Housing,
3. Transport,
4. Savings and finance,
5. Others.

Consumer services should take priority over all others. Investment in cooperative supermarkets and support of such should be given by all members of the cooperative movement.

### **Social Role**

In the following areas, too, the credit movement has to play a role as these have immediate and long-term benefits for their members. They should fall in as part of the education programme :

1. Family planning
2. Health and Hygiene
3. Nutrition
4. Drug Abuse

If a cooperative has a sound leadership structure it will be in a better position to educate the members on the importance of family planning as a factor for their economic and social development.

Cooperative societies enjoy a clear advantage because the cooperative is made up of the people and is fighting for the people. If we impart knowledge of family planning to the members, they will be in a more receptive mood than if a government officer spoke on the subject.

One of the most basic reasons why poverty reigns in the rural areas and the poor (and thus widening the 'rich-poor' gap) is the lack of planning of the family. Many Asian families have a large number of children and this stretches their resources to the extent that many live below subsistence level. There are many others living below subsistence level. On the top of that, large families are the main contributing factor to large-scale unemployment.

The areas of personal hygiene, health and nutrition are also important aspects to be considered. To this we may add the danger of drugs abuse which can drain the resources of all people concerned. Cooperatives should and must take a part in this exercise. The damage and destruction to family life can be devastating, particularly to those from the poor sector and low income groups who just cannot cope with a situation in their families.

### **Land Ownership Scheme**

In Asian countries where the people are basically agriculturists and where industrial development still is not in an advanced state, agriculture should continue to remain an area of great activity. They provide even for urban cooperators opportunities to meet economic needs particularly in terms of employment. Cooperatives should take the initiative for the move back to the land for our young people. This could be done by credit cooperatives taking the lead. Cooperatives should buy or obtain large areas of land or undertake developments of land by its members allotted small acreages. When I refer to members, I am referring to members or their families who are not gainfully employed. Today, we can see a lot of unemployed youth in the urban areas coming from families of cooperators. There is very little chance of these youths or children getting employment in the urban sector. In Malaysia, for instance, 50% to 60% of the population is made up of youths below the age of 25. The best avenue to have these youths gainfully employed and thus make life meaningful is to go back to the land to cultivate it. They can serve the community in the production of various agricultural needs, including food. One of the great successes of the Malaysian Government under the Malaysian Plan is the Federal Land Development Scheme (FELDA) where-by people were given plots of land which had been developed by the government. Agricultural communities have been created who are enjoying a very good standard of living. The cooperative movement should go into this kind of schemes and create cooperative agricultural communities of this nature which would be a great achievement for the cooperative movement as a whole. Cooperative projects of this nature including



vegetable gardening and others can be founded and undertaken by the credit movement combining their resources where necessary and venturing unselfishly. Even on smaller scales these may prove worthwhile.

### **Services for retired people**

The misconception that cooperatives are for active people or members or to serve a member during his working life should also be removed. Members or people in their old age should also be provided or served. Setting aside of capital reserves and getting the general membership to subsidise services for members in old age may be necessary in the Eighties. Let us look after our own at least.

### **Conclusion**

The credit movement in the country should work in harmony with the rest of the movement and effectively spearhead overall development.

The progress and strength of a cooperative movement and the achievements it can make are going to be dependent on the ability and support of the credit movement and the credit movement would not be able to do its part if it does not

1. have a properly structured and sound management;
2. increase activities for the mobilisation of resources;
3. encourage thrift among its members;
4. continuously look into its membership's total needs and commit itself to investing in and developing economic services and benefits that are directly needed by the movement's members; and
5. work with a single purpose and in harmony with the movement.

R. P. P. Rajapakse\*

## The Role of Thrift and Credit Societies in the Eighties

In both Sri Lanka and India the first cooperatives to be established were the Reiffisen-type credit societies. Their main objective was the amelioration of rural indebtedness. Other aims included the inculcation of self-help and the habit of thrifty living.

Until about 1950 the credit societies were the only cooperatives which supplied agricultural credit to the rural population. The establishment of CAP and S societies in the late forties and the introduction of the somewhat liberal agricultural credit schemes by the Government diminished the role of the village credit society. However, even after 25 years these credit societies had failed to supply even a fraction of the credit needs of the rural sector. The total membership at its highest – 1964—was 134,446 and the total loans granted amounted to Rs. 9.6 million. The average loan per member was only Rs. 99. Out of Rs. 121 million loans outstanding were Rs.5.3 million or 44% was overdue.

In 1957 the Minister in charge of Cooperatives in Sri Lanka in a policy statement directing the Department to organise multi-purpose cooperatives said, “Forty-five years of stunted growth was the price the country has had to pay for the allegiance to an obsolete ideology”. He attributed the lack of growth and dynamism of the cooperative movement to the parochial outlook and isolation of the credit society membership.

Although in retrospect, the decision to organise multi-purpose societies through a “crash-programme” by amalgamating the stores and CAP and SS as well as by starting new units in every village—the target was 17,000 in three years – was a fundamental blow to the growth of a virile cooperative movement in Sri Lanka, the Minister’s criticism contained an element of validity in that credit societies had failed both to enlarge their member-

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ship and in developing a healthy relationship with their social and cultural environment. It is this isolationism and selectiveness, this consistent refusal to involve itself in the every day life of the villager which has made the village credit societies almost an anachronism and which has threatened their gradual extinction.

In Sri Lanka out of 2,350 registered societies at the end of 1978 only 935 with a membership of 85,175 were active. Although among these active societies there are some of the best by any standards they are far too few to be of any significance to the national economy.

While it is true that credit societies could not survive the unfair challenge offered by the MPCs in providing liberal state-sponsored credit on far less stringent terms and given with little intention of recovery, it is equally true that the large majority of these societies were not interested in increasing their membership and the volume of credit.

The writer was invited recently to the 50th anniversary celebrations of one of the "show-piece" societies. The President, who is an original member of the society, wanted financial assistance from the Department for this function. He was also proud that there had been no overdue loans throughout the long history of the society and of the fact that Rs. 27,000 of the society's funds were invested in fixed deposit in the bank. The amount outstanding from members was Rs. 13,000. The membership has remained more or less static at 74. This situation is fairly typical of many of the active societies. There is a reluctance to enrol new members and the concept of unlimited liability has been used as a brake against expanding membership. It is interesting to note that the writer in over 30 years' experience in the Department has not come across a single instance where unlimited liability was enforced with the full vigour of the law. A study of a large number of 'defunct' credit societies showed that the cause for their decay lay in office-bearers defaulting on loans. It is not the new members who have defaulted.

A further reason for the stagnation of these societies is their failure to keep pace with the increasing credit needs of members by increasing their credit limits. Several factors have contributed to this situation.

- a. The gradual absorption of cooperative banks by the Peoples Bank from 1961 onwards.
- b. The lethargic and conservative attitude of some departmental officers who had had no training in credit society matters and were reluctant to recommend/approve increased credit limits.
- c. Difficulty in obtaining loans from the People's Bank.
- d. Static membership of societies who are not in real need of credit as they were comparatively affluent.
- e. Almost total absence of educational and extension activity either by the Department or the apex cooperative both of which had other priorities.
- f. Lack of realisation on the part of members of the need for economic development and the absence of a sense of social responsibility for the well-being of their poor neighbours.

The negative role of the Cooperative Department in creating this situation also deserves comment. Although the Registrar in his Administration Report for 1937-38 complimented several societies on their successful attempts at community development subsequent departmental attitudes appear to have discouraged credit societies from active participation in rural level group development activities. The experience of a few societies shows that the credit society members can take the initiative and play a leading role in most social and cultural functions of the village without compromising the financial position of the societies. There is nothing to prevent a society encouraging its members to take part or organise festivities, pilgrimages, *shramadana* (contribution of labour) and rural development work as a group and collect funds privately for such purposes. Some societies have started savings schemes for children which have met with considerable success.

A further constraint imposed by the Department more through lack of attention than as a matter of deliberate policy, was that no other credit society was permitted to be organised within the area of operation of a credit society. As a result certain groups with a fairly large area of operation of a society were denied membership and were also unable to form a new society. In several instances once this situation was remedied a number of new societies have come up and these show good promise.

