

**THRIFT AND CREDIT
CO-OPERATIVES
IN A CHANGING WORLD**



**REPORT OF THE
5th INTERNATIONAL CONFERENCE ON
CO-OPERATIVE THRIFT AND CREDIT**

New Delhi 16-20 February 1981

42(100)
ICA Library
334.2(100) BLI-T
ICA 00572

This book is available from:

INTERNATIONAL CO-OPERATIVE ALLIANCE
11 Upper Grosvenor Street,
London W1X 9PA, U.K.

and

INTERNATIONAL LIAISON COMMITTEE
163 Ave Victor-Hugo, 75116 Paris, France

305

Published for the
INTERNATIONAL LIAISON COMMITTEE ON
CO-OPERATIVE THRIFT AND CREDIT
by the
INTERNATIONAL CO-OPERATIVE ALLIANCE
11 Upper Grosvenor Street, London W1X 9PA U.K.
© International Co-operative Alliance, 1982
ISBN 0 904380 51 3

Printed by
LEICESTER PRINTERS LTD
The Church Gate Press,
Leicester and London
(A Co-partnership organisation
in membership of the ICA)

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**5th INTERNATIONAL CONFERENCE ON
CO-OPERATIVE THRIFT AND CREDIT
New Delhi 16-20 February 1981**

Conference Rapporteur:
Dr. S. K. SAXENA, Director, ICA

Compiled and Edited by
MARGARET BLINDELL



The International Liaison Committee on Co-operative Thrift and Credit

Chairman: Mr Théo BRAUN,
President, Confédération Nationale du
Crédit Mutuel (France)

Banque Centrale des Coopératives et des Mutuelles, France

Confédération des Caisses Populaires et d'Economie Desjardins du Québec,
Canada

Confédération Nationale du Crédit Mutuel, France

Instituto Movilizador de Fondos Cooperativos, Argentina

International Co-operative Alliance (represented by its Banking Committee)

International Raiffeisen Union

National Co-operative Union of India

Union du Crédit Coopératif, France

World Council of Credit Unions

Secretary: Mme A-M. ROBERT,
Crédit Mutuel, Paris

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*This paper was distributed but not presented owing to lack of time.

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The Historical Background

The evolution in the last two decades of mutual and co-operative organisations formed primarily for the economical management of savings and the provision of credit by and for their members—who are both their founders and their users—has produced remarkable changes in the world picture of the Co-operative Movement.

When CUNA International, in 1966, had the idea of organising the first international conference for thrift and credit co-operatives, they were above all concerned to establish contact between the movements which, although they sprang from a common source, had lost all connection with each other for very many years.

In the course of these world meetings it has been possible to witness the evolution of the problems facing such organisations.

At the beginning, it was a case above all of expansion, and of assisting the establishment of co-operatives in those developing countries where they did not already exist: particularly in Africa, Latin America and Asia. The emphasis was on the education and training of members.

Later on, the efforts of thrift and credit co-operatives were concentrated on the struggle against the fierce competition of the commercial and state banks. They were obliged to become as competitive commercially, that is, to offer exactly the same services, as their rivals. This urgent need led to intensive centralisation and the introduction of electronic data-processing.

But this brought other problems. For example, once the management of the co-operatives required a high level of technical competence, it became necessary to organise appropriate training for their administrators. Were not centralisation and data-processing inimical to democracy, since they would encourage the creation of a class of technocrats? What could be done to guard against this danger?

Besides this, once the thrift and credit banks—in order to be competitive—began to resemble the commercial banks, what would mark them out as different? Would they not lose their special spirit?

These are some of the questions which have arisen at international conferences during these fifteen years.

The following brief history gives details of the meetings. It also makes one realise that thrift and credit co-operatives are above all a human institution and that, because of this, all the “revolutions” (technical, economic, scientific . . .) which confuse humanity afflict them with full force. The co-operatives must therefore, as a matter of survival, pay full attention to world developments in order to react to them as promptly as possible.

The first conference took place in October 1966 in Jamaica, organised by CUNA International which in 1971 was to become the World Council of Credit Unions (WOCCU). Its principal result was that of enabling participant organisations to get to know each other better. They had to learn, in the words of Mr. R. C. Robertson, “that all co-operative thrift and credit institutions, whatever their philosophical principles or their geographical situation, have common problems . . . We have also learned from each other’s experience different ways of solving these problems.”

The learning process did not cease with the close of the Conference, but was resumed more intensively with the second conference, which was held in Paris in September 1970 on the invitation of the Union du Crédit Coopératif and the Confédération National du Crédit Mutuel of France and with the sponsorship of the International Co-operative Alliance, CUNA International Inc., Les Caisses de Crédit du Canada, the Central Co-operative Bank for Agriculture and Forestry of Japan and the National Co-operative Union of India. An attendance of three hundred delegates from 22

countries devoted five days to discussing the theme of "Thrift and Credit Co-operation as a Basis of Development".

It was evident that the work and recommendations of the Second Conference must be followed up, and it was agreed that a committee or working group was indispensable to keep in touch with the progress of the national thrift and credit movements, their action in carrying out the suggestions approved by the Conference and the emergence of new problems created by the evolution of the world economy. In addition, the committee should choose the theme and guide the preparation of the Third Conference, to be held in 1974.

The work of the committee was carried on in a perfectly co-operative spirit, despite the absence for a time of rules or a constitution. Nevertheless, before the close of the Third Conference it had adopted, in the interests of greater efficiency, the necessary modicum of formal rules (see Appendix 1 "Statutes of the International Liaison Committee"), as well as amending its title to International Liaison Committee on Co-operative Thrift and Credit, the International Co-operative Alliance being represented through its International Banking Committee. The International Conferences accordingly have been provided with a permanent body responsible for watching and promoting the development of thrift and credit co-operatives and co-ordinating their action worldwide.

The International Liaison Committee

has a permanent secretariat: Mme Anne-Marie Robert of Crédit Mutuel (France) acts as Secretary to the Committee. Up to the IVth International Conference, Mr H. Ohmi of the Norin Chukin Bank (Japan) was Joint Secretary with Mrs A. M. Robert. Mr R. P. B. Davies (ICA) is its Treasurer.

The first chairman of the Informal Committee was Dr Bonow, President of the ICA. When the Liaison Committee formalised its position in October 1974, it elected Mr Pierre Lacour, President of the Union du Crédit Coopératif (France) as Chairman.

In 1976, Mr Théo Braun, President of the Confédération Nationale du Crédit Mutuel (France) succeeded Mr Lacour as Chairman of the Committee.

As early as 1974, after the customary consultations, the International Liaison Committee decided on the theme of the IVth International Conference, "Thrift and Credit Co-operatives and their Economic and Social Environment", and moved on to the preliminary preparations with the assistance of the organisations of the Latin American continent and the host country, the Latin American Confederation of Thrift and Credit Co-operatives (COLAC), and the Federation of Thrift and Mutual Credit Co-operatives of South-Eastern Brazil (FELEME) in Rio de Janeiro. The Conference, held in April 1977, was attended by 454 representatives from 25 countries and 16 international organisations.

A. M. ROBERT

International Conferences on Co-operative Thrift and Credit

- I. Kingston (Jamaica)—October 1966
- II. Paris (France)—September 1970
- III. London (UK)—June 1974
- IV. Rio de Janeiro (Brazil)—April 1977
- V. New Delhi (India)—February 1981

Programme of the Fifth Conference*

<i>Date</i>	<i>Session</i>	<i>Session Chairman</i>	<i>Subject</i>
16th Feb Monday	1000-1130	Mr Theo BRAUN, <i>Chairman, ILC</i>	Inaugural Session including addresses by Mr RAO BIRENDRA SINGH, Minister for Agriculture, Rural Reconstruction and Irrigation, Government of India, and Mr S. S. SISODIA, State Minister for Finance
	1130-1300	Mr V. S. VISHWANATHAN, <i>President, NCUI</i>	
	1430-1730	Mr Roger KERINEC, <i>President, ICA</i>	1. Changes in the Social and Economic Environment as they affect Co-operative Thrift and Credit
		Ladies' Programme: Visit to multi-purpose training centre for deaf people	
	1815	"At Home" hosted by Mr RAO BIRENDRA SINGH	
17th Feb Tuesday	0930-1230	Mr Henri-Paul TRUDEL, <i>General Manager,</i> Confédération des Caisses Populaires et d'Economie Desjardins du Québec	2. Thrift and Credit Co-operatives confronted with the Needs of the Underprivileged
	1430-1730	Mr John NICHOLSON, <i>President, WOCCU</i>	3. The International Inter-lending Programme—Present and Future Development
		Ladies' Programme: Guided Tour of Shopping Area	

*See Contents pages for details of speakers.

<i>Date</i>	<i>Session</i>	<i>Session Chairman</i>	<i>Subject</i>
18th Feb Wednesday	0930-1230	Mr M. G. HESS, <i>Secretary</i> , ICA Banking Committee	4. Co-operatives as Banking Institutions
	1430-1630	Mr Werner SCHIFFGEN, <i>General Secretary</i> , International Raiffeisen Union	Panel Discussion
		Ladies' Programme: Visit to village women's organisations	
	1630	Reception hosted by the State Co-operative Bank	Vigyan Bhawan
	1930	Dinner hosted by the Indian Co-operative Movement, followed by cultural programme	Hotel Maurya Sheraton, Swimming Pool Lawn
19th Feb Thursday		Cultural visits Meeting of the Drafting Committee	
	1930	Dinner hosted by the Delhi State Co-operative Urban Credit Societies Federation and the Farmers Co- operative Bank of India	Constitution Club
20th Feb Friday	0930-1300	Mr Theo BRAUN Conference Rapporteur: Dr S. K. SAXENA, <i>Director</i> , ICA	Closing Session including Presentation and Discussion of Conference Report and Recommendations, and Valedictory Address by Mr R. VENKATARAMAN, Hon'ble Finance Minister, Government of India
	1315	Lunch hosted by the National Agricultural Co-operative Marketing Federation of India (NAFED)	Vigyan Bhawan
	1500	PRESS CONFERENCE	



The Conference Hall

Members of the Drafting Committee

Dr S. K. Saxena	General Rapporteur
Mr Theo Braun	Chairman, ILC
Mme A-M. Robert	Secretary, ILC
Mr R. P. B. Davies	Treasurer, ILC
Mr A. A. Bailey	WOCCU
Mr Y. Daneau	Canada
Dr R. C. Dwivedi	India
Mr R. Hewlett	COPAC
Mr M. G. Hess	ICA Banking Committee
W. Schiffgen	International Raiffeisen Union

Section I:

Summary of Proceedings

An expanded version of the Summary Report prepared by Dr S. K. Saxena, ICA Director and Conference Rapporteur, with the assistance of the Conference Drafting Committee, for presentation at the Closing Session of the Conference.

Inaugural Session

“Co-operation, which is rooted in the soil, always succeeds.”

Mahatma Gandhi

“My outlook is to convulse India with the Co-operative Movement or rather with Co-operation.”

Jawaharlal Nehru

“I know of no other instrument so potentially powerful and full of social purpose as the Co-operative Movement.”

Indira Gandhi

These quotations, displayed in the Conference Hall, reminded participants of India's longstanding official concern with Co-operation and formed a fitting background to the Fifth International Conference on Co-operative Thrift and Credit hosted by the National Co-operative Union of India. The Conference was held at Vigyan Bhawan in New Delhi from 16-20 February 1981 under the Presidency of Mr THEO BRAUN, Chairman of the International Liaison Committee on Co-operative Thrift and Credit. In accordance with Indian tradition, the proceedings opened with a Hymn of Invocation.

The Conference was welcomed by Mr B. S. VISHWANATHAN, President of the National Co-operative Union of India, who remarked that this

was an historic occasion since it was the first time that such a large conference had been hosted by the NCUI, and it was also the first conference on Co-operative Thrift and Credit to be held in an Asian country. He thanked the Union Minister for Agriculture and the State Minister for Finance for giving up their time to attend this opening.

Highlighting the characteristics of the Indian Co-operative Movement, its diverse forms and its role in the alleviation of poverty and unemployment, he drew particular attention to the proposal for the establishment of a National Bank for Agriculture and Rural Development by the Government of India. He expressed the hope that the Indian Co-operative Movement will have a significant role in the working of the bank.

Co-operation was a unique concept which adapted easily to conditions in the present world; it was this characteristic which had made it universal. The founding fathers of the Indian nation had recognised the importance of Co-operation and had adopted it as a basic instrument for the development of the country. It was his cherished hope that this Conference would go a long way to furthering the Co-operative Movement in his country.

Finally Mr Vishwanathan paid tribute to the distinguished services of Dr Saxena, their Conference Rapporteur and Director of ICA, whose dedication and hard work had guided the International Co-operative Alliance to its present high status.

Mr ROGER KERINEC, President of the International Co-operative Alliance, expressed his appreciation of the strong links maintained by the International Liaison Committee with the ICA, and considered it a privilege to be invited to take part in their meeting. He described the scope and activities of the Alliance giving particular attention to the work of its three regional offices for South-East Asia, East and Central Africa and West Africa. He saw the regional offices developing into training, economic and commercial centres in collaboration with ICA Auxiliary Committees. There was a need for ICA to further extend and reinforce its ties with the thrift and credit sector of the co-operative movement.



Opening Address

by **Théo Braun**

*Chairman, International Liaison
Committee*

Mr BRAUN thanked the President of the National Co-operative Union of India for his words of welcome. He also expressed his appreciation of the presence of the two Ministers of the Government of India at this Inaugural Session, and in the name of the 200 delegates from 15 different countries, expressed the profound gratitude of the Conference for the interest they took in co-operatives. Addressing in particular the two Ministers, his friends of the National Co-operative Union of India, and his friend Dr Saxena, he continued:

I would like to pay a tribute to your country, an ancient land forged by history, criss-crossed by ancient cultures, marked by extraordinary events, your country holds a privileged place in our hearts, whatever continent we come from; an ancient land since its civilisation dates from the end of the 4th millennium, or the beginning of the 3rd century BC. As early as 1500 BC, the Aryans reaching this area found a civilisation. It was in 273 BC that Asoka founded the first Indian empire. The history of India is rich in conquests and re-conquests, in occupations and wars.

In spite of the vicissitudes of its history, India will master its destiny. It has already proved this, as is shown by Gandhi and Nehru in the present century who left their mark on people of my generation. I could never forget the date of 30th January 1948, when Gandhi was assassinated, nor 1950 when the Constitution of the Republic of the

Union of India was promulgated. I could never forget this passage from Nehru's address to the Indian Parliament, one hour before India's Independence, the evening of 14th August 1947. I quote:—

“Long years ago we made a tryst with destiny, and now the time comes when we shall redeem our pledge . . . At the stroke of midnight, when the world sleeps, India will awake to life and freedom. The moment comes, which comes but rarely in history, when we step out from the old to the new, when an age ends, and when the soul of a nation, long suppressed, finds utterance.”

It is now some 35 years since the new India was formed, not without difficulties and with specific problems which left their mark on international events between 1947 and 1971 and represented dire suffering for the peoples of this sub-continent. From the depths of our hearts, we wish them a peaceful future.

India is today an industrial force with nuclear power, while still retaining its traditional structures which are one of its people's strengths. Modern changes are always a complex and difficult problem, but how stimulating when it is a question of forging a people's happiness! I wish your country prosperity, and your people the joy of living and developing.

I would also like to pay homage to our friends of the Indian Co-operative Movement. I know that your country was one of the first to believe in the ideals and theories of Raiffeisen.

Dear Friend, President Vishwanathan, in the name of the delegates from all continents, I would like to thank

you and your colleagues most sincerely for our welcome. I would like to thank the whole Indian Co-operative Movement for our welcome, for the opportunity of getting to know you better, for the possibility of strengthening our ties of friendship.

You recognised that Co-operatives could be a school for responsibility: to transform individuals into members fully responsible for the management of their co-operative, has always been the gauge of a well-functioning society.

You recognised that Co-operatives could be both an effective means of adaptation and a means of fighting poverty by teaching people to take their own destiny in hand.

You recognised that, by virtue of innumerable changes, it was possible for Co-operatives to take advantage of modern techniques while retaining their structures and their ideology.

I wish the Indian Co-operative Movement all success in its operations.

Mr BRAUN went on to thank the ICA President, Mr Kerinec for being with them and for their joint work in their own country to forge inter-cooperation; and through him, the ICA for its constant work for solidarity; its Director, Dr Saxena, for making possible this Conference in India, in collaboration with Mr Davies and Mme Robert; the staff of the ICA New Delhi office, who had made of the Regional Office a true laboratory of co-operative philosophy and exchange of experience.

He also thanked the organisations which, by their support, had made the Conference possible: the World Council of Credit Unions, the ICA Banking Committee, the Confédération des Caisses Populaires et d'Economie Desjardins du Québec, the International Raiffeisen Union,

the French Crédit Coopératif, Banques Populaires, Central Co-operative and Mutual Bank, and finally his own organisation, Crédit Mutuel. He concluded by thanking all those present, who had accepted the fatigue of the journey, who had allowed themselves to be diverted a while from their daily tasks in order to meet each other, to exchange, to communicate, in short, to forge a common spirit for their organisations in their difficult and complex task.

I cannot prevent myself from concluding this introduction by quoting one of Gandhi's messages which seems to me a suitable subject for meditation by all co-operative leaders:—

“I would like India to be sufficiently free and strong to be capable of offering itself as a sacrifice for a better world. Every man must sacrifice himself for his family, the family for the village, the village for the district, the district for the province, the province for the nation, the nation for all. I hope for the coming of the Kingdom of God on earth.”

Is not this what we are seeking to do every day?

The Chairman then called on Mr RAO BIRENDRA SINGH, Union Minister for Agriculture, Rural Reconstruction and Irrigation, Government of India, to give the inaugural address.

Inaugural Address

by **Mr Rao Birendra Singh**

Emphasising the significance of the extensive co-operative thrift and credit movement in India, the Minister stated that for various reasons, poverty, increasing production costs, continuing price rises of essential goods and services due

to inflation, etc., the emphasis of the Movement had shifted over the course of years from thrift to credit. He described the efforts being made in India to reach the most under-privileged sections of population who were the landless labourers, marginal and small farmers and artisans etc. Making a broad division between agricultural and non-agricultural credit, he cited figures showing the achievements of the agricultural credit sector and of the long-term credit provided by the Land Development Banks. However, the organisational structure at village level was weak and needed strengthening.

The urban credit sector was strong in terms of resources and profitability: it included urban co-operative banks and salary earners' societies. Main problems faced by these banks were consumption-oriented finance, mis-utilisation of loans and lack of proper investment planning. He pleaded for collaboration among thrift and credit co-operatives at international level and for assistance for India from the world bank and co-operatives of other countries. The Minister concluded by wishing the Conference every success.

Mr S. S. SISODIA, State Minister for Finance, recalled his own ties with the Co-operative Movement and with the National Co-operative Union of India which had been doing pioneering work for the social and economic development of the country. He welcomed the delegates to India and hoped they would have time to visit the interesting and well known historical sites of the country.

He said that in India Co-operation was a matter of faith and conviction: ever since Independence, those res-

ponsible for planning the country's future had made Co-operation the strong basis of their economic policies, especially in the rural areas.

He stressed the importance of co-operation between co-operatives, and hoped that this Conference would be a beginning to effective co-operation between the co-operatives of the world, particularly in thrift and credit. He wished them success in their deliberations.

Vote of Thanks

by **Dr S. K. Saxena**

Dr S. K. SAXENA then thanked the speakers of the Inaugural Session, one by one: the Minister for Agriculture for sparing time out of a very busy period to come and talk to them, and for his words of wisdom which would guide them in their discussions and, he hoped, find an echo in their subsequent actions; the Minister for Finance, whom he did not really thank as a Minister, since he was a fellow co-operator who, he hoped, would look with sympathy on the problems of the Thrift and Credit Movement in India; Mr Braun for his guidance and inspired leadership of the sector; Mr Kerinec for his role in raising the image of the world Co-operative Movement—in an organisation which united so many varied co-operative movements, they could not have a better president; Mr Vishwanathan they would have opportunities to thank later for his considerable work in the organisation of the Conference. Dr Saxena also thanked all those present, because the thinking in this Conference would be their responsibility.

Keynote Speech

by **Dr S. K. Saxena**,
Director, International Co-operative Alliance

I feel deeply privileged to have this opportunity of speaking to the 5th International Conference on Co-operative Thrift and Credit. It is now nearly fifteen years since the first International Conference was held in Kingston, Jamaica, in 1966. Since then we have come a long way; we have met in Paris in 1970, in London in 1974 and in Rio de Janeiro in 1977. And now we are in New Delhi, in a country where the movement started with thrift and credit in 1904, which continues to remain the dominant form despite the considerable diversification of the movement which has taken place. These four-yearly conferences of leaders of the world thrift and credit movement have been more than social events: they have bred a sense of solidarity among practitioners of thrift and credit; contacts have been established and have often led to sustained relationships between organisations. This has no doubt created a feeling among many—and I count myself among these—that if the institutions involved and their leaders could pool their resources and energies together, we could genuinely move towards establishing what the founders of the co-operative movement saw as an alternative social and economic system and creating a world community which would be altogether more enlightened than the present one. I must here pay a warm tribute to the International Liaison Committee which, under the dynamic leadership of Mr Braun and with the support of Madame Robert, has been doing important work on extremely meagre resources. This Liaison Committee, about which more later, was formed on the occasion of the Paris Conference; its constitution was ratified in 1974 in London, and with a characteristically low profile, the Committee has been doing important work and has been the prime mover in bringing the leaders of this sector together.

This time, Mr President, we have the broad theme of “Thrift and Credit Co-operatives in a Changing World”. We shall be concerning ourselves with four major topics, viz., the social and economic environment in which thrift and credit co-operatives have to operate; their role in helping the underprivileged; the International Interlending Programme, and, finally, the role of thrift and credit co-operatives as banking institutions. I hope that we shall all be able to learn from each other’s experience and that we shall see a significant expansion of thrift and credit co-operatives in the eighties in spite of the many problems with which the world is faced.

As we enter the eighties, I must recall the 27th Congress of the International Co-operative Alliance held in Moscow last October. The main paper for this Congress had been prepared by the late Dr Laidlaw, and was about prospects for “Co-operatives in the Year 2000”. I should like to pay tribute to Dr Laidlaw’s dedication and to the imaginative way in which he tackled his task. He warned the Congress of the many formidable economic and other problems likely to be facing the world in the year 2000, some of which have already begun to make their

appearance. At the same time he expressed the hope that there would be a significant expansion of many kinds of co-operatives during the next twenty years and increasing collaboration between them. He argued that co-operative development is highly relevant to many of the problems which we encounter today.

Co-operative principles, Mr President, can be applied to a wide variety of human activities and can, according to many, provide the world with an alternative to conventional capitalism on the one hand and state socialism on the other. Thrift and credit co-operatives and credit unions are, perhaps, the most basic of all kinds of co-operatives, for they help people to accumulate savings out of small earnings. These savings are needed for the development of other kinds of co-operatives, especially perhaps, in developing countries, of agricultural food production co-operatives.

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

In France strong agricultural co-operatives are closely associated with *Crédit Agricole*, one of the biggest banks in the world. In the Federal Republic of Germany, the Raiffeisen network of co-operatives is extensive and effective and is concerned with credit as well as with supply and processing. In Japan the agricultural co-operatives are at the same time credit co-operatives, and also concern themselves with retailing, insurance, and even health care, and have their own bank, the Norinchukin Bank. The whole country is covered by an extensive network of multi-purpose co-operatives without which the farmers would be deprived of an extremely important institutional support in the fields of credit, marketing, processing, supply and farm guidance. The scope of their activities now extends beyond the local and national to international markets. The Purchasing and Marketing organisation, Zen-Noh, had a turnover last year of 23 billion dollars, and is currently building a facility in the US. The Bank is seriously considering establishing offices in Europe. The Co-operative Movement has come of age; it is international not only in its ideology; it is playing an increasingly active part in commerce across national frontiers!

In a number of countries and in Japan, thrift and credit societies have diversified their activities and responded to the needs of their members and in the process assumed a more complex organisational form. The needs of the members are seen as a continuum, rather than as a series of isolated wants. This development, which is perhaps more characteristic of the Third World, is caused partly by the relative absence of normal commercial banks which have historically ignored the

rural areas, and partly because of the attempt to build around the member a protective casing which prevents the entry of the exploitative private moneylender-cum-trader. Experience has shown that the pressure on the member for unproductive expenditure is so persistent that there is a real danger, in the absence of supervisory measures, of loans becoming delinquent, thus causing serious harm to the organisation as well as to the individual borrower. The representatives of COLAC, Mr President, will no doubt tell us of their experiences of what is called the Directed Agricultural Production Credit Scheme, with its commitment on four aspects: training, investment, repayment and service, an aspect which was briefly mentioned at the Paris Conference. India of course has a considerable body of experience in what is called Supervised Agricultural Credit and I am aware that since the probing research of the All-India Rural Credit Survey in 1952, considerable thought has been expended on the subject.

As the number of functions of the co-operative thrift and credit society have increased, they have begun to experience problems which are complex and beyond the ken of well-meaning amateur managers. Efficient management, always a scarce resource in developing countries, has been revealed as a major constraint on growth. Efficiency and democracy, the two imperatives of our Movement, are not altogether easy partners; the London Conference devoted itself to the theme of "Democracy and Efficiency in Thrift and Credit Co-operatives". It has therefore been an age-old practice with all co-operative movements to have their own educational and management facilities at various levels. ICA's three Regional Offices for South-East Asia, East and Central Africa and the recent one for West Africa, provide an opportunity for interaction among educationists at the international level. The World Council of Credit Unions' continental chapters like the ACOSCA, COLAC and ACUL, have provided training facilities in the field of co-operative credit, through their establishments in Panama, Nairobi and Togo. I had the privilege of visiting the impressive training institution set up by the Caisse Populaire Desjardins in Levis in Quebec. In English-speaking Canada, there is the Co-operative College in Saskatoon. The Movement in our host country, India, is underpinned by an extensive network of educational institutions which span the whole country. However, our educational techniques and philosophy have been borrowed entirely from business colleges which prepare managers for institutions whose ethos is dissimilar to our own. The point to examine, therefore, is what approach do we need to adopt in training people for leadership positions in an institution which holds the member-owner as supreme and whose origins stem from the idea of providing a commonly felt service rather than maximizing its own profits. Pushed to its logical end, this will call for an almost total revolution in our educational work.

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

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

The immense range and scale of co-operative development here in India, Mr President, is particularly impressive. Something like 40 per cent of the people of the world live in the two countries, India and China. I am very glad that participants at this Conference will be able to study the situation in these countries at first-hand and that my countrymen will be able to present their experience to them. Mention should certainly be made of the Indian fertilizer project and of co-operative sugar mills in India. Some rural banks in India are now nearly a hundred years old. As against the supply of only 3 per cent of the credit requirements in 1950-51 co-operatives now meet more than 40 per cent of the credit needs of the farmers. Short-term loans advanced by the credit co-operatives increased from Rs 230 million in 1950-51 to Rs 11,000 million in 1977-78. The loans advanced for medium-term and long-term purposes have also considerably expanded from Rs 13 million in 1950-51 to Rs 1,520 million in 1977-78. I think it is fair to say that co-operative development has now reached a stage where it has begun to exercise an important influence on wider social and economic change. New forms of social and economic endeavours which lend themselves to co-operative forms of organisation should be explored. I know some examples, for instance, of medicine being organised on a co-operative basis exist; the possibilities of replication in a society where cheap health care is an urgent need must be examined.

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

Co-operative development, however, can help to reduce unemployment without adding to inflationary pressure, and increasing attention is being paid in both industrialised and developing countries to the formation of workers' co-operatives as a way of reducing unemployment. Our comparative study of this kind of co-operative in Indonesia, India, Senegal and Peru has yielded some interesting results. In Britain the Government set up a Co-operative Development Agency in 1978 which has been mainly concerned with the formation of workers' co-operatives; it

has already achieved some success. In Italy, Law 258 was passed in 1977 with the specific purpose of encouraging the formation of workers' co-operatives to reduce unemployment among young people.

Historically workers' co-operatives have made rather less progress than many other forms of co-operatives, partly because of the problem of providing adequate finance and partly because of the blurring of lines in the respective roles of workers and managers. Capital required per member is often greater than in the case of other kinds of co-operatives; risks tend to be higher. Today interest in workers co-operatives is increasing in many countries and where they are successful it is often because they have close links with financial institutions such as thrift and credit co-operatives, and with professional training institutions. One of the most remarkable examples of a successful industrial co-operative is at Mondragon in the Basque Province of Spain where considerable industrial activity has been sustained over a period of time. It is important to note that the key to the success there has been the Caja Laboral Popular, the bank built upon the savings of local people. We have only three days ago sent an ICA mission to Spain to bring them closer to the international family of Co-operators. In the complex of organisations which constitute the Caisse Populaire Desjardins, "Le Crédit Industriel Desjardins, Inc." is seen as playing a more active role in redressing the distortions in the Quebec manufacturing sector and in rectifying the manifold problems which small and medium sized firms are facing in Quebec. I recall that sometime ago while visiting the Maharashtra Co-operative Bank in Bombay, I was informed of the creation of a small cell which had been set up to develop, identify and evaluate projects for setting up small industries in the countryside which would both counter unemployment and provide expanding investment opportunities for the Bank. Thrift and credit co-operatives thus play an important role in helping to provide workers' co-operatives with much needed capital without themselves becoming involved in commercial risks.

The situation for credit institutions, Mr President, has been made difficult by the world-wide phenomenon of inflation. Inflation is sometimes regarded as an alternative to unemployment; but many countries in the 1970s have been faced with high unemployment combined with high inflation. The rate of inflation is now more than 10 per cent in most countries and more than 25 per cent in far too many. It has affected both the planned economy and market economy countries and has tended to increase since the sharp increase in oil prices at the end of 1973. Inflation is a matter of particular concern to thrift and credit co-operatives because the return on savings may be offset to a very large extent by the fall in the real value of money. How can people be asked to save if the value of those savings is destroyed by inflation? Of what worth are long term deposits if their real value is in continuous decline?

The thrift and credit co-operatives and credit unions are studying the problems of inflation which is a very serious one for them. A Study Group formed by the International Liaison Committee on Co-operative Thrift and Credit met in October 1974 at Bischenberg in France, and came to the conclusion that while various governmental or other guarantees might help to protect small savers, the

problem ought to be attacked at its roots by dealing with the maldistribution of wealth, income and power and bringing about a more equitable distribution of wealth and a greater diffusion of power. The problem has been that attempts to control inflation by monetarist policies have tended to lead to unacceptable levels of unemployment while attempts to introduce incomes policies to prevent rising costs driving up prices have been resisted by trade unions on the ground that they do not apply fairly to all incomes. At the recent ICA Congress, it was suggested that in the longer term co-operative development itself could help to bring inflation under control by bringing about a fairer distribution of incomes. But, in more practical terms, inflation has brought the time-tested practice of limited return on capital in co-operatives under severe strain. In an era of high interest rates, members have been attracted to placing their money in more remunerative channels and this has adversely affected the financing of co-operative societies from internal sources by reducing the rate of capital formation. It is important to remember that the principle is that the return on capital in co-operative societies is to be limited, not necessarily low; we are sometimes confused on this point, conditioned as we are by our history and origins which go back into poverty. An adequate return linked to the productivity of an organisation will not necessarily make a co-operative into a speculative organisation.

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

For example high interest rates may result in a currency being over-valued and have an adverse effect upon exports. They also make it more difficult for new enterprises to be established and provide new jobs—and more difficult for new industrial co-operatives to be established. Excessive interest rates have particularly adverse effects upon thrift and credit co-operatives and credit unions, especially when combined with inflation and currency speculation. Some of these problems will be discussed on Wednesday during the session on “Co-operatives as Banking Institutions”.

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

Thrift and credit co-operatives and credit unions, Mr President, have an important role in coping with the problems created by the collapse of the inter-

national monetary system. It is no part of their purpose to make profit from speculation in currencies or gold or commodities—co-operators can only deplore such speculation by transnational corporations, by financial interests or by governments. They need to collaborate to build a better system. The International Co-operative Bank in Basle has been providing banking services to the International Co-operative Movement for many years, and I am very pleased to see Herr Grethe, the Managing Director of INGEBA as well as Mr Hess, Secretary of the Banking Committee and of Bank für Gemeinwirtschaft, which has contributed substantially to the creation and growth of INGEBA, as also Mr George May from Canada whose Co-operative Credit Society is becoming an important institution in Canadian economic life. A report from the International Co-operative Alliance published by the ILO and the FAO in 1974 put forward suggestions about extended international collaboration between co-operative banks, the Regional Development Banks and United Nations Agencies for the further development of a strong international co-operative banking system.

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

It is interesting to recall with pride co-operative concern with the supply of petroleum long before the subject burst upon the attention of the world so spectacularly in recent years. As long ago as the 16th Congress of the ICA held in Zurich in 1946, a resolution was passed calling for the international control of world oil resources and the administration of Middle East oil by an authority of the United Nations. This objective was pursued by the ICA through a series of sessions of the Economic and Social Council of the United Nations. My distinguished predecessor, Mr Thorsten Odhe, the then Director of the ICA, presented the resolution at the 5th Session of the Council. It was welcomed by a majority and actively supported by the World Federation of Trade Unions, but was unfortunately blocked by the British. A new resolution was passed at the 17th Congress of the ICA in 1948, and was presented to the 9th and 10th Sessions of the Council and supported by impressive documentation, and was included in the Council's working programme, but in the 12th Session it was again blocked.

Mr President, the world's dwindling oil resources are today controlled by OPEC and the big oil companies, instead of by any international organisation. If real progress should be made towards a New International Economic Order, the

domination of world trade and production of oil and other commodities by giant transnational corporations run for the profit of a few is likely to become unacceptable to world opinion. Economic colonialism may go the way of political colonialism, and ways and means be found of harnessing the immense energies and capacities of the transnational corporations for the good of mankind—perhaps by a wider application of co-operative principles.

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

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

While thrift and credit co-operatives are important in rural areas, especially in association with agricultural co-operatives, they are also important in towns and people are moving into towns so fast that half the world's population may soon be living in towns. Extreme poverty can be even more devastating in big cities than in the countryside, and small savings even more important. Thrift and credit co-operatives have been very much involved in the raising of living standards in developing countries and have had much first-hand experience of this. But developing countries have changed considerably since the first International Conference of Thrift and Credit Co-operatives in Jamaica in 1966, and they vary greatly. More than 120 of them now belong to the so-called "Group of 77". Some such as Korea, are industrialising fast. Some are immensely rich from oil. About 30 are desperately poor. And it is with the problems of the poorest countries and of the poorest people in other countries that thrift and credit co-operatives and credit unions are particularly concerned.

In the early seventies, Mr President, the United Nations Research Institute on Social Development published a series of eight studies on agricultural and other co-operatives in developing countries. These argued that in certain developing

countries, co-operatives tend to be of benefit mainly to the larger and more successful farmers without reaching the poorest sections of the community. The studies were not, however, very specific about possible alternatives to co-operatives and did not demonstrate that private or state organisations would be any more successful in reaching the poor. In 1976 the Government of Tanzania set up some para-statal organisations to replace agricultural co-operatives that had been established for many years, but has recently appointed a Commission to consider whether regional marketing unions might not, after all, make a better job of agricultural marketing and supply, as was the case before these were superseded by Ujamaa villages.

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

In some countries, deliberate efforts are being made to ensure that the benefits of developmental projects reach the poorest sections of the community. The FAO World Conference on Agrarian Reform and Rural Development, with its emphasis on people's participation and organisation, has provided a major fillip to this approach and underlined the role of non-governmental organisation and we shall watch its follow-up with interest and care. The Small Farmers Development Programme in Asia and the Far East, conducted under the joint auspices of ESCAP and FAO, with its twin objectives of "increasing the ability of the target groups to receive and to utilise services and supplies of government departments and agencies, thereby increasing their incomes, and the capacity and motivation of these organisations to serve the low-income rural families" has led to the establishment of pilot projects in Nepal, Bangladesh and the Philippines. A recent workshop in Kathmandu noted that evaluation studies had indicated an overall positive economic impact; income had increased and higher agricultural production and employment-generation had been registered. It is, however, early days yet. Ultimately, the success of such projects will depend upon the political will governing a nation which would favour equitable distribution of wealth and, therefore, power rather than the obscenity of extreme riches and abysmal poverty.

I must now refer, Mr President, to the great divide which has characterised our movement, and which, unfortunately, has denied it the potential power which a unified movement could exercise in giving direction to social and economic change. I am referring of course to the producer and consumer aspects of the Co-operative Movement. Both these broad streams of the movement in the course

of their impressive advance to present day achievements—and the achievements are impressive—have created additional activities according to the needs their members have experienced. Thus one finds, for instance, parallel banking and insurance structures being created by their parent consumer or agricultural organisations; in some countries agricultural organisations have created consumer shops and are thus in direct competition with the consumer movement. In some cases, they are not even aware of the existence of the other; more often they stubbornly refuse to reach across to each other for undertaking joint initiatives. ICA's Commission on Co-operative Principles was aware of this when at the Vienna Congress it added the new principle of Collaboration among Co-operatives.

Recognising the scope for co-ordinated action, the International Co-operative Alliance appointed an International Working Party to study the subject and to make recommendations to the members. The Working Party noted a number of examples of intra- and inter-sectoral collaboration at national and international levels in the fields of production, commerce, banking, trade, etc. Much of this is achieved under the auspices of our nine Auxiliary Committees. In Hungary, for instance, the consumer and industrial co-operatives have formed a joint enterprise, the *Hungarcoop*, which collaborates with co-operatives in developing countries to build complete factories. The International Co-operative Reinsurance Bureau had in 1980 41 member societies from 26 countries; they participated in treaty exchanges and the value of annual premium exchanges was £18 million from over 600 contracts in force.