The role of credit societies so far has been to cater to the credit needs of a very few selected individuals in isolated pockets of Cooperation. This has been true of the limited liability credit societies (urban banks) too. Both these types have tended to create an exclusive membership who were not keen to extend the benefits of Cooperation to their less fortunate neighbours. Perhaps the concept that certain classes and types of people were beyond the ambit of cooperative benefit was too rigidly adhered to.

The absence of vigorous and active regional and national level unions too has contributed to this state of affairs. During certain periods the Department too discouraged the promotion of unions at district level and a genuine apex of credit societies was not even thought of. The Cooperative Federal Bank which could have fulfilled this role was merged with the People's Bank.

At one time in Sri Lanka there were better-living cooperatives with the aim of improving the living conditions of their members. Health education and improved sanitation as well as the practice of thrifty living were encouraged and in a few cases these societies achieved remarkable though short-lived success. Lack of continued emphasis on the part of the Department which inevitably has to change its priorities in accordance with policy changes in government prevented the growth of such desirable institutions in the past.

This brings us to the role of government in cooperative development. The FAO meeting at Lucknow in 1949 declared in a resolution "That the role of Government in relation to the cooperative societies should be one of active helpfulness intended to stimulate cooperative enterprise to guide it and keep it in sound lines, *without either attempting to compel or to replace local initiative or self-help*. The Government should, in addition, promote conditions under which cooperatives will thrive and develop. The attention of all Government departments should be drawn to this aspect of Government policy".

Governments unfortunately do not always adhere to this advice and often attempt to "use" cooperatives as instruments of economic development without pausing to examine the capacity or the potential of hastily formed societies.

By and large credit societies have escaped the attention of

Government and have survived many 'reorganisations'. However, it is vital that they develop their regional and national level unions which alone can ensure their continued existence as genuine cooperative organisations. The role of credit societies in the coming decade will, therefore, be determined to a great extent to which these societies succeed in joining together to form district level Unions which together could form a national apex. Without such institutions which after all should be the logical culmination of all true cooperative effort, village level societies may not be able to help much in achieving the necessary economic and social changes. The role which the cooperatives themselves have hitherto expected of the Government should now be undertaken by their own unions.

This is extremely necessary because no peoples' movement can be properly guided or inspired by a Government department which itself is necessarily directed by policy decisions of Government and constrained by administrative procedures. Continuity of policy and emphasis on predetermined objectives in the cooperative sector could only be ensured by strong unions created and controlled by the societies themselves.

What then, should be the role of credit societies in the eighties?

As a first requisite they should emerge from their isolationism and parochialism and accept their responsibilities as economic and social catalysts in transforming rural living towards something more satisfying and tolerable. The gospel of mutual help and self-help should be spread among a broader spectrum of the rural population. More specifically, the credit society could be the coordinator of the efforts of many institutions of State which all have community development programmes. Health, Education, Agriculture, Rural Development, Family Planning and numerous other State agencies all aim at having their own village level organisations to promote their programmes. The cooperative credit society could provide a confluence of all these streams of development endeavour.

Nearly all credit societies have traditionally confined their functions to the giving of loans when applied for. Many old societies have excess funds which they have dutifully banked in fixed deposit. Often the amount outstanding as loans is less than the amount invested in banks. Could these societies

claim that their members or potential members have no need for further credit? An examination of the situation in many villages shows the real difficulty is in identifying needs for productive investment. It is here that credit societies in association with the institutions such as the Agricultural Department and the Industrial Development Board could play a significant role. There are also numerous subsidy schemes for replanting tea, rubber and coconut as well as minor export crops which have not been utilised by their intended beneficiaries for want of adequate knowledge, motivation and the initial capital. The village credit society is admirably suited to provide the necessary information and motivation as well as the capital.

On a rough estimate there are over a dozen state institutions in Sri Lanka trying to improve the plight of the rural population. These have not met with much success mainly due to lack of a suitable village level organisation to support and coordinate their various efforts. As mentioned earlier subsidies are available for the replanting of tea, rubber, coconut, cocoa and certain minor export crops including spices. Villagers are unable to benefit by them through lack of initial capital and also the requisite knowhow to obtain such aid. Soil conservation authorities have schemes which need group effort at village level but progress has been very slow. The new Ministry of Rural Industrial Development has inaugurated a Dairy Development Scheme coupled with a veterinary service. The Rural Development Department and the Small Industries Department attempt to help the cottage industrialist. The Health Department has schemes for improving sanitation and health care. The Family Planning Institute, the Education Department with its adult education programmes and many other institutions including the Peoples Bank and the Cooperative Department have extension programmes aimed at improving conditions in the village.

Nearly all the organisations would be more successful if they liaise at village level with a grass-root level unit such as the local credit society. The writer has seen instances where progressive credit societies have helped the village to benefit from several of the above-mentioned programmes. This is an important role which the credit societies in the coming decade should undertake as a back-up to their normal functions.

It is, of course, well known that many village level producers are unable to market their produce at a fair price due to a variety of reasons. The MPCS has not achieved much success in marketing produce other than a few crops such as paddy and maize. Lack of proper organisation and education of producers in cooperative theory are the principal causes of failure in cooperative marketing. The credit society is in a very much better position to educate members on the importance of loyalty and the machinations of the trader-cum-money lender who traditionally lures the farmers away from cooperative marketing.

Without going into the merits of multi-purpose vs. single purpose cooperatives it would suffice here to say that village level credit societies have much scope in mobilising their members to derive the full benefit of MPCS membership. It is generally felt that the Sri Lanka MPCS with its large area of operation is not in a position to supply the credit needs of its entire membership. Even the rural banking branches of which there are now 558 cannot perform the necessary supervisory functions required by a viable cooperative credit scheme.

Organisation of the supply of agricultural and small industrial inputs through MPCS is another function which could be performed by credit societies. Without going into detail one could conceive infinite possibilities of coordination with other cooperatives and allied institutions which the credit societies can undertake. (It is important to emphasise that these efforts need not and should not involve the expenditure of societies' funds.)

All that is envisaged is the society members acting as a group to satisfy a common need. The society provides the initiative, leadership and the opportunity for group action. Any expenses should be reimbursed by the beneficiary group members so that the society or its officials do not have to spend their own funds.

To ease the burden on the office-bearers such activities could be assigned to special committees of the membership. A cooperative credit society should, therefore, identify the needs of members and help them to satisfy such needs in the most efficient manner.

There is another area of activity which cooperatives have hitherto neglected, perhaps as a matter of policy. In every village or community there is a section of the population which has been considered beyond the pale of cooperative effort. The



traditional view is that other things such as education and welfare should come first. These people are so poor, so ignorant and perhaps so indisciplined that they cannot possibly benefit by the cooperative method of self-help and mutual help.

But if the cooperative movement were to continually ignore the plight of these 'submerged' groups, rural development would be too lop-sided and the cooperatives would indirectly be helping to perpetuate the exploitation of these unfortunates perhaps by their own members. Such a situation, of course, is not acceptable particularly in view of the egalitarian aims of the movement.

What then should the credit societies do for such extremely poor groups within their areas? Cooperatives are not welfare organisations and should not assume that role in the conventional sense. However, a change in attitude is indicated here in that the cooperative society should not continue to ignore existence of the helpless poor. It is the experience of field officers that many individuals and groups in this category possess unique indigenous skills and talents which cannot be fully utilised due to social and cultural constraints. The cooperative as a progressive and catalytic agent in the village could initiate action to help these unfortunates to help themselves. Perhaps the concept of pre-cooperatives may apply here. The cooperative ideas could be used to mobilise self-help and far more important, to give them 'hope' and provide the motivation for improving their condition. Perhaps the recognition that others are prepared to help them and the realisation that in the cooperative everyone is equal may ignite the sparks of the will to improve! Whatever the method, the role of credit societies in total and integrated development is clear. The problems of indebtedness and poverty are intertwined with a multitude of other problems. These cannot be even alleviated by the palliative of selective credit only to those who ask for it and are prepared to organise cooperatively. The undue insistence on 'good character' has turned many a promising credit society to something akin to an exclusive religious order. The benefits of cooperative credit are available only to those of "unblemished" character. This definition has helped to exclude a large number whose only defect in character is that they 'think' differently and are prone to argue with the initiates.

This brings us to the concept of unlimited liability and its continued relevance in the contemporary situation. As we are aware its rationale was to make the society credit-worthy in the eyes of external creditors. Even when this was no longer necessary the risk of unlimited liability has undoubtedly helped to minimise loan default and contributed to prudent management of funds.