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

In a world dominated by large corporations and governmental agencies, co-operatives seek a diffusion of power through genuine and effective democratic control by the men and women who are their members. I want to emphasise the essentially voluntary character of co-operatives and the importance of the initiative

in forming them coming from the people themselves and not from government. In many developing countries governments have been so active in promoting co-operative development that many co-operatives have become unduly dependent upon governmental support; a long-term advantage has been sacrificed for an apparent short-term gain. Skill in the responsible exercise of power, so important in the building of a nation, will be lost.

Let me hasten to add, Mr President, that I am by no means running down the work of a large number of sincere and devoted government officials who have given of their best in the promotion of co-operatives. But I am also not forgetting the pernicious intrusion of politics and political elements where Boards of Management, democratically elected, have been superseded not because they were unfit for co-operative work but because they did not belong to the group which had power at a particular point of time. Such peremptory changes inhibit the emergence of long-term policies, limit members' faith in their society and deny to the average individual a chance to see this thinking and effort work through to worthwhile fruition. The co-operative should not be deflected from its principal aim under the force of external pressures.

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

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

- (1) It should continue its present activities and expand these in response to the needs of its members. This would require an inter-active process between the Secretariat and the members. A vigorous communications network which will link the members in active and meaningful dialogue will need to be developed. Study visits and training programmes at the international level should be organised; the Rabobank has made a start and its initiative should be studied and, if found useful, emulated; ICA's Banking Com-

mittee has a long-standing exchange programme. The International Liaison Committee should help to accelerate these schemes.

- (2) The ILC should undertake programmes of research and evaluation. If the thrift and credit movement is not to split according to countries or ideology, there is need for emphasising the shared history of the various branches of our movement. Ideological connections should be traced and articulated forcefully at international level. The origins, similarities, shades of difference between credit unions, Caisses Populaires, Raiffeisen societies, and Mutuals, need to be understood and brought out clearly in ideological and historical terms. We originated from a broadly similar philosophy and, in course of time, have had national particularities imprinted on us. Diversity lends richness but we must not forget our common heritage. We must emphasise our unity and not take pride in our differences.
- (3) In the highly volatile financial situation when inflation is rampant and the Bretton Woods system is showing signs of cracking, we must be bold enough to support international initiatives in the quest for a New International Economic Order of which a well-organised International Inter-lending Programme can be an important element in relieving poverty in the Third World.

Introductory Report

by **Theo Braun**

This is the second time that I have had the honour and the pleasure of opening our International Conference—truly a formidable privilege.

If you will allow me a metaphor, I would say that our co-operatives make me think of drops of water: where they are scattered liberally, life springs up, the ground is fertilised and men and women develop. Our soil was first watered over a century ago, and since then scarcely a year has passed without it falling here and there, to fecundate our villages, our regions and our countries.

From the very start our co-operatives pursued a double objective: to respond to the material needs of men as well as to their aspirations to a better life. From the very start, they made *credit a means of liberation*; they based their human relations on *consideration for each* and *the solidarity of all*.

Can they continue along this path while the world turns and things change?

The Rio Conference already began to take note of technological change, but more particularly of rapid transformations in the economic and social climate of each country, and the change in relations between different countries and groups of countries. Interdependence is increasing, problems and their solutions now both have global dimensions; the whole world is undergoing change, and the response must equal the challenge.

The International Community is well aware that it must take up the challenge, that it must promote development which will be “for the whole man and all men”; must engage in dialogue and concerted action; finally that it must allow every country to organise its own development, taking full advantage of its own resources while admitting the reality and necessity of a certain amount of interdependence.

But we cannot rest on the thought that others are taking care of these problems, since they are also our problems. All of us who are denizens of the “Land of Men” are involved. All of us must rediscover how to live together, rediscover freedom, responsibility and solidarity. I believe that the survival of the human race depends on it.

Now, all these words I have uttered—freedom, solidarity, responsibility, dialogue and co-operation—you know them well. You know them better than most. You practise them. And this convinces me that we are on the way to participating in the creation of a juster and more equitable world, that we can be the architects of peace, an exhilarating task indeed! If we make demands first on ourselves, we can then invite men to stand erect and take their destiny in hand. We can also organise solidarity among men, among countries and above all, among the underprivileged.

There are many men of good will in the world.

To re-weave, one by one, the threads in the weft and warp of a worldwide fabric too often lacerated, is certainly a long task but one well worth doing.

We all know from experience that solidarity and responsibility can be learned and lived. They cannot be taught from books, nor can they live by dreams. Solidarity and responsibility are learned and lived by and through practising them. This is to indicate the importance of those areas of responsibility and solidarity which are our enterprises, our thrift and credit co-operatives. In one word, this is to indicate the importance of the tool.

How many generous initiatives have failed, because they were not rooted in reality? How many men of heart and good will have given up too soon through lack of the right tool?

Combining efficiency with a generous mind, our forebears were regarded as pioneers. It is now up to us to pick up this pioneer mentality, made up of audacity, enthusiasm and pragmatic efficiency.

Little by little, in the course of our various conferences, we have learnt to know our strength, to compare our methods of working, to understand the reasons for our successes and our failures. Through our concerted efforts, it should be possible, little by little, to improve the lot of all and of the most needy first of all.

It is obviously essential to master modern techniques to ensure our development and that of the peoples who look to us and trust us. But we must not forget that the development of our institutions is not an end in itself, it is only a means for our members to experience social and economic progress, respecting the freedom and dignity of each.

I hope you will forgive this long speech, but it seemed to me useful to stress

these few essential points before going on to discuss the procedures we must adopt to achieve our goals.

Mr Braun then went into the details of the Conference programme, and the speakers taking part in the various Sessions. He commented on the themes as follows:

Changes in the Social and Economic Environment

I am sure that we shall note with pleasure that the organisations here present have known how to adapt to the challenge of the present changes, but also that they have tried, sometimes with success, to organise international solidarity for the benefit of developing countries. This determination has been regularly expressed at all our past conferences, and we can congratulate ourselves on what has been undertaken, and I would add the results obtained, even if much still remains to be done.

It appears that international technical assistance is now more widespread. A critical examination of the results in this field should enable us to improve our methods and work out new projects.

Thrift and Credit Co-operatives Confronted with the Needs of the Underprivileged

It is at the international level that the most scandalous inequalities and the least admissible divergences exist, despite efforts made over the years—not without resolution and courage, but without decisive results—to reduce the gap between the standard of living of the less well provided countries and that of the better off countries or zones. We all have this on our consciences, so we must act, and the sooner the better.

The International Interlending Programme—Present and Future Development

Despite economic, monetary and political difficulties, the programme remains one of the major elements of inter-cooperation. We must therefore seek to expand it.

Co-operatives as Banking Institutions

Referring to the new technology and the consequent need for highly qualified technicians, Mr Braun said:

Thrift and credit co-operatives must avoid both the danger of putting themselves completely in the hands of the technicians, and that of falling fatally behind the other banks. They must therefore seriously consider how they should train individuals at all levels: voluntary as well as professional administrative and management staff must be capable of evaluating and controlling the use of these modern techniques.

Finally I would like to return to the theme of our Conference, **Thrift and Credit Co-operatives in a Changing World** and to express the hope that this general theme will provoke neither concern nor dismay, that it will act as a stimulus for our thinking and our future actions.

At a time when the voices of the peoples in both the industrialised and the developing countries are declaring in favour of co-operatives and their contribution to building the world of the future, a juster and more equitable world, co-operative leaders must not fail to do everything in their power to take up the challenge.

However, I have faith—I have faith in Co-operation and I have faith in man, in his generosity and his ability to adapt.

We shall, I am sure, continue to irrigate whole territories, to bring into flower active and fruitful communities, if our spirit maintains its initiative and the mastery of its goals.

1 : Changes in the Social and Economic Environment as they affect Co-operative Thrift and Credit

In the Chair Mr R. KERINEC, ICA President, asked speakers to restrict the length of their interventions as the Papers had in any case been distributed, and this would allow more time for discussion.

The first speaker, Mr S. G. MADI-MAN,* Senior Officer, Agricultural Banking and Credit Group, FAO, spoke on the general background to his paper.

Mr Braun, in one of his impressive statements, had referred to the three important concepts of *freedom, solidarity and responsibility*, which were basic to any analysis of the co-operative system, especially in developing countries with their pluralist economies. Every one of those countries was facing serious challenges from both the rural and the urban poor, and the co-operative movement in its future strategy could not

afford to lose sight of these three concepts.

Some disparities were widening in the changing world of today, such as between the rural and urban populations, the rural rich and the rural poor, and, particularly with inflation, between developed and under-developed regions within a country. So the role of co-operatives must be seen within these limitations, about which they could do little.

Developing countries had varying degrees of institutional development: if a country had no institutions at all, setting up co-operatives would prove difficult; in some countries co-operatives existed but were inefficiently run or inadequately supported by governments; in others, they were unable to mobilise sufficient resources. Lack of finance was one of the root causes of co-operative failure in many countries, not only in rural areas but also in urban centres

*See Working Papers: Madiman, p. 79.

where industrial co-operatives were needed to provide employment. Here credit co-operatives had an important role to play.

Section 3 of Mr Madiman's paper dealt with the **challenges** which any co-operative strategy must look at. Some background factors could not be altered by co-operatives, such as the land tenure system: co-operatives often developed better in areas with peasant proprietorship than where there was a type of feudal system. But assuming an optimum institutional framework, it was important to define the rights and duties of the various co-operative elements vis-a-vis the different institutions with which they must come in contact.

Concerning the **rich and the poor**—co-operatives were often dominated by the rural rich, but as Mr Braun had said, the solution was to evolve institutional checks and balances which would keep the power of the rich within reasonable limits, and the nature of these must be learned through experience.

State participation, as Dr Saxena had said, was not always successful. Here again it was a case of defining rights and duties.

In all these cases innovation was necessary. It must be remembered that change was happening fast in the developing countries, and they were bound to experiment, and therefore to make mistakes. But Co-operation was the only human organisation so far evolved which allowed for free participation; however, freedom, solidarity and responsibility must still be consciously safeguarded.

Another point on which research was needed was the relation with the **legal system**, the type of legislation needed

to enable co-operatives to function effectively.

The question of institutional **checks and balances** had been neglected; discussions had tended to concentrate on relations with the state, but this was not a question which could be resolved by discussion, it was a problem to be analysed, and the necessary institutional safeguards devised for any given context.

It had been said that the success of credit co-operatives depended on the success of marketing co-operatives, and hence on the success of the whole co-operative system. More research was needed on relations between the co-operative system and the overall economic system.

Mr Madiman felt that, given the importance of innovation and experimentation in the context of the developing countries and the serious problems they face, a conference such as this could not fail to make a useful contribution, by giving a lead on institutional innovation, and by encouraging more detailed study of the co-operative system's relations with the legal and financial systems in various countries. For this was the context in which co-operatives had to operate, and more knowledge was needed to ensure that people's participation, in any given context, was a viable proposition.

Mr D. S. RAJ,* Regional Director, ILO, New Delhi, said that profound changes had taken place during the past twenty years in the *Relations between Thrift and Credit Co-operatives and the State*. The paper (which had been distributed) explained the ILO's interest in this question.

*See Working Papers: Raj, p. 84.

The co-operative legislation of a country gave a good indication of the way its government understood its responsibilities vis-a-vis co-operatives, although the latter were obviously affected also by general legislation. ILO had created a data bank for the collecting and processing of all information available on co-operative legislation, and the paper gave details of some of its findings and its attempt to classify the degree of state interest under five headings.

Many factors affected the state's attitude to co-operatives, one of the most important being the fact that, in the majority of countries and despite their long history, co-operators remained a minority of the population. Under such conditions, the way an Executive Authority behaved towards co-operatives at any one time was at best only the sometimes temporary result of a compromise between various pressures to which it was subject; it was therefore up to co-operatives to ensure that their views were expressed at national level.

Thrift and Credit Co-operatives were bound to be of particular interest to the state, both as institutions taking charge of deposits made by its citizens and as private status bodies entering money-issuing channels. The paper described the effect of various government attitudes on the functioning of thrift and credit co-operatives, which would also depend on the complexity of the co-operative's operations.

Developments in various countries over the past twenty years showed that, once co-operatives became "articulated" with public financing institutions, their position changed radically and it became necessary to give careful consideration to their relations with the public

authorities.

With the increasing derangement of the world economy, thrift and credit co-operatives must also consider how their resources could be used, first for the improvement of the situation of the least privileged, and then for the attainment of a more human dimension in development, and this could only be done in concertation with the Public Authorities.

Mr GILLES JOBIN,* Assistant General Manager of Human Resources, Confédération des Caisses Populaires et d'Economie Desjardins du Québec, said it would be difficult to discuss in 10 minutes an organisation which had taken 45 years to develop. However, he gave a brief description of the structure of the Confederation, and the various specialist bodies it has set up over the years to meet the developing needs of organisations and individuals. The Confederation now has 18,200 employees, in addition to some 16,600 voluntary managers, 11 affiliated institutions, and a membership of more than 4 million, grouped together in 1,370 banks. Assets managed by the Desjardins movement exceed 13 billion dollars.

The Movement had always stressed the importance of deposit security and Mr Jobin described some of the measures designed to ensure this.

Two thirds of the French-speaking population of Canada are members of the Desjardins Movement, therefore the Movement is closely bound up with the social and economic development of the community. It has always tried to solve the problems of individuals, and now it has expanded its activities

*See Working Papers: Jobin, p. 115.

and is trying to meet the wider needs of the community.

Mr CHRIS HANSEN,* Chairman of the Canadian Co-operative Credit Society (CCCS), described the beginnings of the Credit Union Movement, and its spread from the first *caisse populaire*, which he described as “the French-language equivalent of a credit union”, to other parts of Canada. He stressed the difference between the credit unions and the European co-operative banks, in that credit unions were autonomous entities which had established and maintained control of the provincial and national organisations. His paper went on to outline the legislative framework within which they work, the new services being developed, and their international involvement in providing financial, administrative and developmental support to credit union organisations in both developing and developed countries, under the auspices of the World Council of Credit Unions of which CCCS is a member.

He touched on the technological changes taking place, but emphasised that one factor would remain unchanged, that credit unions and their co-operative counterparts would always be member-established, member-owned and member-controlled, to ensure the serving of financial needs within the context of individual autonomy and integrity.

Mr FLOREAL GORINI,* General Manager of the Instituto Movilizador de Fondos Cooperativos, Argentina,

gave a brief account of the effects in Latin American countries of not only the general world problems but also the multinationals. Although the gross continental product had increased from US\$ 149,105 million in 1960 to US\$ 429,495 million in 1979, the problems of unemployment, housing shortages, inflation, and particularly the unjust income distribution, remained unsolved.

Better state planning, making use of the work done by co-operatives, could help to overcome some of these problems, as well as inter-state collaboration at regional level, but this was not enough. This was why Latin America was interested in a new international economic order, in which the problems of basic yields, external financing, industrial centres, protectionism and the relations with transnational enterprises could be examined.

In Latin America they were trying to combine rapid technical and scientific progress with well-balanced national development, in the interests of the majority of the population and not those of narrow local groups linked to international financing. One of the methods of achieving such development was undoubtedly co-operation, which had flourished in Latin America in spite of restrictions, many of them of state origin. Mr Gorini described the thrift and credit movement in Argentina, and the recent changes that had taken place, including integration at national level of the various co-operative sectors.

He thought that one of the goals of this conference should be to find ways of developing integration at the international level, which would help to provide more assistance to developing countries. As had been stated at the

*See Working Papers: Hansen, p. 121; Gorini, p. 131.

ICA Congress, co-operators were interested in supporting a strategy to establish a New International Economic Order, to ensure broader social participation and a just distribution of the fruits of scientific and technical progress as well as of labour. Co-operative integration on an international scale and solidary assistance were one of the ways of achieving this goal, and the only way to attain a just and peaceful world.

The paper by Mr R. B. RAJAGURU,* ICA Regional Director for South-East Asia, gave a generalised overview of the South-East Asian situation with regard to Thrift and Credit Co-operatives, and the way these co-operatives came into being. He went briefly through the paper, highlighting some of the points he considered important.

His paper referred to a system of development in which co-operatives were primarily concerned with trade *per se* but eventually evolved other facilities to meet the needs mainly of agriculture. In some countries the thrift and credit movement had been completely reorganised by government support schemes, but the basic thrift and credit co-operative often still remained in its original form.

Mr Rajaguru outlined the co-operatives' struggles for survival, and some of the difficulties they faced. Many of them had eventually concentrated more on credit, to the detriment of the thrift side, with sometimes difficult loan recovery.

The environment in the developing countries had not really changed in his

opinion. Poverty and indebtedness still existed. It was therefore necessary to question whether the traditional approaches hitherto followed in the development of thrift and credit co-operatives were adequate, or whether a multi-dimensional approach would not be more effective, making them less subject to narrow restrictions.

Another point he wanted to make was that reference to the New International Economic Order was heard on every platform, but there was seldom mention of the need for a new economic order within the countries themselves to ensure the good things of life for their millions. A new national co-operative economic order, with interlinking of its sectors, would be a step in this direction.

Mr Rajaguru closed by repeating his conviction of the need to decide what type of thrift and credit society could most effectively encourage saving by the small man for a place in the sun.

Mr VEERSHETTY KUSHNOOR,* member of the Governing Council of the National Co-operative Union of India, described the formation and development of the Indian Thrift and Credit Co-operative Movement, which covered both agricultural and non-agricultural requirements.

He gave details and statistics of its remarkable growth during the past ten years, its relations with the country's banking structure, discussed the structural changes which had taken place, and its diffusion throughout the country.

Thrift and Credit organisations in India were doing useful service. Since 1969 loans had become increasingly production-oriented, and had played a major part not only in launching

*See Working Papers: Rajaguru, p. 91; Kushnoor, p. 94.

industries throughout the country but in its general development. Thus the thrift and credit movement had become one of the strongest of the co-operative sectors.

As an observer at the Conference Mr BOUBAKAR DIENG,* President of the Africa Co-operative Savings and Credit Association (ACOSCA), said he would be very brief. His association had been set up in 1968 and covered 22 countries in both French- and English-speaking Africa. Its headquarters were in Nairobi, and it had a number of regional offices. He advised participants that the Paper with which they had been supplied should be regarded purely as background as it had not been specifically prepared for this conference.

The prime aim of ACOSCA was the promotion of thrift and credit co-operatives because it believed that such co-operatives could help in the development of the mainly illiterate peoples in the African countries and islands. Development should start from the grassroots, and not from the summit as was practised in most African states.

ACOSCA was a young organisation compared with many present. Its co-operatives were still at the stage where all the members knew each other, where a member could call at the manager's house to borrow money; there were difficulties at times with only two or three literate people in a village; but they did have real human contact, without which life would be much less pleasant.