It is, however, necessary to examine whether credit societies should retain unlimited liability when it acts as a brake to further development. Conversion to limited liability would enable societies to widen their activities and also expand membership. The question can so be asked whether unlimited liability is a real obstacle to growth and expansion when it no longer exists. It is certainly true that unlimited liability has been used by many societies as an excuse to restrict membership and deny their benefits to many credit-needy persons. On the other hand it is equally true that the idea has prompted members to repay loans regularly and also to exercise welcome supervision over their fellow-borrowers. Any change, of course, should be made after careful consideration and in any case not as a matter of 'government' policy. Here again the apex bodies should promote discussion and encourage members to take the correct decisions appropriate to their situation.

Reference has been made above to the need for societies to identify the uses of credit. An examination of the causes of stagnation in many societies has shown that members do not borrow because they do not know of suitable avenues of investment. Land as well as opportunities for trade is limited. Agriculture and trade are the two principal purposes for which money is usually borrowed. The Industrial Development Board in Sri Lanka has issued pamphlets on a number of cottage industries which could be undertaken profitably with relatively small investments and which could be financed by the average credit society (unlimited) loan (Rs. 545 in 1978). It should be the function of a credit society to establish liaison between its members and such institutions as the I.D.B.

An objection could be raised as to whether all these activities would not impose a heavy burden on the committee and its honorary officials. No doubt these entail much correspondence and also some travelling. Some societies solve this problem by

involving the entire membership in sub-committees and by levying a suitable charge from the beneficiary for the service rendered.

The basic need is for credit societies of all types to widen their functions. They should not regard themselves only as "banks". Many societies are quite content to mobilise deposits at 7% and invest them in the National Savings Bank at 18% and reap a handsome profit which swells the reserve fund. They claim that all credit needs of the societies' membership are being met and are quite satisfied with this position. Perhaps in terms of conventional criteria this is sufficient or even ideal. But in view of the large numbers who are unable to obtain institutional credit and whose productivity is limited by the lack of capital it is necessary that credit societies should assume a more positive and activist role. From being merely a supplier of credit to those who apply for it they should develop into an instrument for desirable change. They should assume a more active role as a guide and adviser to their members in the search for new and more productive avenues of village level investment.

The society should also assist its members to manage change. Many changes have taken place in village life and its economy since these societies were started. People have found it difficult to adjust to or even accept such change in their economic and social environments. Many cannot cope with the economical and psychological stresses resulting from these changes. The old coherence of social life in the village is disappearing and people feel an unaccustomed loneliness. This could perhaps be overcome by the sense of belonging to a group with acceptance. Where the active cooperatives embrace a high percentage of the families in the village there is marked improvement in the quality of living. Crime is rare or non-existent. Many group activities such as *SHRAMDANA* have provided much needed amenities such as roads, schools, dispensaries, wells etc. for the village. In all these the local credit society has been the prime mover.

The credit society, being a relatively small unit is admirably suited to be the "neighbourhood group" in which a person can 'belong'. Where the society takes the lead in the above mentioned activities the members have a sense of pride in helping to effect visible and desirable change in their environment.

Much emphasis is laid today on the need for cooperative

education. Programmes are being drawn up by the Department and the apex cooperative to educate the present and prospective members in cooperative theory and practice. Unless the people can see cooperation at work the task of the cooperative educator will be difficult. The best 'education' that could be provided is the example of genuine cooperative society at work. Under the present circumstances it is difficult to demonstrate cooperation at work except through the example of a good credit society. This education role of credit societies as nurseries of cooperative effort is not often appreciated. The organisation of almost any type of cooperative is easy where there is a nucleus of credit society members. They understand the fundamentals of cooperative theory. It is the lack of this understanding even among the intelligentsia which makes the organisation of cooperatives such a frustrating exercise. The credit society therefore performs a very useful function in demonstrating successful cooperative effort.

The idea of self-help and mutual help seldom found fulfilment in most other types of cooperative societies. Members of a consumers' society rarely "cooperate" in a conscious way. On the contrary, they "compete" for the scarce goods in the shop. This competition for the limited supply of goods has characterised the Sri Lanka consumer movement and has given rise to numerous and perennial complaints that the 'cooperative is inherently and incorrigibly corrupt.' At best, members cooperate only in a single activity of which the member is often not aware. Collective purchases or sales of goods is done by the society and of this the members are not always conscious. In most of their other day-to-day activities they compete with each other. This is true of schooling children, public transport, medical facilities, consumer goods and a variety of other aspects of everyday life.

Cooperatives in the coming decade should aim at providing more opportunities for members to 'cooperate' consciously. They should be encouraged to 'work together' for the common good as well as for individual benefit. In other words, cooperatives should make cooperators of their members.

Comprehensive cooperation is not practicable in the socio-economic environment in many of our countries but many activities economic, social and cultural demand cooperative effort.

Very often such activities whether agricultural, domestic, social or cultural though done cooperatively are not undertaken as members of a cooperative society. The role of societies is to make members feel that they cooperate not only in their dealings with the society but in as many of their everyday activities as possible.

### *Credit Function of Multipurpose Society*

The MPCSSs through their 'rural banks' have been for the most part channelling agricultural credit to farmers under the state sponsored Agricultural Credit Scheme. They also operate the comprehensive credit scheme under the guidance of the Peoples Bank. But the most successful activity of the rural banks has been the mobilisation of savings. As at 31.3.79 the amount of rural bank savings deposits stood at Rs. 247.2 million. This exceeded the total amount of loans by the MPCSSs under the comprehensive credit scheme. The societies pay 9% to depositors, both to members and non-members, and receive 15% for fixed deposits and 13% as compensating interest for current account balances. These rural banks also act agents of the Peoples Bank for pawnbroking. This activity has expanded almost to the point of elbowing out the private pawn-brokers.

The state sponsored agricultural credit scheme under which Rs. 313 million was given out in 1977-78 Maha was discontinued in 1978. This is a very salutary decision as it was this indiscriminate doling out of liberal amounts without any safeguards or expectation of a recovery even to defaulters which prevented the evolution of viable cooperative credit system in the country. The MPCSSs are now in a position to grant loans on their own criteria to deserving members.

The future role of the rural banks deserve careful discussion. These 'rural banks' were an innovation of the Peoples Bank in the mid-sixties before the establishment of large MPCSSs in 1971. They functioned as the credit branch of small MPCSS and were established in selected societies which conformed to certain minimum standards of efficiency. There were only 90 of them at the time of the amalgamation in 1971. After the "reorganisation" rural banks were started in each of the 372 large MPCSSs and today there are 565 rural banks branches in the 286 societies. A fur-

ther 1,760 retail branches also undertake limited banking activities.

The success of the credit activities of these banks depended very much on the participation of the branch committees of the MPCs. With the virtual abolition of general meetings in 1973, the branch committees went into abeyance and the screening of loan applications, the supervision of loans as well as recovery devolved on the staff. This has not been very satisfactory. The percentage of default under the agricultural credit scheme is 84.1% while 23.8% of comprehensive credit scheme loans are overdue. It remains to be seen whether branch committees could be reactivated after the branch elections and the General Meetings that are currently being held.

If the practice of nominations to boards continues it will be difficult to involve the branch committees in the affairs of the society's branches and the rural banks. The large MPCs, however, has inherent weaknesses in undertaking the credit functions satisfactorily. Even with the help of its branch committees it is difficult for the society to identify the credit needs and the investment potential of the villages and to exercise effective supervision of loans. The role of branch committees has yet to be properly spelled out and its relationship with the board of directors has never been clear. The branch committees will naturally insist on a greater degree of autonomy in the affairs of their branch. The boards with their four nominated directors may not be prepared to share their responsibilities and authority with the committees. The comprehensive role of a credit society described in the preceding pages may not be possible for the MPCs with its preoccupation with consumer and marketing (paddy purchasing) functions.

One argument for coupling marketing and credit functions in one society is that it facilitates recovery of loans. However, the Sri Lanka experience is that the errant member who does not wish to repay a loan finds several ways of doing so. An efficient and viable credit system should rely only on the members' willingness and determination to repay the money borrowed. However, it is not difficult to come to an arrangement with marketing societies to recover loans due to a local credit society. The famous link-up scheme at Palugama worked quite satisfactorily until the societies were swallowed up in the 1957 multi-purpose

“drive”.