Mr Dieng said how honoured ACOSCA felt at being invited to take part in this meeting. He thanked

Mr Braun for his assistance in making this possible, the Indian co-operative movement for its warm welcome, and also took the opportunity to thank the various movements which had helped and supported his organisation: WOCCU, RABOBANK (Netherlands), the Konrad Adenauer Foundation (FRG), and the CCIS and CPD of Canada, as well as the French Mutual Credit Association which had done so much to organise the thrift and credit sector in the French-speaking countries.

Mr J. ALVIN GEORGE, Chairman of the Board of Directors of CUNA, the Credit Union National Association (USA), described the activities of his organisation which with its 44 million members covered 95% of all credit unions in his country. CUNA is the financial arm of the USA co-operative movement, and had US\$ 70 billion in assets at the end of 1979.

Credit unions have undergone significant changes in the past decade: they started by providing short-term savings accounts for members; today they offer share certificates and all modern bank facilities, as well as electronic fund transfers—this latter will increase in the next few years.

These new developments required improved managerial expertise, and they had found it necessary to develop a co-operative *movement* rather than maintaining merely a support system for societies of all different sizes. This movement was now being developed, with a network of 42 central credit unions to provide financial services to other unions, as opposed to individuals. In fact similar developments were taking place in Latin America, and would probably do so in

*See Working Papers: Dieng, p. 110.

Africa. The CUNA network has developed close ties with co-operative banking organisations in Europe and Latin America.

Recent legislation permits all credit organisations in the USA to offer the same services. For many years credit unions were the only financing organisations permitted by law to limit their rates of interest, but this is likely to be phased out within the next five years. As a result, concern is growing that there may be too many financial institutions operating in this area; there are at present 45,000 credit institutions in existence, but it is expected that by the end of the decade approximately one-third of these will disappear, due to mergers. Credit unions will attempt to ensure that any mergers which take place in their organisation do not affect the benefits of their members.

Mr George referred to the social trends taking place in the USA—the population explosion leading to unemployment and housing shortages, the fact that increased food productivity appears to have run full course, the increase of women in the labour force, the increase of unemployment in heavy industries. There was also the technological revolution, which would enable conferences such as this present one to be held using television. He thought the consumerist trend would remain strong throughout the decade, although consumers were becoming increasingly selective. Other changes concerned governmental financial policies—governments were promising increased benefits, without the resources to pay for them. Industry was having problems because higher interest rates were causing firms to postpone investment projects. Another major

problem was energy—since 1974 the cost of energy had soared and added to the burden of Third World nations. Although conservation had led to some savings, the world was in a period of transition in response to increased energy prices.

All these changes as well as others would impact on credit unions in the coming decade. To meet them, they would need to develop management expertise, and an adequate capital base to fund the necessary programme. Mr George thought the situation might be somewhat different in other parts of the world, but only to a matter of degree. They must continue to work “Not for profit, not for charity, but for service”.

A month ago Mr George had been in Washington DC when a fellow Californian had been sworn in as President of the USA—Ronald Reagan had been Governor of California and taken it from the brink of bankruptcy to a flourishing position; he was sure he would carry out the same changes in the USA. Credit unions were anxious to participate in that emergence. If Credit Unions all pulled together, what could they not accomplish?

Mr AUGUSTINE KANG,* General Manager, Asian Confederation of Credit Unions (ACCU) said he had been involved with credit unions for 20 years, ten as a volunteer and ten as a full-time official. He was trying to promote certain characteristics. Most of their credit unions were small with 20 to 30 members, and a maximum membership of 200. Their leaders believed *small is beautiful*, that increased size must depend on the ability of members.

*See Working Papers: Kang, p. 107.

Legislation or lack of it could not prevent development of the credit union movement. Mr Kang had never come across a government antagonistic to the movement, and it was always possible to find officials in favour, provided the movement operated fairly and honestly. Most of the countries in the area had now legislated for thrift and credit unions; in Thailand and Indonesia, no separate law existed but the co-operative law had been amended to cover credit unions.

Even inflation was not an obstacle. The common people did not have enough money to be interested in bank interest rates; credit unions could provide immediate loans to buy needed materials before costs went up.

The main cause of failure was indifference on the part of members, and hence education was an essential element of the co-operative movement, including organised training programmes. ACCU mobilised regional resources for this purpose, but also sometimes invited specialists from Canada and the USA. Their leaders tried to maintain a positive view—if something “didn’t work” they always tried to think how it could be “made to work”.

In closing, Mr Kang drew attention to Ghandi’s dictum mounted on the wall of the Conference Hall, *Co-operation, which is rooted in the soil, always succeeds*: and said he would like to change the word “soil” to *people*.

Mr J. TEICHERT,* Secretary to the EEC Association of Co-operative Savings and Credit Institutions, said it was impossible to generalise about thrift

and credit co-operatives in Europe, as most of them had been started around a century ago and their subsequent development had naturally varied from country to country. The movement had generally originated as two completely separate organisations, one to provide short-term credit for farmers and the other to meet the needs of urban dwellers; in many countries the decrease in the number of small farmers and the gradual blurring of the distinction between urban and rural sectors had caused them to come together.

The trend towards a more closely integrated European economy had involved more and more small businesses in direct import and export deals; thus the European credit co-operatives had decided to form their own association, not only to support and defend the interests of the credit co-operatives in Europe, but also to enable them to provide better advisory and consultancy services for their members, who might otherwise transfer to the commercial banks.

To show the size of the movement in Europe, Mr Teichert said that at the end of 1979 there were 58,000 credit co-operatives with 31 million members, deposits of \$305 billion, loans amounting to \$242 billion, 295,000 employees and a consolidated balance sheet of \$459 billion.

He wished to correct the Canadian speaker who had said that European thrift and credit co-operatives were not autonomous—unlike the *Caisses Populaires*. The system varied, but in general the small countries had local autonomous societies with a central bank, while the larger countries had a three-tier structure. He stressed that if a co-

*See Working Papers: Teichert, p. 133.

operative movement were to remain competitive, it must sooner or later form a central bank, and this would also help it to remain independent of government assistance.

He gave details of the services provided by his organisation and of various joint ventures pioneered by its members.

The previous speaker had said that inflation did not touch co-operatives or their members. He himself felt the opposite was the case: people saved in order to buy later, or towards their old age, and inflation was reducing the value of that money—and the time would come when they felt it was no longer worth saving. They must do everything in their power to fight inflation, for the benefit of the poorer and weaker elements in society.

Mr JOHN NICHOLSON,* President, World Council of Credit Unions (WOCCU), spoke only briefly as WOCCU had already been well represented in this session by speakers from CUNA, CCCS, COLAC, ACOSCA, ACCU; if participants required further information about WOCCU they could ask these speakers—or better still,

attend their annual meeting in Dublin (Eire) during the last week in July 1981.

Dr WERNER SCHIFFGEN,* General Secretary, International Raiffeisen Union (IRU), described the structure and activities of the International Raiffeisen Union since its foundation in July 1968, the year which marked the 150th anniversary of the birth of Friedrich Wilhelm Raiffeisen. He said that experience proved the continuing validity of Raiffeisen's principles, and that the movement retained sufficient flexibility to deal with modern conditions, and also to make it readily adaptable to conditions in the Third World.

Dr Schiffgen also spoke about developments in the Federal Republic of Germany, and the merger in 1972 between the Raiffeisen (rural co-operatives) and the Schulze-Delitzsch (urban co-operatives) organisations to form the German Co-operative and Raiffeisen Association located in Bonn.

Raiffeisen had preached self-help: today he would probably add: "And help others that they also may be able to help themselves".

DISCUSSION

The discussion was opened by Mr S. P. SRIVASTAVA, NAFED (India) who said that credit for *production* had been successful in India, and few farmers in any part of the country were unable to obtain this. However the main problem now was marketing the surplus, and although there was some governmental assistance, the bulk of the responsibility fell on NAFED which had been set up specifically for the purpose in 1958.

The need now was financing for *processing* the surplus produce, because

*See Working Papers: Nicholson, p. 135; Schiffgen, p. 137.

unless the farmer could market sufficient to give him a small profit, he would be unable to save.

Mr MATHIMU GHA, Co-operative Central Bank (Malaysia) referred to the difficulties which arose when co-operatives included a range of members from the very rich to the very poor, and wondered whether the concept of *mutual aid* was still sufficient. Co-operatives were originally set up to help the under-privileged; but when through co-operation some of them improved their living standards, they then became the privileged classes, and meanwhile the weaker sections became still weaker. Thrift and Credit societies used the term “defaulter”, but did they try to help him sort out his problems? Was he not exactly the type of member they were trying to serve? Mr Gha believed, as Dr Saxena and Mr Rajaguru had also said, that the co-operative concept of mutual and self help also required the strong to help the weak, and only this would allow the development of that international co-operative system for which the originators of the movement had hoped. It was a continuing process at all levels, and if it did not happen, co-operatives in the Year 2000 would not be able to create a new way of life and the gap between the rich and the poor would increase.

Co-operatives in both the developing and the developed countries had their problems. Mr Gha believed that more research was needed into these problems, and felt the only body in a position to do this was the ICA. He endorsed Dr Saxena’s plea for a stronger secretariat to research these problems and make suggestions for their solution.

Concerning Mr Gha’s question on co-operation between the rich and the poor, the “haves” and the “have-nots”, Mr BRAUN suggested that a different way of expressing this was, that in order to give credit you had to have resources, and these could only be provided by the “haves”. Going back a century, thrift and credit co-operatives had only worked when they were able to collect funds.

The conference approved a suggestion made by Mr Gha that, in order to achieve wider participation, a short period for discussion could be inserted in future sessions after every two or three speakers, instead of leaving all questions until the end of the session.

Mr ROGER KERINEC, Chairman of the Session, closed the session by thanking participants for the quality of their attention, and saying that the wealth of information collected should be regarded as the basis for their future discussions.

2 : Thrift and Credit Co-operatives confronted with the Needs of the Underprivileged

Under the chairmanship of Mr HENRI-PAUL TRUDEL, of the Confédération des Caisses Populaires et d'Economie Desjardins du Québec (Canada), this theme was discussed in both the national and the international context. Six papers were presented* and the subject gave rise to considerable and lively discussion, indicative of its importance and topicality.

In his introductory remarks, Mr TRUDEL first mentioned the various problems which had recurred in the previous day's session. He invited delegates to consider the challenge of the present session and said the meeting could be considered successful if, at the end of the morning, as human beings, as individuals, they felt a greater sense of solidarity, having studied the possibilities offered by co-operatives and the solutions which Co-operation can bring. He introduced the first speaker.

Mr S. G. MADIMAN, FAO, said that an important event for rural institutions concerning themselves with problems of the poor was the FAO World Conference on Agrarian Reform and Rural Development (WCARRD) held in Rome in 1979. A more aggressive long-term strategy to involve the rural poor in co-operatives as well as in economic development was called for.

Some limitations faced by co-operatives in serving the poor arose from the following factors:

- (a) Adverse tenurial and production structures;

- (b) Inadequate supporting structures and rural institutional infrastructures;
- (c) Vacillation in government policies;
- (d) Excessive domination of co-operatives by the bureaucracy;
- (e) Inadequate financial policies of the State and the central banks with regard to support to co-operatives; and
- (f) Uniform and inflexible national plans of co-operative development.

The FAO representative felt that a great deal of innovation was necessary if co-operatives were to serve poor and sub-marginal farmers. He felt that an institutional approach to co-operative development characterised by the following would help in serving the sub-marginal farmers. It should:

- (i) facilitate organisation of the under-privileged into a purposive system;
- (ii) increase the bargaining power of the poor in the market;
- (iii) provide security of expectation for the under-privileged to enhance their economic motivation;
- (iv) ensure that co-operatives are viable and successful concerns through the evolution of appropriate checks and balances;
- (v) accelerate the transformation of

*See Working Papers: Madiman, p. 138; Raj, p. 143; Catalano, p. 146; Davies, p. 150; Schiffgen, p. 157; Daneau, p. 158.

the present social structure into an equitable one.

The institutional approach defined above, as evolved in practice by Professor J. R. Commons of USA and Professor D. R. Gadgil of India, also implies the provision of a single flexible package of facilities and services to the rural poor through the co-operative system.

Mr Madiman made the following additional points:

- Co-operatives had been assigned the new role of serving the underprivileged while still serving the whole of society.
- Controversies over such points as unlimited versus limited, single-purpose versus multi-purpose, state participation versus independent co-operatives, had outlived their usefulness, and caused peripheral considerations to dominate the thinking within the co-operative sector. This was unfortunate in view of the fact that meeting the needs of the rural poor would involve action, not only within the sector but also by outside bodies, governmental and international, and a unified approach would yield better results.
- It was said in some circles that co-operatives had failed, and that some other technique—state, private, or a combination of all three—might be more successful. He hoped this conference would mobilise enough facts to prove that co-operatives had not failed but were succeeding.
- It was essential to evolve a firm strategy with guidelines for the future, and this could only be based on objective reality and assessment of that reality as experienced in the developing countries. This would involve not merely harnessing the experience of the developing countries but merging their experience with that of the developed

countries. It would involve a programme of research, training, and fusion of all the available knowledge. He regretted that even at co-operative meetings discussions were endless because each began with his own experience; there was no fusion of experience, and emphasis on training and management efficiency alone were not sufficient.

- It was also necessary to evolve a whole new field of social science research methodology, with a multidisciplinary approach, involving universities in developed countries, and taking into account the work of innovative modern pioneers.
- The experience of the developed countries in providing institutional checks and balances, in evolving rules and procedures, and legislation, should be examined on the basis of its relevance to the developing countries.
- Training undertaken in the developed countries should harness the experience also of the developing countries, involving augmented collaboration between researchers in both.

Mr TRUDEL thanked Mr Madiman for the reminder that development depends largely on external conditions.

Mr D. S. RAJ, ILO Regional Director, New Delhi, saw the amelioration of the conditions of the poor principally through the provision of expanding employment opportunities. ILO had chosen this approach for the simple reason that in 1976 at the First World Employment Conference in Geneva, the ILO had been given a clear and unmistakable mandate to advise member countries on their problems in relation to this subject. He described some of the activities it had undertaken, the collection of statistics as a means of

assessing the effects of governmental policies, sending research teams of experts to various countries, etc.

The ILO paper attempted to set out in statistical terms the extent to which co-operatives themselves were employers. When Thrift and Credit co-operatives were created, the main objective was not to provide employment but to combat usury. However, they are employers of labour and the scanty statistics available show that as business undertakings they do provide a comparatively small number of jobs e.g. in 1978 the 143,624 Indian credit co-operatives employed 201,931 staff members. Credit Mutuel in France employed 13,300. Where thrift and credit co-operatives undertake other activities, e.g. credit for housing construction or activities in the field of agricultural production, there may be an indirect increase in employment although it seems unlikely that the jobs created will be taken up by the most under-privileged sectors of the community. What can be said is that in cases where credit is given for a particular activity e.g. construction of houses or a processing plant, this may indirectly provide employment, but outside the co-operative movement.

DISCUSSION

In the ensuing discussion, questions were raised relating to the need for government assistance if co-operatives were to assist the poor and the weaker sections, the relevance of training in advanced countries for co-operatives in developing countries and the need for its evaluation and the obstacles experienced in providing assistance to the third world, such as rigid bureaucracy, governmental procedures, etc.

Mr R. P. SATPUTE, of the National Federation of State Co-operative Banks, Bombay (India), returned to Mr Madiman's point, that to the original two classes of oppressors and oppressed had now been added a

In many countries credit for industrialisation and mechanisation purposes has accelerated unemployment by causing displacement of labour; as for instance, in agriculture, where a rural exodus to the towns has resulted. Insofar as the under-privileged sector is concerned, particularly in the rural areas, thrift and credit co-operatives have the possibility to enable the small farmer to remain on his own land by reducing his dependence on usury. Although this is not creating additional employment, it is a contribution as it maintains people in their jobs on the land, who would otherwise have been displaced. Consideration should be given to the possibility of thrift and credit co-operatives financing food crops and helping to support labour co-operatives. It may be possible to link such work with that of other institutions such as the World Food Programme.

Efforts to mobilise savings, however small, need to be vigorously pursued, since the savings potential may be greater than is suspected. Above all, the principle of solidarity must be constantly emphasised.

The session chairman, Mr TRUDEL, then asked for comments on the first part of the session.

third class, the under-privileged. But co-operators should behave as co-operators, whichever group they were in, and Mr Satpute stressed the importance of responsibility—responsibility towards others, responsibility in repaying loans, responsibility by co-operatives in the matter of funds, from whatever source.

Mr P. D. SHENOY, Karnataka State Co-operative Apex Bank, Bangalore (India), described some of the measures taken to ensure greater provision of credit for the underprivileged. The Farmers' Service Co-operative Societies had been established specifically for the purpose of giving more importance to the small and marginal farmers and farmers belonging to the scheduled classes; their statutes provided that the small farmers should have the larger share in their management, and also receive priority in obtaining credit. Other measures included the setting up of multipurpose societies in the hill areas to assist the tribal people; legislation to ensure that women were not refused membership of credit societies, and obtained adequate representation on managing bodies. With the support of the Agricultural Refinance Corporation, some percentage allocation of loans was earmarked specifically for the poorer sections.

Mr S. K. IYER, NAFED (India), said that two decades' experience in the field of marketing had shown: (1) that once economic activity had been generated in a certain area, the under-privileged of that area also benefited; (2) that economic activity also helped to develop the agricultural sector. He suggested that the generation of economic activity in a particular region through co-operatives was possibly more effective than the mere provision of grants.

Mr S. DAS, Assam State Co-operative Bank (India), said that the thrift and credit movement was originally instituted for providing credit; it had then been sponsored by the government as a means of supporting the weaker sections of the population. If the co-operative movement was to make any impact on the downtrodden section, it needed government support. But if it was in fact carrying out governmental policies, was it perpetuating the capitalist system and failing to meet the expectations of the under-privileged?

In his reply, Mr MADIMAN thought the last speaker had made a very important point. This was a genuine danger of which governments should take note. If co-operatives were to fulfil the expectations of the under-privileged, greater efforts at institutional innovation must be made: for example, the traditional separation between credit and marketing should be re-examined. If, as the NAFED speaker said, marketing can serve as an important 'lead agency' for co-operative

development among the under-privileged and as a framework in which other institutions—such as production and credit—can be incorporated, then this would involve a new type of institution. The problem facing most of the developing countries was the conflict between rich and poor, and if co-operatives could not recognise its changing forms, they would naturally lose their credibility.

Mr RAJ, commenting personally rather than from the ILO standpoint, thought there was something to be said for co-operatives becoming agents for the generation and creation of employment. Unemployment and under-employment were most acute in rural areas; so the under-privileged were on the whole in the rural areas, which meant a direct challenge to the co-operative movement. He suggested two questions could be asked: (1) whether the movement as a whole, and individual co-operatives, could make a contribution in terms of generating employment within a given area, a given field of action—and ILO had concluded that thrift and credit co-operatives did appear to act within such a framework; (2) whether, by adopting new frameworks, the contribution to the creation of employment could be enhanced.

Mr TRUDEL thanked Mr Madiman and Mr Raj for their replies, and introduced the next speaker.

Quoting Dr Laidlaw's paper, *Co-operatives in the Year 2000*, Dr BRUNO CATALANO, Secretary to the International Committee of Workers' Productive and Artisanal Societies, emphasised the role of industrial co-operatives in reducing the current intolerable levels of unemployment. The handicraft and industrial co-operatives have an important role to play in the establishment of a new economic order. An important prerequisite in this respect is the financial support which could be provided by the thrift and credit co-operatives. Unfortunately a close relationship was lacking between credit co-operatives on the one hand and artisanal and industrial co-operatives on the other in providing support to the developing countries.

Dr Catalano cited examples from Italy showing how small craftsmen's co-operatives had been assisted by an internal system of financial aid which made money available at specially favourable rates against limited guarantees. In other cases the special credit section for co-operatives in the *Banca Nazionale del Lavoro* provided funds for co-operatives at rates which were some 8 to 9 points lower than the market rates, the difference being paid by the State.

In the developing countries co-operation has a great role to play in providing support for small crafts and minor manufacturing industries with low technological content, and in the development of agro-industrial complexes in rural areas. The international co-operative organisations and the United Nations specialised agencies such as UNIDO and the ILO should take up concrete programmes of aid in this

respect. However, financial support would be needed for such projects because the small craftsmen and artisans and their co-operatives could not generate the necessary finances.

Dr Catalano proposed the establishment of a study commission by the ICA with representation from thrift and credit co-operatives, insurance co-operatives, workers' productive co-operatives, UNIDO, ILO, ICA, with attachment of one or two international experts in legislative and monetary matters. The Commission could suggest four or five projects for establishing industrial and artisanal co-operatives. The Commission should also examine ways in which a Special Fund could be created by the credit co-operatives for providing financial support to projects. The Fund may be managed by a Committee of five or six persons selected from among the best known presidents of the banking and insurance co-operative system. He suggested this in the belief that the massive development of workers' co-operatives in the next 20 years may represent the most significant factor in a new industrial revolution.

After reading his paper, Dr Catalano closed by mentioning a very recent decision by the Italian trade unions to set up a solidarity fund, made up by deducting 0.5 per cent of salaries of all trade union members, to promote workers' enterprises especially in Southern Italy, in the agro-industrial, manufacturing and service sectors. The use of the fund would be made available at some 8-10 per cent lower than the current market rate. He thought this was an interesting example of what might be done by other social organ-

isations to promote co-operatives, and suggested it could be successful even internationally.

While the session confined itself largely to problems of rural areas, the paper presented by Mr R. P. B. DAVIES, Secretary of the ICA Housing Committee and ICA Deputy Director, on behalf of the German Development Assistance Housing Association (DESWOS), noted that poverty in the urban areas could be very demoralising. Perhaps the most obvious expression of this fact is the existence of shacks and hovels in the urban areas of developing countries. Thrift and credit co-operatives have an important role to play in improving this situation. It was necessary to move away from the provision of charitable hand-outs and to examine what could be done to harness the resources available in these settlements, limited though they might be.

A case study was presented which emphasised the detailed preparatory work which had been done by DESWOS in one particular settlement. Information was obtained about the resources available e.g. skills, sources of income, educational attainment, work experience, knowledge of co-operatives etc. Discussions revealed that the priority need was for credit. A Thrift and Credit Co-operative was formed and registered. All help was channelled through the co-operative and no external financial assistance for the initial operation was sought. The emphasis was on the co-operative establishing its own financial strength and avoiding the "dole out mentality" resulting from external assistance. The largest amount granted from the co-

operative was for housing construction.

This experience showed that it was possible for community participation in the most underprivileged sector to be harnessed so that this sector developed and derived long-term benefits. Although the initial impetus for the project came from the housing sector, it was clear that housing could not be considered as an isolated problem but had to be placed in the overall context of development. Housing was only one of the basic needs: Thrift and Credit Co-operatives could constitute an instrument for meeting this

problem; however, such co-operatives must not be seen as mere technical instruments but as promoters of development. Thrift and Credit Co-operatives could not solve the world-wide housing shortage but what they could do was to contribute globally to satisfying basic needs, including housing, in the most under-privileged sections of the community and thus contribute towards their development.

The CHAIRMAN then asked for comments.

DISCUSSION

A French example of the indirect generation of employment through co-operative thrift and credit was cited by Mr P. VIVIEN of Crédit Mutuel, who described the progress of a co-operative formed shortly after the war in a small community, specifically for the purpose of qualifying for a Marshall Aid tractor. This was the beginning of mechanised agriculture in the area, and when the local farmers saw how effectively the tractor helped with the harvesting, the membership of the co-operative trebled within the space of a few weeks. The co-operative obtained credit from the Rural Credit Association to buy two more tractors, and a Canadian combine harvester adapted for local use the following year. To minimise risks they grouped together with two small co-operatives in a neighbouring *Département*, and also obtained the use of an "American surplus" bulldozer from another co-operative, which so impressed them that they eventually bought two bulldozers themselves and could operate within a radius of some 50 km, wherever the demand arose. The increasing size of their operations ran them into difficulties with the fiscal and other departments, and they therefore set up a limited company BATEM which took over the tractors and bulldozers still on the co-operative's books: the four co-operatives involved each provided capital of 500,000 francs, borrowed from their local thrift and credit banks, which operated on the Raiffeisen pattern. The capital had been increased from time to time through loans from the mutual credit institutions. The company now had 170 employees, but it could never have come into existence without the mutual credit associations, and Mr Vivien thought this was a valid example of what could be done in the field of thrift and credit.

Mr J. TEICHERT (Association of Savings and Credit Co-operatives

of the EEC) however felt that too much emphasis was being laid on credit. Solidarity was one thing, but thrift and credit institutions had to safeguard the deposits of their members, whether applications for loans came from within their own countries or from developing countries. He wanted to remind the conference of this fact because the question for any co-operative must be: what guarantee has the co-operative that it will get its money back, money which belongs to its members? A problem in under-developed countries was that they had no savings.

On the question of **“rich” and “poor”**, they could not change the world and there would always be these differences, as there would always be those whose expectations were disappointed. Mr Teichert also made the point that a poor man in Europe or the USA, with a monthly income of \$600, would be considered extremely rich by Indian standards; so it was not possible to judge a person’s wealth by the amount of his salary—salaries must be compared with salaries at similar level in the same country.

On the question of **employment creation** through investment by co-operatives, Mr Teichert thought this would automatically happen in less developed areas or countries, where co-operative investment created *new* economic activities. However such investment could destroy work places—as for example in Delhi, where he had seen houses being built and many people carrying the materials in baskets on their heads: if the builders invested in machines, two or three people would have higher incomes, but 500 men would lose their jobs. The concept was also not necessarily true in industrialised countries: if needs were changing and a manufacturer had to change to a different type of production, he would need money for this change but he would *not* be creating new work places.

On **relations with the State**, co-operatives were bound to fight for independence. In under-developed countries, co-operatives needed governmental assistance, but they should not forget that governments come and go. The Italian example of the government providing money at low interest rates to organisations which fulfilled certain conditions, was useful.

The final part of the session concentrated largely on the possibilities of assistance which advanced co-operative movements could provide to the developing countries. It was noted that the role of a co-operative society was mainly to serve the interests of its members, and that the resources available within

the movements in the industrialised countries for overseas assistance were extremely limited. Examples were cited from the Raiffeisen Group in the Federal Republic of Germany and the Caisses Desjardins in Canada showing their work for developing countries and the changes prompted by experience.

The Raiffeisen movement provided practical attachment possibilities to co-operators from developing countries in Germany at local level and Mr WERNER SCHIFFGEN, International Raiffeisen Union (IRU) gave details of their experiences since the early 1960s. Seminars lasted for nine months and consisted of a four-month language course, followed by one month's theoretical training in all aspects covered by the German co-operative movement, three months' practical work in the various sectors, ending with a month's discussion of what they had learned and its application to their own countries. Although the Union had started from a purely theoretical conjecture of what was required, it had learned a lot from its early efforts and, after follow-up of its various trainees scattered around the world, was well satisfied with the results.

The IRU had collaborated particularly closely with Turkey for twelve years, and with Iran for five.

Mr Schiffgen stressed the importance of the Raiffeisen-type co-operative, which combined credit with other services. Conditions in Germany some 100 years ago had been similar to those in the developing countries today; Raiffeisen started with thrift and credit co-operatives, but soon found that the effect of credit could be neutralised by increased prices on the part of the local traders, so he started buying agricultural inputs for sale to members, and from then went on to marketing. This historical background was useful when they were showing visitors from developing countries round the well-developed German co-operatives—not

to demonstrate how effective they themselves were, but to show what could be achieved in over 150 years through co-operation.

Mr YVON DANEAU, Confédération des Caisses Populaires et d'Economie Desjardins du Québec (Canada) said the main purpose of his paper was to stimulate discussion and to identify possible future areas of activity.

The Desjardins Movement in Canada has been active in providing assistance to the Third World. Three distinct phases can be discerned in its involvement with overseas work:

- (i) Spontaneous activity before 1960;
- (ii) Beginnings of a loose structure (1960-1970); and
- (iii) More purposive deployment of resources in developing countries.

In the first phase, Desjardins was concerned mainly with providing *ad hoc* technical advice and in sensitising the developing countries to the spirit of the Desjardins Movement mainly through the distribution of documentation and information. This work still continues. The decade of 1960-70 was characterised by the setting up in 1963 of a training centre for Co-operatives. This training, short term in character, served co-operators from developing countries, for instance from Ivory Coast, Cameroon, Senegal and Tunisia. The emphasis has been on providing support to training institutions in the developing countries rather than on setting up parallel institutions in Canada. The Canadian Institute for Development Research (CIDR) was set up in 1970 and co-operation has been maintained

with COLAC in its technical assistance programme. There is also participation in programmes of rural development in several countries.

The points of emphasis as seen by the Desjardins Movement are the following:

- (i) Focus on the development of human resources; and
- (ii) The urgent need for co-ordinating activities at the international level.

The main tasks in the field of international collaboration are:

- (a) Affirmation of co-operative specificity;
- (b) A joint strategy for the development of human resources;
- (c) Exchange of operational instruments (accounting systems, educational aids etc.);
- (d) Co-ordinated response to requests for assistance, for instance, from ILO, FAO.

A realistic proposal for such co-ordination would have to be evolved.

Mr TRUDEL then introduced the final discussion period of the session.

DISCUSSION

Mr S. DAS, Assam State Co-operative Bank (India) reminded participants of his earlier remarks concerning the danger of co-operatives merely supporting the capitalist system, and urged the setting up of funds by thrift and credit co-operatives for specific purposes, such as housing, as a means of aiding the under-privileged sectors.

He also thought that governments should not aid the poorer sectors direct but through co-operatives, otherwise co-operatives would be weakened.

Dr S. K. SAXENA, Director, ICA asked if the Raiffeisen and Desjardins movements had carried out any evaluation of their training programmes and their relevance to the needs of developing countries.

Mr DANEAU replied that their earlier programmes had not been really suitable, and they now preferred to give at least preliminary training in the trainees' own countries, using those countries' existing institutions, if necessary bringing in additional support to supplement the available facilities. Their evaluation experience had been very similar to that of the Raiffeisen movement. They worked with the grassroots: for example in Upper Volta they had arranged weekend meetings in order to explain to the peasants what co-operatives were; they carried out higher level training for middle-level cadres. But education was also needed at government level: many governments were unaware of what co-operatives could contribute as democratic institutions, and tried to take them over. It was necessary to set up consultative machinery, with

the help of the ICA, to enable representations to be made to governments to show them that a co-operative is an instrument for development, which could be of great use to their country.

Mr. RAJ also took up Dr Saxena's question on the evaluation of training courses. He believed ILO's results were positive principally because ILO did not have a standard programme but tried to design programmes to meet the needs of individual countries. A few months ago they had arranged a meeting of co-operative educators and trainers from South-East Asia, to discuss past programmes and give an indication for future directions; the feedback from the meeting had been very positive, and was now being followed up in the region in a search for new methods. Mr Raj also mentioned the work being done in educational material at grassroots level through a programme called MATCOM, which was proving successful.

Mr SCHIFFGEN said the IRU had carried out thousands of training programmes, and been satisfied with their success. Unfortunately the good men they had trained were often replaced at the whim of governments. The only remedy they had found for this was to establish personal contacts with government officials, meanwhile insisting on their "private co-operative" status, and this had been found effective since the co-operative movement was held in respect by governments in general. He echoed Mr Daneau's view that more work was needed at government level. He quoted a case where bureaucratic obstruction had prevented the export of a dairy plant (bought cheap) to a co-operative which had requested one. He suggested that co-operative training should include training in dealing with governments and government officials and making them aware of co-operative achievements.

Mr R. B. RAJAGURU, ICA Regional Director for South East Asia, said their regional experience supported that of the previous speakers concerning the efficacy of training and the provision of training facilities. He said the efficacy of any training programme depended on a number of factors, of which the most important were: (1) the type of person selected and (2) the training course. Both could cause problems: sometimes the person sent on a course was not really the person who should be receiving the training but had been selected for e.g. political considerations; on the other hand, sometimes the programmes had not been adapted for the area although the situation in this respect had considerably improved due to the strong feedback between trainees and training organisations, as for example in the case of IDACA (Institute for Development of Agricultural Co-operation in Asia) and the Swedish

Co-operative Centre, both of which sent representatives to follow up the results of training course.

Mr Rajaguru confirmed the remarks of Mr Daneau and Mr Schiffgen on the need to find ways and means of exposing policy-makers and bureaucracies to co-operative ideas so that they could give the necessary support.

Summing up the discussion, Mr BRAUN emphasised the importance given to the training of "multipliers" by Raiffeisen as well as their stress on

practical training, and Mr Daneau's insistence on the need for co-ordination, without which the old principle of "unity is strength" was meaningless.

3 : The International Interlending Programme—Present and Future

Under the chairmanship of Mr JOHN NICHOLSON, President of the World Council of Credit Unions (WOCCU), this part of the programme* was discussed in four parts: 1. a presentation of the basic COPAC Report outlining the main features of the international interlending programme; 2. a description of the WOCCU—COLAC Scheme operating successfully in Central and Latin America; 3. an indication of the borrowing requirements of a co-operative movement in a developing country, such as India; 4. an outline of the work of INGEBA in this field, with some general considerations, and an examination of some of the issues.

Before talking about the Interlending Programme, Mr ROBERT HEWLETT, Executive Secretary, COPAC (Committee for Promotion of Aid to Co-operatives), thought he should explain what COPAC was for those not acquainted with its work.

COPAC has seven member organis-

ations, both private and governmental: ICA, WOCCU, both fully represented at this conference, also the International Federation of Agricultural Producers (IFAP), the International Federation of Plantation, Agricultural and Allied Workers (IFPAAW), as well as the UN and FAO and ILO. The Committee is served by a small secretariat based in Rome, it is *not* a financing organisation but a body created to promote co-operation and co-ordination among its members; he said this to avoid any possible misunderstanding.

Concerning the word *interlending*, he thought the word might still be causing confusion, although it was widely used. There also seemed to be various forms such as ICCIP (International Co-operative Credit Interlending Programme), IIP (International Interlending Programme—which is the WOCCU interlending programme); also the preferred

*See Working Papers: Hewlett, p. 160; Bailey, p. 163; Grethe, p. 167.

title, the *International Inter-cooperative Loan Programme*. COPAC has no monopoly of the word "interlending", and is not always informed of what is happening in this field, so he could not give a complete picture.

Mr Hewlett said his paper had not dwelt on the credit union aspect, as other speakers would present the achievements of credit unions during the session. Finally, he had been asked to make his paper factual, and he had tried to do this, with a few general comments.

The International Inter-Cooperative Loan Programme is a set of proposals worked out by two consultants, Dr George St Siegens and Mr Per Steina, designed to promote inter-cooperative lending between developed and developing countries. The emphasis of the proposals is on credit to small farmers to enable them to increase their food production for the internal market. It is recognised that credit is usually an essential factor in promoting such increased production, though it needs to be combined with various other services such as agricultural extension, a reliable supply of inputs, suitable loan arrangements, equitable land tenure and several others. The proposals are not, however, confined to short-term or seasonal credit to individual farmers; it is considered that loans to small-farmer co-operatives for construction of processing plant, storehouses etc. could be equally useful and might be cheaper to administer and easier to supervise.

The study also has a more ideological starting point in that many co-operators in the richer countries feel that the considerable financial resources of their co-operative movements, and particularly

those of the co-operative banks, mutual credit societies and credit unions, should be deployed more actively in support of small-farmer co-operatives engaged in food production.

When the study was started, it was thought that a growing number of small-farmer co-operatives were already, or would shortly be, in a position to seek external loans on commercial terms, to use them productively and to repay them. This assumption appears, in the light of experience, to have been somewhat optimistic. Although COPAC members and its secretariat have been alert to find co-operative projects suitable for consideration within the terms of the proposed inter-cooperative loan programme, with some chance of being acceptable to potential lenders, only a few such projects have been identified which are currently under consideration by co-operative banks in Europe. The *COLAC Scheme for small farmer credit* is, so far as is known, the only currently functioning co-operative loan programme, although technical assistance activities are carried out by co-operative banks and mutual credit societies, sometimes involving small loans and grants.

The consultants in their report studied in detail a number of possibilities for establishing a guarantee fund which they considered an important element in the growth of the inter-cooperative loan programme. So far, however, there has been little indication of willingness on the part of co-operative financing institutions to undertake a commitment of this kind. Their reaction has been to suggest a cautious start with two or three carefully chosen pilot projects.

Mr Hewlett hoped that the ensuing

discussion would make it possible to draw some conclusions from the various studies and practical experiences in the area of co-operative interlending.

Mr A. A. BAILEY, Managing Director, World Council of Credit Unions (WOCCU), said that many brilliant minds during the course of the conference had dealt with the philosophical and ideological basis for support to the development of co-operation in all countries, by other developed countries, by governments, and by private agencies. The WOCCU paper dealt with the practical fact that an interlending programme could be established, it recounted events that had already taken place and were continuing. It also demonstrated clearly that provided the educational foundation was soundly laid, that provided strict attention was given to all the co-operative principles (including the principle of continuing education), then the chances of success over a reasonable period of time were good indeed.

Mr Bailey described the technical assistance programme launched 25 years ago by CUNA International (the forerunner of WOCCU) to assist the development of credit unions in the rural areas of the Caribbean and Latin America, to provide production credit for small farmers. In 1961 the United States Agency for International Development (AID) decided to support technical assistance efforts for the organisation and development of co-operative savings and loan associations and credit unions, if requested by the country concerned. With the assistance of CUNA/AID and other agencies, 18 countries in Latin America have devel-

oped their own indigenous, autonomous, national credit union networks and national federations, and have formed the Latin American Confederation of Credit Unions—COLAC.