A further argument is that a supply society such as the multi-purpose could give loans in kind and so prevent misuse of cash loans. Here again the assumption is that the member is essentially dishonest and will cheat the society and himself given the least opportunity.

These arguments are advanced by those who do not believe in the cooperative method and whose concept of the cooperative society is limited to that of an “instrument” for implementing a given programme. A viable and efficient credit system could only evolve in a situation where the society trusts the member and the member in turn realizes the value of the society and its role as benefactor. The society should not depend on coercive stratagems or the law to recover loans. The habits of mind and practices which have developed during the period of state-sponsored agricultural credit schemes have to be changed before a more satisfactory system can be evolved.

## Report of Commission III

# Role of Thrift and Credit Societies

<i>Chairman:</i>	Mr. R.S. Jayaratne, Sri Lanka
<i>Secretaries:</i>	Mr. Ismail Omar, Malaysia Mr. E. Pinga, Philippines
<i>Resource Persons:</i>	Mr. R. Mathimugan, Malaysia Mr. R.P.P. Rajapakse, Sri Lanka Mr. Lionel Gunawardana, ICA ROEC, New Delhi.

The subject was discussed under two broad headings.

1. Strengthening thrift and credit societies.
2. Broadening the scope and activities of the thrift and credit societies.

### **1. Strengthening Thrift and Credit Societies**

Several participants expressed the view that increasing membership does not pose a serious problem to thrift and credit societies, particularly those located in the rural areas.

In the past, societies sometimes restricted membership in order to ensure quality membership.

Some interesting points were mentioned regarding means of increasing membership:

- (a) By tapping the employees of the private commercial firms.
- (b) By tapping retired employees who usually ceases to be members of most societies upon their retirement.
- (c) By tapping low income groups or the uncommitted groups to become members.

It was pointed out that the children of members could be a



potential source of deposits to societies and at the same time provide facilities to motivate them to save.

It was the general consensus that increasing membership in the region should be undertaken whenever necessary.

### **Member Education**

Membership education means to sustain, promote and increase membership. It was agreed that the education has not been amply emphasised. It was further pointed out that one society should scout for leaders or potential leaders, to implement this activity. As Dato Kularajah's paper stated, "Education should be undertaken by the societies themselves".

The need for cooperative education to be included in the school curriculum was emphasised.

### **Management Improvement and Better Utilisation of Societies' Resources**

It was generally agreed that if there is good management effective utilisation of society's resources will follow.

Lack of managerial skill was a problem of some societies. In order to remedy this situation, some suggestions were made:

- (a) Introduction of professional staff
- (b) Dual management by technocrats and bureaucrats
- (c) Allocation of a certain amount of money for training
- (d) Adoption of a "management group" as a policy to manage

However, doubts were raised whether the last suggestion would apply to the non-agricultural sector societies in Malaysia especially those under government supervision. It was suggested, however, that improvements can be made in the adoption of a professional group to manage cooperatives by placing the supervision under the cooperatives themselves.

Suggestions on better utilisation of resources were enumerated as follows:

- (a) Investments in other cooperative societies
- (b) Formation of an education fund

- (c) Guiding members on investment of funds in relevant areas.

### **Cooperation among Cooperatives**

The following suggestions were made to implement the principle of cooperation among cooperatives:

- (a) Exchange programmes within the cooperative movement
- (b) Informal meetings among cooperatives on a regional basis or inter-regional basis. It was pointed out that cooperation among societies alone will not be sufficient without meaningful coordination.

### **Modernisation of system and equipment**

It was suggested that modern methods and equipment, including computer services be utilised by societies whenever appropriate.

### **Formation of Regional and National Level Organisations**

The consensus was that the formation of regional and national level organisations could be encouraged where they have not yet been organised.

## **2. Broadening the Scope and Activities of the Thrift and Credit Societies**

### **Need to identify areas for lending for productive purposes**

The commission felt that committees of credit societies should carry out research in order to identify areas where loans could be granted to members for productive purposes. It was pointed out that the responsibility of the committee is not only to grant loans wisely but to ensure that the loan was used for some useful purpose. Introduction of new cash crops, handicraft and other non-traditional occupations were cited as examples. If the societies do not have sufficient funds for these purposes they could be supplemented with borrowing from other sources.

### **Promotion of Social and Cultural Group Activities among Members**

It was felt that there was a strong need for the societies either individually or in groups or on a regional basis to organise social and cultural activities on a regular basis to afford the members occasions to meet and get to know one another. Such activities could take the form of meetings, sports activities, dinners, cultural shows, children's paintings etc. There were some reservation, however, that these activities could overlap with the activities of other organisations such as sports clubs. It was nevertheless generally agreed that cooperative leaders should consider promoting these activities in order to effect better relations, among members and among societies. Examples were cited from some countries in the region where such activities have been successfully organised by some societies.

### **Coordinating Community Development Activities with Special Attention to the under-privileged, neglected and handicapped groups**

It was recommended that societies should widen their activities beyond their membership to benefit the community in general. It was noted that most societies make contributions to charities annually from their surplus but it was felt that they should get more involved in community development projects and to create public awareness of such programmes.

The most serious obstacle to this type of activity among the urban credit societies is the fact that most of the societies' membership is based on professional groupings unlike that of rural societies whose areas are geographically demarcated.

The commission was informed that community development projects to help the less fortunate do get support from the general membership in certain countries or some societies. It was agreed that all societies should try to contribute more towards helping the less privileged members of the community and not confine their activities to their immediate membership. This way the members of such communities would be provided with the benefits of the efforts of the cooperative movement.

# Programme

## 25th November, 1979

5.00 p.m.— 8.00 p.m. Arrival of Participants and registration

## 26th November, 1979

8.00 a.m.— 9.30 a.m. Registration

9.30 a.m. Inaugural Session

Welcome Address by Y.B. Dato' N.A. Kularajah,  
DPMT, AMN, PJK,

President of Co-operative Union of Malaysia

Address by Mr. R.B. Rajaguru,

ICA Regional Director for S.E. Asia

Address by The Hon. Minister of Agriculture,  
Malaysia, Y.B. Dato' Shariff Ahmed

and officially declares the conference open.

Vote of thanks by Mr. J.M. Rana,  
Director (Education), ICA ROEC

11.15 a.m.—12.00 noon Tea Break

12.00 noon— 2.00 p.m. Lunch Break

2.00 p.m.— 2.30 p.m. Objectives and Working Methods of the  
Conference

2.30 p.m.— 3.15 p.m. Presentation of Paper 1  
"CO-OPERATIVE DEVELOPMENT IN THE  
EIGHTIES" (IN THE REGION)

1ST SPEAKER : Mr. S.S. Puri,  
Secretary, Planning Commission,  
Yojana Bhavan, New Delhi,  
India

3.15 p.m.— 4.00 p.m.

2ND SPEAKER : Mr. R.B. Rajaguru, Regional Director,  
ICA Regional Office, New Delhi,  
India

4.00 p.m.— 4.30 p.m. Tea Break

4.30 p.m.— 5.30 p.m. Discussion

7.30 p.m. Dinner & Cultural Show hosted by MCIS

**27th November, 1979**

- 9.00 a.m.— 9.45 a.m. Presentation of Paper 2  
 “STRATEGY FOR MOBILISATION AND INVESTMENT OF FUNDS THROUGH CO-OPERATIVES IN THE EIGHTIES”
- 1ST SPEAKER : Y.B. Dato N.A. Kularajah, DPMT, AMN, PJK,  
 President, Co-operative Union of Malaysia
- 9.45 a.m.—10.30 a.m.  
 2ND SPEAKER : Mr. M. Matsuhira, Counsellor, Research Dept.,  
 Central Co-op. Bank for Agriculture & Forestry,  
 Tokyo, Japan
- 10.30 a.m.—11.00 a.m. Tea Break
- 11.00 a.m.—12.30 p.m. Discussion
- 12.30 p.m.— 2.30 p.m. Lunch Break
- 2.30 p.m.— 3.15 p.m. Presentation of Paper 3  
 “ROLE OF THRIFT AND CREDIT SOCIETIES VIS-A-VIS BETTER LIVING AND COMMUNITY DEVELOPMENT IN THE EIGHTIES”
- 1ST SPEAKER : Mr. R. Mathimugan, ACII,  
 General Manager, Co-operative  
 Central Bank Ltd., Kuala Lumpur, Malaysia
- 3.15 p.m.— 4.00 p.m.  
 2ND SPEAKER : Mr. R.P.P. Rajapakse,  
 Deputy Commissioner of Co-operative  
 Development, Colombo, Sri Lanka
- 4.00 p.m.— 4.30 p.m. Tea Break
- 4.30 p.m.— 5.30 p.m. Discussion

**28th November, 1979**

- 9.00 a.m.—12.30 p.m. Commission Meetings
- COMMISSION 1 : Co-operative Development in the Eighties  
 (in the region)  
*Venue* : Dewan Tan Sri Abdul Rahman  
 —10th Floor
- COMMISSION 2 : Strategy for Mobilisation and Investment of  
 Funds through Co-operatives in the Eighties  
*Venue* : Dewan Tan Sri Abdul Rahman  
 —10th Floor
- COMMISSION 3 : Role of Thrift and Credit Societies Vis-a-Vis  
 Better Living and Community Development in  
 the Eighties  
*Venue* : Conference Room 1—New Wing

- 12.30 p.m.— 2.30 p.m. Lunch Break
- 2.30 p.m.— 4.00 p.m. Commission Meetings (continued)
- 7.30 p.m. Dinner & Ronggeng hosted by members of the organising committee of the Conference viz CUM, ANGKASA, NLFCS, CCB & MCIS
- 29th November, 1979**
- 11.00 a.m.—12.30 p.m. Final Plenary (Main Hall)  
Presentation and Adoption of Commission Reports
- 12.30 p.m.— 2.30 p.m. Lunch Break
- 2.30 p.m.— 5.30 p.m. Final Plenary (continued)  
Presentation and Adoption of Commission Reports
- 30th November, 1979** Study Visits
- 1st December, 1979** Departure of Participants

## LIST OF PARTICIPANTS

### BANGLADESH

1. Mr. Ali Hossain  
Chairman  
Bangladesh Jatiya Samabaya  
Union  
9/D Motijheel Commercial Area  
Dacca 2. Bangladesh

### INDIA

2. Mrs. S. Satyabhama  
Joint Secretary  
Department of Agriculture and  
Cooperation  
Ministry of Agriculture  
Government of India  
New Delhi 1
3. Prof. D. R. Oza  
V. M. National Institute of  
Coop Management  
Ganeshkhind Road  
Pune 16
4. Mr. A.K. Singh  
Managing Director  
Kerala State Cooperative Bank  
Trivandrum, Kerala State
5. Mr. J. N. Singh  
Managing Director  
Bihar State Cooperative Bank  
Ltd.  
Patna 4
6. Mr. M. G. Joshi  
Vice Chairman  
Gujarat State Cooperative Bank  
Ltd.  
Ahmedabad
7. Mr. K. B. Narasimh E. Govinda  
Director  
Karnataka State Coop Land  
Development Bank  
Bangalore
8. Mr. Ram Kunwar Singh  
Director  
National Agricultural Coop  
Marketing Federation Ltd.,  
54 East of Kailash  
New Deihi 24
9. Mr. M.M. Vyas  
General Manager  
Gujarat State Cooperative  
Bank  
Relief Road  
Ahmedabad 1
10. Mr. Bhupendra Shah  
Hon. Secretary  
Gujarat State Industrial Coop  
Association Ltd.  
Ahmedabad

### INDONESIA

11. Mr. Dradjat Hasibuan  
Dewan Koperasi Indonesia  
Jalan Jenderal Gatot Subroto  
Jakarta
12. Mr. H. Sofwan Sukri  
Dewan Koperasi Indonesia  
Jalan Jenderal Gatot Subroto  
Jakarta
13. Mr. Eddy Suhaedi  
Dewan Koperasi Indonesia  
Jalan Jenderal Gatot Subroto  
Jakarta
14. Mr. H.M. Kusni Surya  
Dewan Koperasi Indonesia  
Jalan Jenderal Gatot Subroto  
Jakarta
15. Mr. H.A. Soemaryono Pr.  
Second Secretary  
G.K.B.I.  
Jakarta

16. Mr. Kasim  
Dewan Koperasi Indonesia  
Jalan Jenderal Gatot Subroto  
Jakarta

## MALAYSIA

- Sy. B/S J/C and Pin Wang Pekerja  
Pekerja Lembaga Perusahaan Getah  
Tanam Semula Kedah/Perlis and P  
Pinang Tanggn Bhd. Pejabat  
RISDA Wilayah, Kedah Tengah  
Sungai Patani, Kedah.
17. Mr. Zainal Aziz b Hj. Zainal  
Ab
18. Mr. Mohamed Radzi bin Abd.  
Halim
19. Mr. K. Ramachandran  
Treasurer  
The Malaysian Workers'  
Multi-Purpose Cooperative  
Society Ltd.  
5, Lorong Utara Kecil  
Petaling Jaya.
- The Cooperative Central Bank Ltd.  
29, Leboh Ampang, Kuala Lum-  
pur.
20. Y.B. Dato' Lee Ah Leng,  
DSLJ, PIS, JP  
Director
21. Mr. K. Pandian  
Director
22. Tuan Hj. Jalalludin b Haji  
Kassim  
Director
23. Y.B. Datuk Ahmad b Mohd  
Yunus DPCM, JSM  
Director
24. Mr. R. George D'Silva  
Director
25. Mr. Ismail Omar  
Director
26. Mr. Abdul Aziz b Abdul Rani  
Director
27. Y.B. Tan Sri Datuk r. Hj.  
Mohd Hassan bin

- Abdul Wahab, PSM, DMSM,  
PPM, KMN  
Director  
National Land Finance Cooperative  
Society Ltd.  
P. O. Box 2133, Kuala Lumpur,  
Malaysia.
28. Mr. K.K. Samy, AMN, PPN,  
PKS  
Chairman
29. Mr. K.R. Somasundram,  
AMN Jp  
Secretary
30. Y.B. M.K. Muthusamy, PIS,  
KMN, AMN  
Director
31. Mr. K. Raghavan  
Director
32. Mr. R. Manickam  
Director
33. Mr. V.M. Sundram, JMN,  
JP  
Treasurer
34. Mr. S.M. Sundram, AMN  
Director
35. Mr. N. Ponnusamy, PPN  
Director
36. Mr. K. Mariasoosai  
Director
- Koperatif Lembaga Letrik Negara  
Bhd.  
P. O. Box 1065, Kuala Lumpur,  
Malaysia.
37. Mr. Wan Ali b Wan Jaafar  
Vice Chairman
38. Mr. Zaghlol b Hj. Hanafiah  
Director
39. Mr. Yee Shin Kai  
Director
40. Mr. R.R. Chandran  
Secretary/Treasurer
41. Mr. Mahinder Singh  
Director
42. Mr. R. Arunachalam  
Director
43. Mr. R. Arumugam  
Accounts Clerk