COLAC started its credit operations on 13th May 1972, with a US \$280,000 loan to the Honduran Federation of Credit Unions. Nine years later, at 30th June 1980, it had already approved 75 loans amounting to \$27.7 million, mainly for agricultural and cattle production, but also for such purposes as marketing, purchase of farm supplies, fisheries, purchase of vehicles, etc. According to its 1980 financial statement, COLAC's assets had increased by 61 per cent in comparison with the previous year, reflecting an increase of 50 per cent in loans to members.

Mr Bailey reminded participants of the guidelines and criteria followed in building and expanding the International Interlending Programme (IIP), the setting up of the International Guarantee Fund, and the various other organisations involved in the IIP, such as the Overseas Private Investment Corporation (OPIC) which provides investment guarantees on loans made by US organisations.

He closed by saying that WOCCU was anxious, willing and ready to co-operate with all agencies operating in the field of agricultural credit. It would not attempt to duplicate or replace any existing programme run by another agency. So it offered the friendly hand of co-operation to the many agencies represented at this conference, which were as anxious as WOCCU to prove to the world that the problem of credit to the small farmer can be met by co-operative thrift and credit institutions.

Mr S. S. PURI, Secretary, Ministry of Agriculture, Government of India, hoped he would be forgiven for not having provided a written paper for discussion, but there had been two very interesting papers already in this session; the conference's task had been made easy, particularly, by Mr Hewlett's paper which highlighted some of the more important issues on which comment was necessary. Mr Puri would confine himself to making a few general remarks about the situation as he saw it, from the point of view of the government of a developing country.

He first wanted to clarify the term *interlending*; his general understanding was that "interlending", by definition, took place between two lending agencies and was subject to a number of regulations. He therefore assumed that the subject being discussed covered both interlending and *lending*, as such, between co-operatives or between financial institutions.

In India the borrowing requirements of the Co-operative Movement fell into three categories:

(1) Credit for *short-term* or seasonal production purposes: a six- or twelve-month loan for purchase of fertiliser, pesticides, to undertake agricultural operations etc. This type of credit was becoming more and more important as agriculture became more and more commercialised: high-yield strains needed larger amounts of fertiliser and more plant protection; Indian agriculture currently used 5.14 million tons of nutrients each year, and this was still only one-tenth of what it ought to be, and more short-term production credit was needed to improve the situation.

However this category of credit could be generated within the economy, if necessary by creating money for the purpose, was non-inflationary in character, was given for the purpose of raising a crop and therefore production-oriented, and the anticipated crop constituted the security for the loan. Therefore he felt that it was neither satisfactory nor feasible to invoke international co-operative support in this respect.

(2) *Long-term credit* for agricultural production schemes for investment by *individual farmers* in new capital equipment e.g. tubewells, tractors, development of groundwater resources etc. In this field, credit is available, for example, from the World Bank through the co-operative system. Co-operative movements of the advanced countries have a role to play in this and appropriate facilities are available through the Agricultural Refinance and Development Corporation. The need for this type of credit is growing rapidly: Mr Puri said that at the present time annual investment requirements were estimated to be of the order of Rs 3,500 million.

(3) Credit with a view to facilitating *corporate investment by co-operatives*, for which external resources are required. In view of the far-reaching developments in the movement in India, these requirements are substantial. For instance, in co-operative fertiliser production, the creation of a new unit will require about Rs 6-7,000 million. Other examples are warehousing facilities and agricultural processing plant, sugar factories, spinning mills, milk pasteurisation plant and milk processing units—so that the farmers who produce

the raw material may share in the profitability of the processing industry. This is an area where investment capital is badly needed.

Mr Puri said that external financing agencies previously worked largely through the Agricultural Refinance and Development Corporation. However a new system had been devised whereby the governmental National Co-operative Development Corporation, as a corporate lender, could receive loan and other assistance (true "interlending") to enable it to finance only co-operative organisations (assistance had recently been received from the EEC). This obviated the problem of repayment, and there was no shortage of co-operative projects in need of such financing. He made the point that while there seemed no shortage of direct financing of private companies, very little finance was flowing from the co-operative sector abroad to finance co-operative development.

He would welcome enquiries and comments on this type of approach. So far external support had been largely confined to technical collaboration; while this was immensely appreciated, a great deal more could be done if technical collaboration could be accompanied by co-operative financing.

It would therefore be seen that there were no requirements for short-term credit from external sources, no lack of projects, and a considerable need for corporate investment by co-operatives in agro-based industries.

Mr DIETER GRETHE, General Manager, International Co-operative Bank (INGEBA), said he was speaking as a European banker, and also that he would not be referring necessarily to the Indian situation in what he said. He outlined the preconditions for overseas investment and some of the risks involved. He said that local costs should not be financed from external sources, careful investment plans should be drawn up, goods produced should be marketable, returns should be projected for 5 years, legal provisions must be studied. After these requirements have been met, there is then the question of examining the integrity, income, and finances of the borrowing party. There was a need for simplifying legal procedures to facilitate foreign investment. The risks can be numerous and can be caused by floating exchange rates, threats of nationalisation etc. At the same time, the lending capacity of co-operative banks in industrialised countries should not be overestimated. There are also other agencies such as the World Bank, IDA and OPEC which have much greater capacity for finance.

A brief presentation was also given of the capital structure of INGEBA, the ways it raises resources and its extensive ties with sixty of the largest banks in the world.

Mr Grethe closed by saying that INGEBA would do its best, in co-operation with the Banking Committee of the ICA, to employ the available funds to best advantage in various agricultural projects.

DISCUSSION

In the course of the discussion, which was very practical and concerned with specific issues and with the “do’s and don’ts” of international lending, various questions were raised. Mr BRAUN said it was important to recognise the various factors which at first sight seemed unconnected with the Interlending Programme; he would therefore like to put some questions to Mr Puri, to make sure he had understood him correctly. His questions were:—

- (1) Which organisation would be the actual borrower?
- (2) Would this require changes in the legal framework of co-operatives?
- (3) Would the co-operative movement have the technical means to achieve investments, the necessary management, the necessary marketing service to place products, the necessary techniques to calculate the profitability of investments?
- (4) According to Mr Puri, what would be the term of the loans—10, 15 years?—and what would be the rate of interest?
- (5) What guarantees could the co-operatives give on the legal as well as the financial level?

Mr PURI said he was very happy at the interest evinced by the Chairman, and would reply as follows:—

(1) *Who would be the borrower?* There were two possibilities: (i) the borrower could be the co-operative requesting the facility, and some of these were very large by any international standard in terms of capital structure, membership, turnover, etc.; e.g. a co-operative federation intending to set up fertiliser production facilities would already be involved in production, would have a membership of 30,000 farmers’ co-operatives, each with an average membership of 200-300 farmers. Alternatively (ii), where a relatively small project was concerned and where an individual village might not be in a position to take a direct loan, an intermediate borrower would be required, such as a national development bureau which uses all its borrowed money for financing co-operative projects. This also dealt with question (2).

(3) *On preparation of projects*, techniques, technical feasibility, etc., Mr Puri said that the Indian co-operative movement had over the years built up a great deal of know-how; for example the co-operative sugar and textile sectors had on their payrolls some of the best technologists, cost accountants, and others connected with the preparation of projects, since they were better employers than the private sector; they were also recognised by the Government as being more efficient, both technically and in matters of repayment. The National Co-operative Development

Corporation also had its own technical sections which were available to local co-operatives for project preparation.

(4) *Repayment term*—15 years was the period for which the Corporation financed Co-operatives: no payment was due for the first three years to allow the unit time to stabilise, and loan and interest were repaid in equal instalments over the remaining 12 years. Mr Puri said that, for example, sugar co-operatives had no possibility of defaulting on a loan, since they invariably had an arrangement by which, for every ton of sugar processed, Rs 5 were retained as an additional contribution by each member in the form of a non-refundable deposit which was added to his share capital, and this amount was independent of the profits. Although there had been many cases of default in the private sector, there had been none on the part of co-operative institutions.

(5) *Guarantees*—in India the government guaranteed co-operative projects. But the government in turn wanted the guarantee of inbuilt devices such as the above, for automatic generation of resources for repayment, and they were trying to build these into the system.

Mr GRETHE expressed his thanks to Mr Braun for raising the subject—which often caused difficulties—of *who would be the actual borrower*. It was important to assist farmers, but often difficult to know whom to contact.

He had that morning visited an Indian co-operative, and been very impressed by its professionalism and that of its management. But he wanted to raise a point regarding the *length of the loan*, not with reference to the World Bank but in terms of his own institution. INGEBA re-finances itself on the Euro-market, which has long- and short-term loans, but the maximum period is 5 years because, as banks, they would otherwise incur risks; however, if the bank is willing and no changes in law intervene, the loan may be extended for an additional five years.

Finally Mr Grethe said he found the fact that the Indian Government guarantees external loans to co-operatives, very interesting.

Mr S. DAS, Chairman, Assam State Co-operative Bank (India) supported Mr Puri's comments on interlending. But while it was clear that governments must look at the security aspect of their loans, he felt interlending should be an inter-cooperative responsibility in which governments should have no part.

Mr MOHD. HASSAN WAHAB, Chairman, Co-operative Central Bank (Kuala Lumpur, Malaysia) said the Malaysian co-operative movement started in 1922, when the country was under British rule, mainly with employees of government departments who faced shortages and

had no other recourse but the moneylenders. By Independence there were about 1,000 co-operative societies, still mainly among workers in government and semi-government departments. After Independence, the Government of Malaysia actively encouraged fishermen and agricultural workers to form co-operatives in order to solve their problems; it also gave practical help and training. At present there are some 4,000 co-operatives in Malaysia, half in the agricultural and fishery field, the other half in the field of government service. This has led to the creation of two principal national banks, in addition to the State Banks of Sarawak and Penang—the People's Bank and the Co-operative Central Bank: the former is financed and supervised by government, mainly to meet the requirements of the farmers and fishermen; the Co-operative Central Bank was set up by the co-operative societies themselves, mainly those in the urban zones, and draws its capital from its members who are the societies and some individuals.

While the talk had been mainly of financing agricultural projects, his own Bank is very much interested in financing housing projects in Malaysia, for which the need is increasing. Obviously there is collateral, the land and the know-how are there—all they need is money. The Bank is trying to obtain this money, but cannot go to the commercial banks because of the difference in their respective rates of interest. Any financial arrangement made would not need government guarantee because of the existence of collateral; and no foreign element is involved because most of the materials required can be purchased in Malaysia. All it needs is a straightforward loan, so that it can lend to its member societies to meet their members' desire for home ownership.

Mr Hassan Wahab hoped he would get some positive response from the floor, which could lead to further contacts later on.

Mr BRAUN said he had taken note of this request, and would examine it.

The session chairman, Mr NICHOLSON, suggested that the discussion be continued the following day, during the session on *Co-operatives as Banking Institutions*. This was agreed.

He asked Mr Hewlett to summarise the discussion.

In his summary Mr R. HEWLETT (COPAC) referred to the considerable achievement of the WOCCU/COLAC

interlending programme; he said that two important elements in its success were: (a) that the loans went entirely through credit union channels, and (b) the OPIC guarantee.

He was pleased that the contributions from Mr Puri and Mr Grethe had stressed practical details of interlending, as the programme had been discussed in theory for so long. He noted that Mr Puri had appeared to reach the same

conclusion as the consultants in their Report, namely that credit to co-operatives for investment purposes must be the basic element of the interlending programme.

There had been considerable agreement that external loans should not be undertaken to cover internal costs.

Finally there had been no discussion of the more ideological questions involved. Listening to the discussions, he thought this was because co-operative financial institutions in the developed countries felt they should be doing more to assist in the developing countries. They had not codified how this should

be done, but the feeling seemed to be that it should be through ordinary loans under normal conditions between co-operatives in the developed and developing countries. However there must be guarantees, and in the absence of such guarantees assistance must take other forms such as concessional terms or loans through governmental agencies.

Mr Hewlett felt that loans should be kept distinct from outright aid. Obviously outside aid still had a large role to play, but it was hoped that they were moving towards a situation in which more and more normal financial exchanges would become possible.

4 : Co-operatives as Banking Institutions

The subject was presented in a series of statements produced by co-operative banks and credit unions in the UK, France, Argentine, Israel and Canada, and also from INGEBA. The main features of these statements can be summarised as under.

There is a wide variety of services provided by these financial institutions to their members and also to the general public. As co-operative organisations, they are of course subject to control by their members. Moreover, it is in the nature of co-operative organisations to make relevant information available to their members. Sometimes these efforts, necessary though they are, add to the operating cost of the organisation.

Democracy has to be combined with efficiency and a web of reciprocal obligations has to be created and maintained between the members and these organisations. Due to the rationalisation and

amalgamation process, often dictated by conditions of economy and intense competition, there is a problem for the individual member to be able to influence and identify his own role in these large financial bodies. Extra efforts are, therefore, needed, and practised by a number of organisations, to ensure a free two-way flow of information and exchange.

The second problem is the relationship of the Co-operative Banks with the State. Co-operative organisations do of course, jealously guard their independence from the State. At the same time, as financial bodies they are subject to the banking regulations of the country.

A number of technological innovations have greatly benefited co-operative financial institutions especially data processing and telematic programmes. This has enabled members, for instance in Canada, to watch and participate in members' meetings from

their own homes through internal television circuits. Information can be quickly and easily disseminated among the various branches of the Bank and financial data can be made available to the managers of individual credit unions through a centralised operation. In the Banques Populaires in France there is currently a programme of "Co-operative Renewal" in hand intended to achieve the greatest possible members' participation in the organisation.

Some indication was also given of the connections which some of these institutions have with co-operative movements in the developing countries.

The session was opened by the chairman, Mr M. G. HESS, Secretary of the ICA Banking Committee, who conveyed the greetings of Dr W. Hesselbach, Chairman of the Committee. Mr Hess said the number of speakers in this session would not allow time for questions, which should be put to the panel in the afternoon session. He then introduced the first speaker.

A succinct account of the services offered by the Co-operative Bank of the UK, was given by Mr DAVID MAXEY,* its Director and General Manager. He mentioned the agency facilities provided by local consumer societies' shops in the UK, as well as the Bank's international links and its connection with London banking services, which could be of use to co-operative institutions overseas.

Mr LOUIS OGER,* Chairman of the Fédération du Crédit Mutuel (France), dealt with some of the legislation affecting French co-operative credit

institutions, and also their somewhat precarious position outside the banking world. He described the changes he thought would come about as the result of the new technology, but stressed the importance of maintaining the co-operative spirit.

In his address, Mr ANDRE CHOMEL,* Union du Crédit Co-opératif (France), concentrated on relations between co-operative credit institutions and the State. He said that co-operatives in this field should not be offended by State intervention, since banking institutions in particular had considerable influence on monetary conditions, and clients' deposits must be safeguarded. He expressed interest in the problems analysed by Mr Madiman and Mr Raj during the first session, with their suggested solutions, and thought this method could be relevant to the experience of the developed countries.

In many countries thrift and credit unions were considered as a public service; they had specialist knowledge of certain sectors, such as social economy, agriculture, fisheries, etc., and this should give them a strong hand in their dealings with the State. As structures became more centralised, co-operatives would present a broader front to restrain excessive State interference; in Mr Chomel's view, the development of their relations with the State could result in making the State institutions more co-operative in nature.

The paper presented by Mr J. P. MIEGE,* General Manager, Banque

*See Working Papers: Maxey, p. 194; Oger p. 178; Chomel, p. 181; Miège, p. 186.

Centrale des Coopératives et des Mutuelles (France), described the Bank's relations with the French consumer co-operative movement and the support it was able to give. Mr Miège apologised for the paper's rather technical nature, but thought these details might be useful to other institutions finding themselves facing a similar situation in the future.

Mr DIETER GRETHE, General Manager, INGEBA, who had not sent in a paper on this subject, said he was not going to talk about his Bank but about what seemed to be the subject of main interest in this session, Co-operatives and the State.

Mr Grethe reverted to the point made by Mr Chomel, that while governments undoubtedly influenced the functioning of co-operatives—not only through specific legislation, monetary policies, etc., but through the general legislation and policies which affected the day-to-day lives of the ordinary individuals who were the co-operatives' members—co-operatives and co-operators could and should also exert their influence on governments, and on the economic and political orientation of their own country.

He mentioned a few specific points on which he thought co-operators, as free individuals, had the right to influence government policies: cultural and educational activities; food production—he mentioned figures showing the growing disparities between populations and food levels; increasing conflict in great power politics—which led the developing countries to spend more on armaments than they could afford, and the industrialised countries to allocate

vast sums to defence at the expense of aid to the Third World.

All these matters were of vital concern to co-operators, and co-operatives must seek representation with governmental bodies at every level to ensure not only favourable conditions for their own functioning, but that their members' opinions on these matters were made known. Mr Grethe also thought co-operators should make their influence more widely felt internationally; for example, the total fuel bill of the developing countries was greater than the aid given to the Third World by the industrialised countries, and the only way to improve the economic condition of their populations was to convince the OPEC countries that they should grant favourable terms to these countries for the sale of fuel oil, thus eliminating fresh sources of conflict.

Mr Grethe said it had not been his intention to open new paths for co-operators, but merely to show how far their daily lives were influenced by the State, and that they as co-operators were called upon not only to act on these policies but to influence them as far as possible.

Mr JEAN DESVERGNES,* Banques Populaires (France), spoke of the two inherent handicaps of people's banks as compared with their commercial counterparts, the generally small size of their clients' accounts, and the fact that co-operative institutions by their very nature had to spend more money on information and member relations. However, while they must be efficient as banks, the most important was to promote the solidarity of their members

*See Working Papers: Desvergnès, p. 188.

and to fulfil their expectations. Only in this way would the co-operative ideal remain a profound reality, not only of the past, but also for the present and the future.

Mr JACOBO LAKS,* Instituto Movilizador de Fondos Cooperativos (Argentina), presented a paper showing the widespread reorganisation which had united the Argentine co-operative credit movement in 1977 in its fight against restrictive legislation. He described the present structure and thought the wealth of experience gained could be of interest to other co-operative credit organisations.

Mr GEORGE MAY,* Chief Executive Officer, Canadian Co-operative Credit Society (CCCS), gave an account of the Canadian co-operative credit movement. The CCCS is a national finance organisation, independent of the government, although it collaborates with the government in the study of economic and political factors affecting the general commercial environment. It has always been interested in development, in Canada and the Third World.

One of Mr May's points was the importance of retaining the interest of local societies in training schemes for visitors from developing countries; centralisation of training courses, etc., had resulted in loss of grassroots support, and they were now trying to reverse this trend by involving the local autonomous societies more deeply in such training, to give them a greater understanding of the philosophy of international development.

CCCS is interested in the redistribution of resources, both nationally and

internationally. It has resources to provide loans and subsidies to those below a certain income level at half the market rate, and is trying to develop thrift and credit organisations among the native peoples. It also takes a strong position in Canada concerning aid to developing countries, and hopes that much of such aid will be devoted to co-operative development, especially of thrift and credit societies, where its own expertise can be of use.