- The RRI Experiment Station Labourers Coop. Credit Society Ltd.  
d/a Pusat Percubaan Penyelidikan Getah Sungei Buloh, Selangor.
- PUNCAS Cooperative Thrift and Loan Society Ltd.  
Malayan Railway, Kuala Lumpur, Malaysia.
44. Mr. M. Subramaniam  
Hon. Treasurer
45. Mr. G. Rajamanickam  
Vice Chairman
46. Mr. R. Narayanasamy  
Committee Member
47. Mr. S. Varatharajah  
Committee Member
- Sy. K/s J/C and Pin Mem K/tangan Lembaga Pelabuhan Kelana Berhad, Pelabuhan Kelang 157 A, Jalan Tengku Badar Pelabuhan Kelang, Selangor.
48. Mr. James Lazarus  
Secretary
49. Mr. K. Krishnan  
Committee Member
50. Mr. Ahmad Alhadi b Hj Siraj  
Committee Member
- Sy. K/s J/C Pinand Pekerja Pekerja Per. and Buruh Kasar Jabatan Telekom, Jalan Brickfields, Kuala Lumpur.
51. Mr. S. Subramaniam, PPN  
Chairman
52. Mr. I. Ponnuthurai  
Committee Member
53. Mr. V. Kuppusamy  
Committee Member
- Sy. K/s J/C and Pin Pekerja-Pekerja Bengkel Sentul Berhad, Sentul, Kuala Lumpur
54. Mr. P. Veeriah  
Vice Chairman
55. Mr. K. Subramaniam  
Pengerusi Pinjaman
56. Mr. Osman bin Asit  
Development Officer
- Lembaga Kemajuan Ikan Malaysia  
Tingkat 7, Wisma PKNS  
Jalan Raja Laut, Kuala Lumpur.
- Sy. K/s J/C and Pin Jabatan Ukur Negeri Negeri T.M. Bhd.  
Peti Surat 565, Kuala Lumpur, Malaysia.
57. Mr. Muhammad Tahir bin Gendut  
Vice President I
58. Mr. Zainal Abidin bin Tahir  
Hon. Secretary
59. Mr. Shuib bin Yahya  
Board of Director
60. Mr. Abdullah bin Wahab  
Board of Director
61. Mdm. Rahimah bt Hj. Sulaiman  
Board of Director  
Malaysian Coop. Printing Press Society Ltd.  
120, Jalan Semangat, Petaling Jaya.
62. Mr. A. Siva Perumal  
Hon. Secretary
63. Mr. K. Rabindranath  
Office Manager
- The Jaffnese Cooperative Society Ltd.  
P. O. Box 265, Kuala Lumpur.
64. Mr. V. Thangarajah  
President
65. Mr. T. Tharmakulasingam  
Hon. Secretary
66. Mr. V. Gnanasegaran  
Treasurer
67. Mr. S. Thanapalan  
Vice President
68. Mr. K. Singam  
Board of Director
69. Mr. V. Balasubramaniam  
Board of Director
70. Mr. M. Nadarajah  
Ahli Pengarah
71. Mr. T. Ramanathan  
Board of Director

72. Mr. M. Balasingam  
Board of Director  
The Mercantile Coop Thrift and  
Loan Society Ltd.  
54 A, Jalan Masjid India, Kuala  
Lumpur 01-14  
Malaysia.
73. Prof. Dr. A. Kahar Bador  
Chairman
74. Mr. Matthew Danker  
Hon. Treasurer
75. Mr. Supah b H M. Noh AMN  
Committee Member
76. Mr. Kassim bin Hassan  
Committee Member
77. Mr. N. Krishnan  
Committee Member
78. Mr. R. Ramasamy  
Chairman  
The Socfin Emp. Coop Thrift  
and Loan Society Ltd.  
P.O. Box 330, Kuala Lumpur.
79. Mr. K. Bhanudevan  
Committee Member  
The Kuala Lumpur Coop  
Housing Society Ltd.,  
Peti Surat 499, Kuala  
Lumpur.
- Lembaga Pertubuhan Peladang  
Block B, Kompleks Pejabat  
Damansara Jallan Dungun,  
Damansara Heights Kuala Lum-  
pur.
80. Mr. Sulaiman Cik Din  
Pegawai Yunit Pengurusan  
Koperasi
81. Mr. Nordin Ali bin Hussain  
FOA Officer
82. Mr. Ahmad/Aziz b Haji Alus  
FOA Officer
- Syarikat Koperatif Serbaguna  
Keretapi Bhd.  
P.O. Box 2528, Kuala Lumpur
83. Mr. S. Manickam  
Director
84. Mr. Shaari Amin
85. Mr. Ajit Singh  
Treasurer
86. Mr. Mohd Yusoff b Mat Esa  
Chairman
87. Mr. Lim Say Hock  
Secretary
88. Mr. Chan Kim Beng  
Deputy Managing Director
89. Mr. M. Somasundaram  
Managing Director
- Women's Committee  
Cooperative Union of Malaysia  
Wisma MCIS, Jalan Barat,  
Petaling Jaya.
90. Mrs. John R. Gurusamy  
Chairperson
91. Miss S. Ranjane  
Assistant Secretary
92. Mdm. Fauziah bt. Md. Salleh  
Committee Member
93. Miss Yap Foong  
Committee Member
94. Dr. Jamaluddin Sulaiman  
University Kebangsaan  
Malaysia Bangi, Selangor.
95. Mr. Ahmad Ghazi b H.A.  
Hamid  
Principal  
Mektab Kerjasama Malaysia  
Petaling Jaya, Selangor.
96. Mr. Ahmad b Haji Yusof  
Kedai Buku Koperatif  
University Malaya  
Kuala Lumpur.
- Selangor Govt. Servants Coop T and  
L Society Ltd.  
P.O. Box 202, Kuala Lumpur
97. Mr. Ishak bin Idris  
Vice President
98. Mr. A. Munusamy  
Committee Member
99. Mr. Cho Mun Kit, PJK  
Secretary  
The Malayan Railway Civil Engg.  
Dept. Emp. Cooperative Thrift  
and Loan Society Ltd.  
P.O. Box No. 2371,

- Kuala Lumpur, Malaysia
100. Mr. Chelliah s/o Velaythan  
Committee Member
101. Mr. Ibrahim bin Ismail  
Committee Member
102. Mr. Shadaudin bin Hussin  
Committee Member
- The P & T Cooperative T & L  
Society Ltd. S of M.K.L.  
Nos. 66 & 68, Jalan Pasar Bharu  
Pudu, Kuala Lumpur.
103. Mr. K. Kanaga Sabapathy  
Vice President
104. Mr. Wong Kim Sang  
Committee Member
105. Mr. A. Manap b Mohd Sidin  
Hon. Secretary
106. Mr. Ooi Cheng Eam  
Committee Member
107. Mr. P. Laennin  
Hon. Secretary & Treasurer
108. Mr. K. Thiruchelvam  
Vice President
109. Mr. P. Palaniandy  
Hon. Secretary
110. Mr. R. Meganathan  
Committee Member
111. Mr. Francis Koothayah  
Hon. Secretary
- Koperasi New Straits Times Press  
(M) Berhad  
31, Jalan Riong, Kuala Lumpur
112. Mr. John Fernandez  
Asstt. Secretary/Treasurer
113. Mr. Peter Perera  
Committee Member
- Malaysian Workers M/Purpose  
Coop Society Ltd.  
5, Lorong Utara Kecil, Petaling  
Jaya, Malaysia
114. Mr. G. Rajasekaran  
Secretary General
115. Mr. S. Kajaintharan  
Executive Secretary
116. Mr. John R. Gurusamy  
Committee Member
117. Mr. Hussein bin Mohd Attan  
Vice President
- Koperasi Pos Nasional Berhad  
5-B, Jalan Tuanky Abdul Rahman,  
Kuala Lumpur.
118. Mr. Eusof Izzudin  
Director
119. Mr. K. Sivalingam  
Executive Secretary
- Koperasi Mewah Berhad  
4th floor, Wisma Methaodist,  
Lorong Davidson Kuala Lumpur.
120. Mr. Sim Keow Cheng  
General Manager
121. Mr. Chan King Sang  
Vice Chairman
- The R.R.I. Staff Cooperative  
Society Ltd.  
P.O. Box 150, Kuala Lumpur.
122. Mr. Chew Pow Sin  
Vice President
123. Mr. Shahrin b Saad  
Committee Member
124. Mr. K. Nagendran  
Committee Member
- Koperasi Guru-Guru Sekolah  
Semenanjung  
Malaysia Berhad Ipoh, 19, Green  
Hill Drive, Ipoh, Perak.
125. Mr. Ong Tit Hoe  
Committee Member
126. Mr. Oh Boon Lian  
Committee Member
127. Mr. Abdul Aziz b Chu Abd.  
Ghani  
Committee Member
128. Mr. Chong Wai Yoong  
Chairman
129. Miss Khaw Siok Choon  
Committee Member
130. Mr. Le Guan Khew  
Treasurer
131. Mr. Chin Fook Kong  
Committee Member
132. Mr. Chin Keong Kong  
Committee Member
133. Mr. Ong Sek Chuan  
Committee Member