He had been very interested in learning about the co-operative movement in India, with its history and traditions. He felt that the movements in the developing countries had much to contribute to those of the developed countries since the former, though often less developed financially, could have internal resources which the latter lacked. It was also essential to understand the situation in the developing countries, because if aid was measured in dollars only, they would miss a significant aspect of the thrift and credit movement internationally. Redistribution of resources could work both ways. Finally Mr May expressed the hope that an International Co-operative Financial System would be created in the not too distant future to reinforce the sense of solidarity among co-operators throughout the world.

The last speaker, Mr GIL SHAAL,* European Representative of Hapoalim Bank (Israel), described the Israeli experience where the co-operatives, closely allied to basic socialist concepts, control approximately one-fifth

*See Working Papers: Laks, p. 169; May, 171; Shaal, p. 191.

of the country's wealth in terms of GNP, economic activity and employment. Here the movement is part and parcel of the Trade Union Movement represented by the Histadrut. The co-operative economy pioneered the establishment of industrial enterprises, consumer co-operatives and co-operative housing projects in developing areas, assuming not only the entrepreneurial

function but also a large part of the financing as well as the administration of these projects. At the same time Bank Hapoalim was the first to open up branches in developing areas in the country. The financial aspect of these activities necessitated a large degree of co-operation between the State and the Bank regarding the allocation of resources.

PANEL DISCUSSION

Under the chairmanship of Mr WERNER SCHIFFGEN (International Raiffeisen Union) the panel consisted of the following:

Mr J. D. GINS	Union du Crédit Coopératif (France)
Mr M. G. HESS	Bank für Gemeinwirtschaft (FRG) and Secretary, ICA Banking Committee
Mr J. LAKS	Instituto Movilizador de Fondos Cooperativos (Argentina)
Mr G. MAY	Canadian Co-operative Credit Society (Canada)
Mr G. SHAAL	Bank Hapoalim (Israel)

There was a brisk interchange between delegates and the panel. Questions related to: the co-ordinating role of the International Liaison Committee; a description of the Bank für Gemeinwirtschaft (BfG) a commonweal bank in the Federal Republic of Germany; the new technological development (especially data processing) facilitating communications for banking purposes; the importance and nature of guarantees which in the case of developing countries like India should also include forward and backward linkages; the essential independence of co-operatives even if as financial organisations they are subject to government supervision; the legal

structure affecting banking operations; the adequacy or otherwise of the classical co-operative approach in developing countries; the possibility of obtaining concessionary finance by developing countries from advanced countries and generally the liberating influence of proper credit. Above all thrift, which tended to be relegated to a subordinate position, must remain the basic element for the origin and growth of a thrift and credit society.

The first speaker, Dr P. W. REGE (President, National Federation of Urban Co-operative Banks & Credit Societies, India), wished to comment on

the papers of Messrs Oger, Desvergnès and May.

Mr Oger had pleaded for flexibility in relations with government. The co-operative movement in India felt there was rather too much government interference. Government assistance was almost unavoidable, but only too often “the clanking chains of bondage” accompanied “the coin of the realm”. Mr Oger had called this “tutelage”, but the Co-operative Registrar in each Indian State had almost unlimited powers. There were three stages of co-operative/State interrelation: (1) the right of observation by the State, (2) participation, and (3) complete control. He hoped the conference would come to a conclusion about the ideal degree of government supervision.

Mr Desvergnès had mentioned the dual nature of co-operative banks: in the sense that they must maintain their co-operative character, making available low-cost credit to their members, but also must make a profit; and also in the sense that they were governed by both co-operative and banking legislation. In India this meant dual control: as a financial institution they were governed by the Reserve Bank of India, but were also subject to control by the Registrar as a co-operative institution. Unfortunately the demarcation between these two authorities was not always clear, and overlapping caused difficulties.

Mr May had said that democracy and the free market made uncomfortable bedfellows, and there was some truth in this. But until co-operatives had the potential to take over the entire economy, Dr Rege supposed the mixed economy must be accepted as an unavoidable evil.

His final point—in this entire conference, so much emphasis on credit and so little on thrift. Nowadays it was a borrower’s market, but co-operatives had started by inducing their members to save in order to reap some benefit, and it was high time they came back to the path of thrift.

The various views, solutions, strategies, organisational set-ups and suggestions for co-operation in the field of credit reminded Mr D. WIND (Rabobank, Netherlands), of a cacophony of co-operative music which could be effective only if it came to a harmonious finale. In his opinion, there was no need for creating new organisations, more bodies operating in the thrift and credit field, but there *was* need for greater co-operation between the existing ones. The conductor already existed—it was the cry of the poor people in their struggle for life, of which all co-operative organisations were fully aware.

What was needed was a co-ordinator to lead this orchestra of well-equipped organisations into a harmonious group, to enable them to come into action and use their instruments in the best possible way, thus contributing—as the Indians said—to “peace, progress and prosperity”. And the co-ordinator could be the International Liaison Committee.

Mr Wind called for more opportunities similar to this conference for exchange of information so that they could learn from each other, for more discussions on the practical steps which could be taken to further the advancement of people who at present barely existed.

Commenting on the two previous speakers, Mr HESS (Panel) thought how fortunate it was that delegates came from so many different places, with different conditions and different outlooks. He mentioned this in relation to the situation in Germany which differed from that in most other countries. In the Federal Republic they had a tradition of close links between the consumer co-operative and trade union movements which went back over a hundred years, and this had brought into being the *Bank für Gemeinwirtschaft* for which he had the honour to work; the title was translated as *Bank for the Commonweal Economy* in English, *Banque de l'Economie de l'Intérêt Générale* in French, i.e. a Bank working for the benefit of the public. The Bank had undergone some changes in ownership and was now owned by a holding in the hands of the trade unions, while itself a shareholder in the central holding organisation of the consumer co-operatives. However his main point, which related to the paper presented by Mr Chomel, was that the Bank was willing to forgo a part of its possible profits if, by so doing, it could benefit the public in general: it had tried to be a pioneer in charging the lowest possible rates of interest on small credit, and in granting the highest possible rates of interest for thrift, especially for small savings. This was the Bank's philosophy, and he thought it important. They were often asked whether they were a co-operative bank or not; Mr Hess thought that—as with others of similar size—legally they were not, they were a limited company. Nevertheless he felt that in their daily work and the attitude of their employees, they could not be

compared to the normal bank because they had this different outlook, this different philosophy and this different goal.

Mr J. TEICHERT (EEC) wanted to know: (1) what Mr Hess meant by "the public" when the BfG appeared to cater mainly for the needs of consumer co-operatives; (2) was the Bank in fact democratically controlled?

Mr HESS said: (1) he had not wanted to go at length into the history and development of commonweal banking. They were doing normal banking business, financing any enterprise which, after due scrutiny, was considered worth financing from a banker's point of view, i.e. they served the economy as a whole. But within that framework the Bank had a special obligation towards those who had set it up, and especially towards the consumer co-operatives who needed it. Therefore the Bank was serving the majority of the population, which is normally understood as "the public". Perhaps he had not made himself clear on this point. (2) On the control of the Bank: under German law a Bank is controlled by a Supervisory Council which in turn appoints a Board of Management; once appointed, the latter is virtually independent. The Supervisory Council is, under the co-determination law, composed equally of representatives of employees and of shareholders. Since the trade unions are democratically controlled, it follows that the people elected by them to sit on the Supervisory Council are also democratically controlled, so Mr Hess thought there could be little doubt about the demo-

cratic control of the BfG.

Mr Hess added that the trade unions had provided funds for the BfG because they felt that commonweal enterprises (consumer co-operatives also came under this heading because they influenced market prices for the benefit of the public, as did co-operative insurance) performed a valuable task which benefited the working population as a whole.

On the **new technology**, Mr MAY (Panel) commented that many movements continued to regard data processing merely as a sophisticated accounting system, of benefit mainly to management. In Canada they were beginning to discover other uses, such as offering more member participation and involvement by making it possible for individual members to link their own television sets into the co-operative General Assembly.

One disadvantage of data processing was that, with more interlinked systems, individual co-operatives felt they were losing their autonomy, and this was causing concern.

Several speakers dwelt on the subject of **guarantees**. Mr GINS (Panel) said that one way of safeguarding deposits was the normal banking practice of spreading loans—geographically, and over more than one co-operative sector. However the problem arose when it was a case of lending to co-operatives with limited capital resources and managed by people of goodwill but lacking in the necessary skills. One solution put forward that morning, was that a bank should organise a mutual guarantee amongst the various co-operatives who

were its borrowers, so that if one co-operative defaulted, the others paid in its stead. This could only work with a long habit of solidarity, but it was one advantage which the co-operative bank had over the ordinary commercial bank. A bank must provide some guarantee for its depositors, especially if deposits were used for commercial loans which provided a certain amount of risk, otherwise it would lose their confidence. It must of course require audited financial statements from its borrowers, and this was often organised by the movement. Mr Gins felt that credit should also be used as a means of education in management and financial control, if necessary through other co-operatives, so that the strong helped the less strong, and this was the true guarantee. It was also possible sometimes to lend through intermediary organisations. When co-operatives needed help, co-operative credit institutions could not stand by and do nothing; what had worked in one country might work in another; innovation was needed, in their own countries and perhaps later internationally—and this was the advantage of a conference such as this.

Mr ISIDORE D'SOUZA (Reserve Bank of India) pointed out that guarantees should not be looked at only in the financial and legal sense. In World Bank development programmes, and when banks were linked with State development programmes, there were certain other forward and backward links which must be assured to make the credit programme successful. In India they were experimenting with area planning which involved all the various bodies concerned in a programme, who

could look into the technical and commercial feasibility of the project in a way which would not be possible for the co-operative bank on its own. So forward and backward linkages—support services—were an essential component of any development programme.

He emphasised that governments must be regarded as partners in all such activities, since nothing could be done without their effective support.

Mr BRAUN, returning to the question of **Co-operatives and the State**, said that as associations of individuals, co-operatives deserved support from the State because this was the best possible way of organising a democratic process. He agreed with the previous speaker that the State should be considered as a partner, but it should not be allowed to dominate co-operatives any more than political parties, churches or other organisations. If co-operatives were to remain independent, they must organise their own financial control, by the members through the board of directors, and through a system of inspectors. However thrift and credit co-operatives must expect to come under a certain amount of government regulation, since they are connected with the money supply which is a matter of State policy.

On **guarantees** Mr Braun said it was essential to proceed step by step: a village could organise its own collective guarantee for the savings of all—there were various formulae which could be applied. Only when village societies were well established should they join together to provide a larger guarantee fund, which as it developed would require employees and then more

sophisticated equipment. This was far better than organising credit co-operatives from above, which could only lead to disappointments: people must learn to take their destiny in their own hands. Eventually this could spread internationally but, as their Netherlands colleague had said, each must learn to play his own instrument properly before they could produce a harmonious whole. He agreed with Mr Wind that the co-operative ideals were the only 'conductor' of co-operation; but the International Liaison Committee was the appropriate body to co-ordinate the orchestra, as its task was to provide for the exchange of information and experience, to find out what made one co-operative fail and another succeed. Co-operatives could help each other, not only technically and financially, but because they came from all kinds of political, social and religious backgrounds, yet shared a common goal. What other organisation could make the same claim?

Mr SHAAL (Panel) thanked Mr Braun for his comments with which he agreed, but also wanted to stress the question of involvement. Speaking from the experience of his own country, and also the German experience which had developed on somewhat similar lines, he felt strongly that although the independence of the co-operative movement was a desirable goal, they must not lose sight of the social and ideological basis for their activities.

Mr LAKS (Panel) mentioned three general ideas which he considered important in connection with their present subject: (1) the opportunities

created in the past few years made it possible to face the requirements of a New International Economic Order to bring about a better, more just distribution of wealth between nations and people; (2) efficiency and democracy went together and must keep together—it was necessary to find means of increasing participation of members in the management and control of their institutions and to strengthen training and education; (3) the co-operative movements in the developing countries needed economic and financial aid to carry out their programmes—assistance could usefully be made available especially in the technological field, computer processing and management, provided this was done in keeping with the needs of individual countries.

Mr TEICHERT (EEC), fully supported Mr Shaal's remarks concerning the need for not losing sight of the underlying ideology, but the question of guarantees was of vital importance. Dr Rege had said that co-operatives should start with thrift, with credit following later—but the position earlier in Germany had been the same as in India and many other developing countries, where people did not have enough to save, nor could they obtain credit except from the moneylenders. Then they discovered the basic idea of credit co-operation, and by pooling what little they had in the way of non-monetary resources, they could put this together as a guarantee to get credit from a bank at the normal rate of interest; but each individual had to stand with everything he owned for the obligations and debts of the co-operative, and to do this he had to have faith in

the co-operative.

Mr MOHD. HASSAN WAHAB (Co-operative Central Bank, Malaysia) added to his earlier remarks on his country's co-operative movement by saying that relations between **co-operatives and the State** in Malaysia were simple: societies in the fishery and agricultural fields had their own organisations and were guided and supervised by government agencies. The members of his Bank came mainly from the urban zones, and although the government supervised, it neither controlled nor interfered; it would not even step in to liquidate a society, so members were fully responsible for running their own societies. In order to ensure democratic control, there was a law that no member of a co-operative committee or director of a society could hold office for more than six consecutive years.

He had a question for Mr Maxey on the **legal position** of the Co-operative Bank in the UK with regard to cheques. Mr Maxey had mentioned that his bank had the privilege of clearing its own cheques; Mr Hassan's bank, with its 90,000 members, could not introduce its own cheques because it was registered under co-operative not banking law.

In reply, Mr MAXEY (Co-operative Bank, UK), said that most co-operative societies in the UK are registered under the Industrial & Provident Societies Act, as presumably also in Malaysia. He had mentioned in his paper that in 1971 his bank became a separate legal identity (having previously been legally a department of the Co-operative Wholesale Society), and it then registered under the Companies Act instead of the

Industrial & Provident Societies Act. It became a clearing bank in 1975 and no longer had to rely on a competing bank to act as its agent. The Bank is of course subject to normal banking regulations.

Most co-operative banks issued their own cheques, and many had been fully-fledged members of the clearing-house for several years.

Mr KANG (Asian Confederation of Credit Unions, ACCU) described the plight of the tiny village communities in Korea with which he worked, aboriginal peoples in the mountains far from banking facilities, too small and lacking in skills either to qualify for a government guarantee or to cope with the complicated paperwork involved in applying for an international loan, which was their only hope of development. Mr Braun had talked about guarantees being the responsibility of all the individual members of a co-operative, and he felt this should be extended to the international level. He had tried to help one such group, and found little to choose between the co-operative bank and the commercial banks in the matter of guarantees and interest rates. International co-operative institutions appeared unwilling to take risks, but although co-operatives operated, *not for charity, not for profit, but for service*—this service must include some risk, at least in the early stages.

His second point: it had been mentioned that multi-purpose co-operatives were likely to be more viable than single-purpose. But, for the people he had been talking about, even a single-purpose credit co-operative appeared unbelievably complicated, and it took

a long time to help them to understand the philosophy and principles of co-operation; the concept of a multi-purpose co-operative would be far beyond them. This had to some extent been proved in the Philippines, where the government had tried to start a multi-purpose co-operative in every village; they spent a lot of money, usually they failed, but they still came back to start again. The multi-purpose co-operative was so complicated and needed such delicate managerial skills that it was liable to be taken over by an elite or by an ordinary business group—and this had often happened. But starting with a single-purpose co-operative, with the growth of ability would come other skills, and by then the capital might be available to enable them to extend. But they needed the initial capital. And in all probability this would not be lost, because people would appreciate it and make every effort to repay the loan.

Listening to the previous speaker, Mr HESS (Panel) wondered whether the classical thrift and credit society was perhaps no longer adequate in the present state of development in the world. Different instruments were needed in order to help more people: financial institutions able to raise money on the capital market in order to channel this money into co-operative organisations. This again gave rise to limitations; it had been mentioned that even some co-operative finance institutions were averse to taking risks, and this was possibly because they had to work within the framework of the capital and financial market and the banking community as a whole. But Mr

Hess felt only that, in addition to the classical thrift and credit co-operatives with their organisations, further instruments were needed within the co-operative movement in the broadest sense, in order to do what had to be done, especially in view of the wonderful definition of a co-operative quoted by Mr Kang.

Mr HASSAN (Malaysia) referred to Mr Kang's attempt to get a loan from external sources—presumably from a co-operative group—and his remark that something must be lacking globally in the co-operative movement. Mr Hassan said he knew there were risks, and they did not want charity: what they were seeking were concessionary terms, perhaps from a developed country with a strong financial co-operative organisation. Perhaps this should be the idea: they didn't want free money, they didn't want co-operatives to lose their money, but they would appreciate concessions.

Mr M. M. VYAS (Gujarat State Co-operative Bank) asked: (1) how the selling capacity of the small and marginal farmers could be increased; unless they had finance from outside, they would never be able to produce a saleable surplus; (2) economic prosperity often brought with it other problems: how could this be achieved without the farmers losing their peace of mind?

On the first point, Mr BRAUN thought that improving production in order to have a surplus presented two completely separate problems. First the agricultural sector must be developed, which meant irrigation, fertiliser, storage facilities, and this required State

intervention. But reorganisation of land allocation was also required, so that less time was spent in travelling and the farmer had a reasonable acreage all in one place. At a later stage they could pool products for storage and sale, thus helping each other and increasing productivity. Individual savings probably came last. But it was not possible to lay down any general rule; the situation varied so much in different countries. What they all had in common was the desire to help each other in order to raise the standard of living; he thought this was a difficult question which he had attempted to answer with humility and frankness.

On Mr Vyas' second point, Mr Braun could only say that a man's happiness is created by man himself.

The CHAIRMAN thanked the members of the Panel and also the participants for their contributions to the discussion.

In closing the session, Mr BRAUN said the afternoon's discussion had been very fruitful and had brought to light some complex problems.

The role of the co-operative credit institution had become more important in the world. Commercial banks were no longer able to lend their surplus liquidity all over the world, because when their governments took a closer look at their surplus balance of payments, they found that many countries were no longer solvent and must borrow more finance in order to service their existing debts. Therefore he felt that the thrift and credit co-operative, with its organisation of solidarity, was an important factor in the provision of

credit to set men free. He believed that the risks were not great, because they were dealing with the poorer elements

of society who always repaid their loans. He had faith in men and he had faith in co-operatives.

Final Session

Chairman: **Theo Braun**

Report of the Conference

Presented by **Dr. S. K. Saxena**, *Conference Rapporteur*

Dr SAXENA then presented the Summary Report* of the Conference which he had prepared with the assistance of the Drafting Committee and which had been distributed to participants. He said he would not go into the details of the **Opening Session** and the session on **Changes in the Social and Economic Environment**, as the papers presented during the latter had been distributed and there could be little discussion on the contents of these two sessions. He highlighted the main points of the other sessions as follows:

The Needs of the Underprivileged

- The FAO paper which mentioned the World Conference on *Agrarian Reform and Rural Development*, the limitations to which co-operatives are subject in their operations, the need for innovation, and various approaches which could be adopted.
- The ILO paper which dealt with thrift and credit co-operatives as providers of employment, the contri-

bution of industrial co-operatives, the role of the ILO and UNIDO.