134. Mr. Mohd Nazri b Haji Abd. Rahim PJK  
Chairman  
Koperasi Pekerja-Pekerja Kerajaan (KOSPEK)  
Petti Surat 116  
Teluk Anson, Perak
135. Mr. Nordin b Hj. Saad  
Secretary  
Koperasi Perumahan Orang Orang Melayu Perok Bhd.  
45, Jalan Pasar, Rapat Setia  
Ipoh, Perak.
- Sy. K/s J/C and Pin Bhd. Pekerja  
Pekerja K'api  
Tanah Melayu Falim Ipoh,  
Pejabat Fomen Loko, KTM Falim  
Ipoh.
136. Mr. Abdul Shukor b Abdullah,  
Chairman
137. Mr. V. Aruchandran  
Board of Director
138. Mr. Zainuddin b Hj. Ismail  
Chairman  
Koperatif Malimjajayo Berhad  
No. 9, Taman Loke Yew  
Tg. Malim, Perak.
- Sharikat Rumah B/s Orang Orang  
Melayu, Taiping Berhad  
No. 61, Jalan Barrack, Taiping,  
Perak.
139. Mr. Sulaiman b Harun PPT  
Secretary
140. Mr. Mokhtar b Bahaudin PJK  
Treasurer
141. Mr. C. Mahadevan  
Vice Chairman  
Railway Coop Multipurpose  
Society Ltd.  
P. O. Box 2528, Kuala  
Lumpur.
142. Mr. Gooi Mong Song  
Treasurer  
Malayawata Steel Employees  
Cooperative Society Ltd.,  
P.O. Box 60  
Butterworth, P. Wellesley
- The Penang Teachers' Coop Societi  
Ltd.  
31-D, Aboo Sittee Lane, Penang  
Malaysia.
143. Mr. Kam Cheng Yeong  
President
144. Mr. Tan Guan Cheng  
Director
145. Mr. P. Kanagarajah  
Director
146. Mr. Wilfred Ewe Kheng Heang  
Director
147. Mr. Low Guan Keng  
Director
148. Mr. Mohd. Haniffa b Hamid  
Director
- The Penang Mercantile Emp. Coop  
Society Ltd.  
G. P. O. Box No. 941, Penang.
149. Mr. Saw Choo Aik  
Vice Chairman
150. Mr. Joachim s/o Alagirisamy  
Committee Member
151. Mr. Goh Khoon Yeam  
Committee Member
152. Mr. Edward Ong Ah Lee  
Committee Member
153. Mr. S.A. Ghouse bin Syed  
Mohd.  
Secretary  
Koperatif Serbaguna Jelutong  
127-O, Jalan Tengku, Jelutong  
Timor  
Pulau Pinang.
154. Mr. Ang Thoon Hock, PJK  
President  
Sy. K/s K/tangan Kerajaan  
P. Pinang Berhad WISMA  
KOPERASI, 25, Lebu  
Bishop (Tingkat Atas),  
Pulau Pinang  
Negri Sembilan Govt. Emp. Coop  
T & L Society Ltd.  
d/a WISMA KERJASAMA N.S.  
27, Jalan Dato' Abd. Malek,  
Seremban, N.S.

155. Mr. Hashim bin Jani PJK  
Board of Director
156. Mr. Yong Kok Ching  
Board of Director
157. Mr. M.V.C. Kuttan  
Board of Director
158. Mr. M. Karuppanan PJK  
Board of Director
159. Mr. Rusli b Mohd Yunus PJK  
Board of Director
160. Mr. C. Rajathurai PJK  
Board of Director
161. Mr. Teh Tee Bin  
Board of Director
162. Mdm. Rimiyah bt Hj. Rasidi  
Board of Director
163. Mr. N. Balasubramaniam PJK  
Chairman
164. Mr. N. Purushothaman PJK  
Secretary
- Penang Govt. Servants' Cooperative  
Society Ltd.  
Wisma Koperasi, 25 Lebu  
Bishop (Tingkat Atas) Palau  
Pinang.
165. Mr. Paul Thong, PJK  
Committee Member
166. Mr. A. Govindasamy  
Committee Member
167. Miss Ahmina bt Ismail  
Committee Member
- The Commonwealth Emp. Coop.  
Society Ltd.  
3, Lorong Bunga Tanjung Dua  
Peninsular Park, Butterworth.
168. Mr. Abdul Rahman b Mohd  
Yousoff  
Chairman
169. Mr. Mohd Sahib\* b Mohd  
Hassan  
Board of Director
170. Mr. S. Kanniah  
Board of Director
171. Mr. Hussain b Mohd Noor  
Board of Director
- Syarikat Koperatif Suruhanjaya  
Pelabuhan P. Pinang  
15, Green Hall, Penang, Malaysia.
172. Mr. Leong Weng Kun  
Treasurer
173. Mr. N. Loganathan  
Board of Director
174. Mr. C. Shanmugam  
Board of Director
- Penang Port Commission Coopera-  
tive Society Ltd.  
15, Green Hall, Penang.
175. Mr. Hamid b Shariff  
Board of Director
176. Mr. R. Tanimalay  
Board of Director
177. Mr. Ismail b Hashim  
Board of Director
178. Mr. Jamaludin b Siron  
Board of Director
179. Mr. Boey Foong Phin  
Board of Director
180. Mr. Felix Joseph  
Board of Director
- The Malacca Govt. and Municipal  
Servants' Cooperative Thrift and  
Loan Society Ltd.  
P.O. Box No. 194, Malacca.
181. Mr. T. Aravindashan  
Ahli Lembaga Pengurus
182. Mr. P.K. George  
Ahli Lembaga Pengurus  
Koperasi Pekerja-Pekerja Telekom  
N. Sembilan and Melaka,  
Jabatan Telakom Seremban, N.  
Sembilan.
183. Mr. Ramli Osman  
Chairman
184. Mr. Mohamed Shafie b P.  
Mammal  
Hon. Secretary  
Koperasi Anggota-Anggota Jabatan  
Penerangan  
Malaysia Barat, Berhad, No. 284,  
Ho Garden, Jalan Rasah  
Seremban, N. Sembilan,  
Malaysia.
185. Tuan Hj. Ishak b Mohammed  
Chairman, Board of Director

186. Mr. R. Sadasivam  
Secretary/Treasurer  
Kop Melayu Berjawatan Kerajaan  
N. Sembilan Bhd.  
Rumah Bukti, 157, Jalan Birch  
Seremban, N. Sembilan.
187. Mr. Abdullah bin Hj. Ludin  
Chairman
188. Mr. Abd. Majid b Baba PPN,  
PJK  
Treasurer
189. Mr. Mohd Amar bin Mohd  
Din  
Treasurer
- Syarikat K/sama Pegawai-Pegawai  
Kerajaan  
Taiping Berhad, Peti Surat 13.  
Taiping, Perak.
190. Mr. A. Thiruselvam  
Vice Chairman
191. Mr. Darshan Singh, PJK  
Hon. Secretary
192. Mr. P.S.S. Maniam, PPN  
Hon. Treasurer
193. Mr. Ghulam Kadir, PPT  
Board of Director
194. Mr. M. Ponnusamy  
Board of Director
195. Mr. Samsuddin b Awang  
Owman  
Board of Director
196. Mr. Sulaiman b Hj. Sani,  
KMN, AMN  
Board of Director
197. Mr. A. Perumal  
Board of Director
198. Mr. Wan Ahmad b Sharif  
Board of Director
199. Mr. Zainu Hasri b Harun  
Board of Director
200. Mr. Wan Ismail bin Tak  
Chairman  
Malaysian Coop. Insurance Society  
Ltd.  
Wisma MCIS, Jalan Barat, Petal-  
ing Jaya Malaysia
201. Mr. S.M. Ratnam  
Director
202. Mr. K.K.V. Singam  
Director
203. Tuan Hj. Idris Ibrahim PJK  
Syarikat K/s Organg Orang  
Melayu Kerajaan Hilir Pk.,  
Bangunan SKOMK, Jalan  
Mehkota, Teluk Anson,  
Perak.
- Sy. K/s J/C Pin Wang Perniagaan  
Modal and Perusahaan DTB Guru-  
Guru Melayu LMSD: Taiping  
Peti Surat 53, Taiping, Perak.
204. Mr. Abdul Majid b Husain  
Chairman
205. Mr. Sabron b Hj. Md. Taib  
Treasurer
206. Mr. Kamaruddin bin Ahmad  
Director
207. Mr. Salleh b Yusof  
Director
208. Mr. Zakaria b Mahat  
Director
209. Mr. Mokhtar b Muhammad  
Director
210. Mr. Abd. Wahab b Hj. Tahir  
Koperasi Perumahan Orang-  
OrangMelayu Ipoh 45, Jalan  
Pasar, Rapat Setia Ipoh, Perak.
211. Tuan Haji Idris b Ibrahim  
PJK  
Sy. K/s Orang Orang Melaya  
Kerajaan Hilir Perak J/C and  
Pin Wang Bhd T. Anson  
Bangunan SKOMK, Jalan  
Mahkota Teluk Anson, Perak.  
Koperasi Guru-Guru Melayu Negeri  
Perlis Bhd.  
Bgn. Tanjung Haji. 36, Medan  
Syed Alwi Kangar, Perlis,  
Malaysia.
212. Mr. Wan Din bin Che Mat  
Board of Director
213. Mr. Hassan Basri bin Abd.  
Karim-
214. Mr. Mutadh bin Bahri  
Koperasi Perumahan Guru-Guru

- Melayu Perlis, Berhad.  
Bgn. Tabung Haji, 36, Medan Syed  
Alwi, Kangar, Perlis.
215. Mr. Yahya bin Man/Othman  
Chairman
216. Mr. Shaari Saad  
Director
217. Mr. Wan Fathir b Hussain  
Member
218. Mr. Razali bin Osman  
Member
219. Mr. Hanipah Ahmad  
Member
220. Mr. Yusoff Hj. Din  
Director
221. Mr. Syed Saruat Nasim bin  
Syed Osman  
Secretary  
Koperasi Permodalan Melayu  
Negeri Johor DTB  
Tgkt. 1, Bilek 104, Bgn.  
Kerjasama Jalan Dhoby,  
Johor Bahru.
222. Mr. Abu Hanipah bin Hj.  
Ishak  
Committee Member (Admn.)  
Koperasi K/tangan Kerajaan  
Daerah Muar Berhad  
Muar, Johor.  
Syarikat K/s Perumahan Kluang  
Berhad  
Peti Surat 44, Kluang, Johor.
223. Mr. P. Loganathan  
Asst. Secretary
224. Mr. Vergis Mathew  
Hon. Treasurer
225. Mr. Lee Chak Fook  
Committee Member  
The Johor Coop Industrial  
Development Society Ltd.  
Bg. MCIS, 18, Jln Dato Capt.  
Ahmad, Kluang Johor.
226. Mr. Mohd. Yunus b Haji Noor
227. Tuan Haji Abd. Rahman bin  
Sarmek
228. Mr. Tahir bin Nasarali  
Koperasi J/C & Pin Mem bagi K/  
tangan Ker. Daerah  
Johor Bahru Berhad, Bilik 301,  
Tingkat 3, Bgn. Kerjasama Jalan  
Dhoby, Johor Bahru, Johor.
229. Y.M. Ungku Hj. Mohd Amin  
b. Mohd Salleh  
Committee Member
230. Mr. Md. Ali bin Hassan  
Committee Member
231. Mr. Nordin bin Johari  
Committee Member  
Sy. K/s J/C & Pin Pekerja Pekerja  
Sekolah Ingeris J. Berhad  
172 A, (Tgkt. 1), Jalan Lembah,  
Taman Tasek  
Off Jalan Larkin, Johor Bahru,  
Johor.
232. Mr. Yusof b Karto  
Hon. Secretary
233. Mr. Tan Yoke Tee  
Committee Member  
Koperasi Polis Di Raja Malaysia  
Sarawak Bhd.
234. Supt. Abdul Latip Basah  
Director
235. Mr. Jonathan Kelimbang  
Director
236. Mr. Akat Engus/Jonathan  
Secretary  
Koperasi Perdagangan dan  
Perusahaan  
Polis Komponen, Sarawak.
237. Mr. Boniface N. Mawin  
Treasurer  
Koperasi Perdagangan Dan  
Persusahan  
Polis Di Raja Malaysia,  
Sarawak, Kuching  
Sarawak Coop Central Bank Ltd.,  
Kuching
238. Mr. Eng Khoon San  
Secretary
239. Tuan Haji Dani b. Abdul  
Vice Chairman  
Koperasi Pekerja Kerajaan Sarawak  
Bhd.

153. G, Jalan Satok, K. ching, Sarawak, Malaysia.
240. Mr. Alif Bacaamadrasah  
Executive Secretary
241. Tuan Hj. Mokasen Bin Ibrahim  
Vice Chairman
- NEPAL**
242. Mr. Bhisma Prasad Dhungana  
Cooperative Officer  
Department of Cooperatives  
Kamaladi, Kathmandu.
- PHILIPPINES**
243. Mr. Emmanuel G. Pinga  
Manager-in-Charge of Bldg/  
Real Estate  
Cooperative Marketing System  
of the Philippines, Quezon City.
244. Atty Jose G. Gonzaga  
Treasurer  
Coop Insurance System of the  
Philippines, Metro Manila.
245. Mr. Tutaan Domingo  
General Manager  
Cagayan Valley Development  
Cooperative, Cagayan City.
- SINGAPORE**
246. Mr. Hamid bin Hassan  
Committee Member  
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& Loan Society Ltd.  
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247. Mr. Mojamed Yusoff b Mohd. Yunos  
Asstt. Treasurer
248. Mr. Salleh b Ahmad  
Committee Member
249. Mr. Mohd Ali b Ismail  
Committee Member
250. Mr. M. Janarthanan  
Hon. Treasurer
- Port of Singapore Authority  
Employees Coop T & L Society  
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Rm. 902, 9th floor, Lian Huat  
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251. Mr. Mohamed Khan Bin Chota  
Assistant Secretary
252. Mr. Mahfar bin Othman  
Committee Member
253. Mr. Ismaon Haji Ali  
Committee Member
254. Mr. Mahendra s/o Ram Dieu  
Committee Member
255. Mr. Tan Beng Huat, Raymond  
Committee Member
256. Mr. Md. Nor bin Muhammad  
Committee Member
257. Mr. Abdullah Bin Lassim  
Singapore National Coop  
Union  
26 A, Murray Street, Singapore  
Singapore Coop Housing Society  
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P.O. Box 2840, Singapore 9048
258. Mr. A.K. Markandu  
Committee Member
259. Mr. Leong Kum Choon  
Committee Member
260. Mr. Xavier Samy  
Committee Member
261. Mr. Zainal A. Nasoetion,  
Committee Member  
Singapore Govt. Servants' Coop  
T & L Society Ltd.  
421, Peace Centre, 1, Sophia Road  
Singapore 0922.
262. Mr. S. Sangarapillai  
Committee Member
263. Mr. G. Hassan Bek  
Committee Member
264. Mr. S. Arumugam  
Committee Member  
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Society Ltd., Singapore



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265. **Mr. Kok Wai Hoi**  
Committee Member

266. **Mr. William Soh Choon Hua**  
Hon. Treasurer

267. **Miss Rosllind Ho**  
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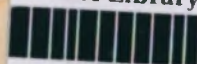
## THE INTERNATIONAL COOPERATIVE ALLIANCE

is one of the oldest of non-governmental international organisations. It is a world-wide confederation of cooperative organisations of all types. Founded by the International Cooperative Congress held in London in 1895, it now has affiliates in 66 countries, serving over 355 million members at the primary level. It is the only international organisation entirely and exclusively dedicated to the promotion of cooperation in all parts of the world.

Besides the Head Office of the ICA, which is in London, there are three regional offices, viz., the Regional Office & Education Centre for South-East Asia, New Delhi, India; the Regional Office for East and Central Africa, Moshi, Tanzania and the Regional Office for West Africa, Bingerville, Ivory Coast. The Regional Office in New Delhi was started in 1960, the office in Moshi in 1968 and the West African Regional Office in 1979.

The main tasks of the Regional Office & Education Centre are to develop the general activities of the Alliance in the Region, to act as a link between the ICA and its affiliated national movements, to represent the Alliance in its consultative relations with the regional establishments of the United Nations and other international organisations, to promote economic relations amongst member-movements, including trading across national boundaries, to organise and conduct technical assistance, to conduct courses, seminars and conferences, surveys and research, to bring out publications on cooperative and allied subjects and to support and supplement the educational activities of national cooperative movements. The Regional Office and Education Centre now operates on behalf of 15 countries, i.e. Afghanistan, Australia, Bangladesh, India, Indonesia, Iran, Japan, Republic of Korea, Malaysia, Nepal, Pakistan, Philippines, Singapore, Sri Lanka and Thailand.

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