- A suggestion by Mr Catalano (Secretary to the International Committee of Workers' Productive and Artisanal Societies) that a commission should be appointed to study the relationship between thrift and credit and workers' productive co-operatives, with support from the UN agencies.
- Urban poverty and the need for government assistance.
- Collaboration and assistance schemes for developing countries.

The International Interlending Programme

- Details of the COPAC Report and the underlying ideology.
- The COLAC scheme for small farmer credit.
- The nature of Indian credit requirements.
- The "do's and don'ts" of co-operative interlending.

*Dr. Saxena's Summary Report gave a detailed account of each session. To avoid duplication, it was thought best to use the text as the basis for the *Summary of Proceedings* and it is therefore not reproduced here. A slightly abridged version of the original Report appeared in the *Review of International Co-operation* No. 2, 1981.

- That the resources of the co-operative banks in the industrialised countries should not be over-estimated; other agencies, World Bank, IDA, OPEC, have a greater capacity for finance.
- The importance of defining *who* is the “borrower”.
- The Israeli experience, with regard to co-operatives and the State.
- In certain development conditions, the co-operative movement operates projects in partnership with the State.
- The need for thrift, which has tended to be relegated to a subordinate position, to remain the basic element in the origin and growth of a thrift and credit society.
- The need for the creation in the not too distant future, of an International Co-operative Financial System which would reinforce the sense of solidarity throughout the world.

Co-operatives as Banking Institutions

- The wealth of documentation on co-operative banking institutions in the developed countries which had been prepared for the conference.
- Relations between co-operatives and the State.

Discussion

During the discussion on the Report, the following additional points were made:

The Needs of the Underprivileged: concessionary rates for small and marginal farmers could involve some form of subsidy; housing, while an obvious priority, required longer term credit than that normally provided by thrift and credit co-operatives; in spite of poor conditions, the Indian farmer had contributed almost one-third of the total finance requirements of the co-operative sector; the importance of education and more efficient banks, in inducing thrift; the fact that the co-operative movement nowadays tended to be a members' rather than a people's movement; the tendency of governments in developing countries to *use* rather than recognise the services pro-

vided by the co-operative movement; the fact that little mention appeared to have been made of the Raiffeisen Movement outside the Federal Republic of Germany; many co-operative banks had been training individuals from overseas for a considerable period (the UK Bank had done so for 35 years).

Co-operatives as Banking Institutions: it should not be assumed that thrift and credit co-operatives were always successful in maintaining independence from the State, either in developed or developing countries—they *tried* to retain their independence and often helped to shape social and economic policies; the problems caused by the population explosion to the development of thrift and credit institutions; further attention should be devoted at some stage to the question of the relationship between

Co-operatives and the State; the need for smaller meetings between representatives of those who wished to borrow and those who wished to lend, since the details of such transactions were outside

the scope of a large conference such as this; the fact that difficulties in the way of interlending sprang from governmental regulations rather than from the co-operatives themselves.

Conference Recommendations

The following recommendations, presented by the Rapporteur, were agreed by the Conference:

The Conference reaffirmed the principles of co-operation and especially emphasised the aspects of: solidarity, as exemplified by the International Liaison Committee; thrift as the basis of the thrift and credit movement; and the need for the creation by Governments of an environment conducive to the growth and independence of the co-operative movement.

The Conference expressed the wish that the thrift and credit institutions should jointly follow through their thinking; continue to exchange information and experiences; identify means of improving their functioning to reinforce their presence on the international scene in both the industrialised and the developing countries.

The Conference suggested that in countries where government establishes national financial bodies to support and serve Agricultural and Rural Development, adequate representation on such bodies should be given to the co-operative movements in view of the important role which they play in such development.

Mr BRAUN said he felt that these conclusion confirmed their will to look for specific solutions to specific needs and problems which had been expressed during the Conference.

Closing Addresses

Mr Théo BRAUN,

Chairman of the International Liaison Committee:

We have now come to the end of our 5th International Conference on Co-operative Thrift and Credit.

We have exchanged very varied experiences, we have compared our ideas, we have in fact gone through a week of intense labour.

I am sure that after this we shall feel less alone, less isolated, in spite of the geographical distances which separate us. We have in fact become aware of the links which unite us and, wherever we may exercise our responsibilities, we know that our activities are set within a framework of international solidarity.

Besides, these activities prove, if proof were needed, that free individuals can join together to accomplish a common task for the betterment of each and all.

We have the feel and the taste of freedom: at no time have we taken pleasure in sterile criticism of our societies; we know that such an attitude would be the very denial of that freedom which implies a responsible attitude. While the world has its constraints and its dark shadows, it also has its reasons and its insights; its future is, and always will be, forged by the voluntary actions of mankind.

I would like very sincerely again to express my thanks; you have travelled far, and sometimes uncomfortably; you have participated actively in our discussions, you have expressed yourselves freely and clearly. Again thank you, because the contributions of each of you will enrich us all.

I would also like to thank, in your name and my own, the Indian co-operative movement for its hospitality; its leaders have given us a warm welcome, the memory of which we shall treasure in our hearts.

Our stay in this country, which many of us were discovering for the first time, has been extremely pleasant. We have been aware of the kindness of the Indian people, of the beauty of the historic monuments, of the wealth of its culture. We have also become aware of the immensity of the problems to be overcome by India to ensure its development and conquer its poverty.

Our friends of the Indian Co-operative Movement have facilitated our stay and have enabled us to better understand their problems. I would like to thank them, and I would also like to assure them of our solidarity and offer them our best wishes: may they continue to venture and to succeed!

I thank the organisers, the NCUI staff, the ICA Regional Office and its staff, our secretariat, the reporters who have done considerable work. I thank the interpreters who have made it possible for us to communicate: I think that without them nothing could have been done. We have all appreciated their efforts, their patience, and the trouble they took to enable us to understand each other.

My friends, it now falls to me to draw the conclusions of our labours, a task made even more difficult because I am speaking after Dr Saxena, our General Rapporteur, whom I would like to thank from the bottom of my heart for the remarkable summary which he has presented.

Hoping to be able to count on your understanding and indulgence, I would like to make some comments and suggestions.

The main theme of the Conference was, I think, well chosen.

The period which saw the birth of the first co-operatives was one of relative social stability, whereas today rapid changes are taking place in the social structures of all countries everywhere, with the progressive disappearance of the earlier stable structures in society.

Our environment is difficult to circumscribe.

The "world crisis", which must not be ignored, has brought to light some homogenous factors, but also a great number of heterogeneous factors (economic, political, ideological) causing cracks which could become outright fractures. This epoch is a particularly difficult one to get through; it needs perhaps some efforts at synthesis, similar to those which help an enterprise to behave as a micro-society, under pain of falling apart or losing its efficiency.

I will mention first of all the international climate of tension, even open conflicts which have arisen in the four corners of the globe, risking their spread through a series of chain reactions. The powerlessness of the large international regulatory organisations, faced with the power of armaments and the great concentration of the power of decision, is creating a climate of uncertainty about the morrow which does little to help the co-operative movement to develop its peaceful and transformative activities.

Our countries today are all characterised by inflation and unemployment.

Inflation is an evil, whose dangers no longer need emphasis; in the industrialised countries it is the cause of economic disorganisation accompanied, more often than not, by unemployment.

The world inflation is also affecting the developing countries, which are suffering increased prices for energy products, for manufactured goods and especially capital equipment coming from the industrialised countries; and they also feel the adverse effects which the deceleration in growth of the latter has on their own position. In this way, inflation makes the very poor still poorer.

World inflation spreads because each country's inflation acts on the others, and they mutually fuel each other; it is maintained by those international strategic factors which provoke increased prices for raw materials; interdependence is growing in our "finite world" to quote P. Valéry's expression.

Finally, the international monetary system shows deficiencies and the present regime of floating currencies is unsatisfactory. The poor countries are attracting fewer and fewer investments.

I did not bring up this question of our surroundings today in order to preach to you, far from it. I did it for the sake of realism; I do not wish either to sentimentalise or to dream dreams. Almost 40 years of fighting have taught me that to act responsibly means looking reality in the face, not in order to resign oneself to it but—on the contrary—to fire one's enthusiasm, to force oneself to react . . . because there will never be a perfect society: it is the *effort* which brings satisfaction.

Around us people talk about a "state of crisis". I do not agree. What we are taking part in is a far-reaching change throughout our societies, in a reshaping at every level, both material and ideological. The cards are reshuffled every day under our eyes.

This brings me to my first conclusion: the obstacles are manageable. We must be aware of them and learn how to recognise our own limitations. We cannot do everything but we must do what we can.

Capital transfers are not easy—they are controlled by national legislations; methods of payment are not always satisfactory; currencies float and many countries, even industrialised countries, are no longer solvent. But we also have our own specific limitations. Our co-operatives, even large ones, collect the savings of ordinary people. These savings are the expression of the will to protect themselves against the contingencies of life (sickness, unemployment, children's education, building a house, buying household equipment, provision for old age), they are "*precautionary*" savings. We are not dealing with fortunes, but with ordinary savings. These are the savings that will allow us to meet requests for credit. Therefore we do not have the right to put them at risk or to dispose of them lightly. And that is a limitation.

We are however aware that our co-operatives in the industrialised countries must participate in international solidarity and come to the assistance of the developing countries, not with meaningless gestures, not in order to exercise influence in the political field, but in a disinterested manner. Our actions, deliberately, are dictated by the motto "help and serve".

Such aid, resulting from an act of will, will not be negligible. Thrift and credit co-operatives can, without involving their members' savings, use part of their surpluses to allow or encourage the development of the Third World; naturally, as it is a question of surpluses, they will do it with the consent of their members. Thrift and credit co-operatives can deposit their donations with the international organisations to which they are affiliated: the World Council, the International Raiffeisen Union, the ICA Banking Committee . . . or use other channels. For instance, I know that RABOBANK provides aid to certain countries of Africa, America and Asia; the German movement does so to South America and the Middle East; the French and

Swiss movements to Africa; the World Council, the Canadian Co-operative Credit Society and the Desjardins Movement to South America and to certain African countries; while the thrift and credit co-operatives in Austria, Sweden and Denmark, and CUNA in the USA, assist developing countries through bilateral agreements. I must not forget to mention also the assistance provided by the ICA Regional Offices, such as the New Delhi Office whose radius extends to several Asian countries.

This Conference can therefore present a positive picture in the matter of aid. Our solidarity exists, and is effective. We do not content ourselves with high-sounding words and sentimental slogans. We act, although we know that our aid is insufficient to meet the needs—but at least we have made a beginning. And here is the essential fact that I want to underline: we know that we could do better and act more effectively if we organised ourselves and our efforts were better co-ordinated.

Our central banks also participate in development and finance infrastructures (irrigation systems, ports, construction of factories, financing trade). This is unfortunately not, in general, known—and it is high time to make it known.

I will add that we also need our international organisations in order to make our voice heard; I am thinking particularly of activities in favour of peace. I am convinced that the limitation of military expenditure, for example, would lead to better economic development in various regions of the world. In a large number of countries, military expenditure is at the root of under-investment in production, and therefore of scarcity, poverty and a mediocre standard of living. So we must, and this is another conclusion, join together to make our voice heard, and contribute to restoring their regulatory power to the international organisations

Our Conference impressed me by the questions that were put, both in the papers and orally. I remember a few which I believe are crucial, and to which I would like to try and reply.

Can Co-operation, in the future, continue to take its destiny in hand as it has done in the past? Does it have the autonomy, the means and the organisation necessary to guarantee its independence and ensure its survival? Can the production and distribution system which it represents, alone reform or modify to any appreciable extent the world of today?

These questions could also be formulated differently: the national and international environment of every co-operative is characterised by gigantism and complexity—gigantism of the multinational enterprises, the international institutions, the volume of trade; and complexity of international finances. If co-operatives fence themselves within the micro-economy, in the shape of tiny organisations, they risk suffocation and will disappear. But if, on the other hand, they follow the trend towards gigantism and complexity, will they remain co-operatives?

Democracy is not an isolated problem, since one of the fundamental characteristics of Co-operation lies in a movement of continuous reform based on educational values. How can this be maintained in an organisation which runs the risk of outgrowing its practitioners? In fact, various connected difficulties arise at that stage, and you have mentioned them. Co-operatives must, under the circumstances, take account of their economic and political partners: the State, the private sector and the multinationals.

In many countries, the State is increasing aid to co-operatives and imposing heavy responsibilities on them; in certain countries, the State imposes severe restrictions and controls which narrow their field of action; in some countries, in fact, co-operatives have lost their independent character and have become merely “annexes to ministerial departments”. In all these cases, relations with the State are ambiguous and cover grey areas.

With the private sector, relations are clearer. Private enterprises, especially in our industrialised countries, have one single objective, which is to deprive co-operatives

of their socio-economic status, to turn them into private enterprises in order to subject them to the laws of competition which govern the free market.

This brief statement on the seriousness of the problems which face the co-operative movement today highlights several questions which I would like rapidly to run through:

- (1) Do co-operatives everywhere perform the same functions, and if not, how can the disparities be explained?
- (2) What about the co-operatives' original objectives? Do they remain true to them, or does the socio-economic transformation which they undergo oblige them to redefine themselves in a radically different manner? In what terms?
- (3) What about the nature of co-operatives today? Do they constitute a social elite, a sector of the ministry, a countervailing power, a collection of marginal organisations?
- (4) Do relations with the private sector lead co-operatives to internalise the imperatives of competitive profitability? Is there not then a risk of tension between philosophical principles and short-, medium- and long-term practice?
- (5) As a result, are co-operatives turning into purely economic instruments, or do they still have a social content, able to complement economic practices in their diversity?

It is obviously urgent to provide methodical and comprehensive replies to these questions. But in my opinion, the replies should take into account the specific characteristics of each co-operative movement—which does not exempt us from finding general answers, nor from outlining theoretical solutions to the problems as a whole.

Having sought to express clearly your concerns as they have appeared to me during the course of this Conference, I would like to reply to them, but will do so briefly because of the lack of time.

My replies are my own personal views, the fruit of my consideration and my experience. It will then be necessary for us to seek jointly, although maintaining our individual specificity, a collective response to the problems. This effort of reflection will not waste our time, since every action needs to be illuminated and reflection acts as a beacon.

I would therefore like to submit to you these few propositions:

- (1) If it is true that gigantism and increasing complexity of a co-operative—or mutualist—organisation are not without danger to the democratic values of the same, it should also be possible to bring to light a solution capable of reconciling the developmental needs of an organisation with the values which guide it. The co-operative—and mutualist—membership prides itself first of all on the decentralisation of the decision-making processes, which allows the members to exercise responsibility of choice. This responsibility avoids being overcome by the usual organisational inertia mechanisms, by becoming the methods of expressing demands, based on the study of local information mechanisms and needs structures. However complex the co-operative structure, “self-management” in decision-making allows information and power together to go from bottom to top (local bank, federation, tertiary level) instead of from top to bottom. The resulting flexibility and adaptation at local level are thus factors in the effectiveness and flexibility of the co-operative—and mutualist—structure, while keeping democratic values intact.

- (2) If it is true that relations between any co-operative and the state are sufficiently ill-defined to allow the latter gradually to absorb the functions which have fallen to the co-operative organisation, then efforts must be made to rigorously define the nature, function and history of the co-operative in order to reaffirm the values which give cohesion to the organisation and bring them to the public eye. I am a firm believer in the independence of the co-operative movement in relation to the State. It may happen that the State finances co-operative development projects, thus raising standards of living generally. We can accept this, so long as this method of doing things encourages democratic functioning and allows individuals to exercise their freedom and their responsibilities. However, it remains no less true that the co-operative movement, if it wants to retain its autonomy, must strengthen the consciousness of its own identity both within the movement and with the general public. It must closely *define its role and functions*.
- (3) A climate of uncertainty, combined with the many national and international pressures, can have an adverse influence on the development of socio-economic institutions such as ours. But our institutions are not so malleable as to have no power of resistance or initiative of their own. While the co-operative movement may not be a countervailing political force, it can on the other hand act as a socio-cultural cross-current if it succeeds in substituting, for all forms of confrontation (including confrontation with traditional liberal democracy which is, ultimately still a fighting democracy) a genuinely pacific democracy based on the right to speak and to participate. This primordial right, which rests on the inarguable democratic value of the collective consensus, gives priority to the discussion on the search for power, places the search for harmony within the membership group above the expression of individual competition. By laboriously and conscientiously propagating democracy, Co-operation—and active Mutuality—can, at their own level, counterbalance uncertainty about a future moulded by the play of external forces, just because they then become active participants in the construction of that future. In the end, a semi-awareness is always semi-deliberate.
- (4) Finally nobody will deny that profound sociological changes have taken place in all modern societies, to the point that individual and collective inter-relations have become almost *the* essential question for sociologists. But here again we should neither indulge in fatalism nor desire to return to the past. If it is no longer possible to return to the stability of social structures which prevailed in the world at least up to the end of the First World War, there is nothing to stop us finding equivalents of that social stability. At local level each thrift and credit co-operative—through its management of savings, its choice of loans devoted to satisfaction of basic needs, the active participation of its local members in the life of a democratic organisation—can help to create a small stable island of collective identity and, through integration into an associative way of life, to unify the composite character of our populations.

Our movement must reconcile democracy and efficiency.

Our movement must create communities where men and women act as adults capable of thought and of criticism, capable of fixing their own goals, of helping to attain them, capable of organising that solidarity which is the opposite of egoism. To my mind, the democracy of the co-operative movement must lie in a “totality of obligations and reciprocity of services, a conscious system of rights and duties”.

I believe that democracy exists wherever there is an admission that every human

being, man or woman, has a *voice* and that every voice has the inalienable *right to be heard* and the ability to use that right. On the other hand, aristocracy exists wherever there is an admission that the coexistence of living beings imposes the "lion's share" as a natural right which it justifies by virtue of the lion's quality.

I beg you, let us make sure that the co-operative movement is not built from the top downwards; let us make sure that it does not set up a vast administrative apparatus from the start. I believe that the co-operative movement must rest "on equilibrium (but also on the fundamental distinction) between society's needs and the specific needs of the individual".

Co-operatives must, in the first place, take account of elementary human aspirations, I would say *essential* human aspirations. In fact, it is a question of the individual's mere awareness of existence, and of the obvious fact of otherness which that implies: "I am", therefore "the other is". This involves examination, which means the necessity of looking closely at oneself and at one's neighbour, and also of being looked at in the same way.

But the difficulty of today in a baffled society still seems to hold. In a few words: how do you treat your neighbour as "the other" (that is to say, as yourself) in a social structure where neighbours, as such, tend to disappear, leaving only all the others.

The co-operative movement will make progress, I am convinced, because of its militants, because of all those who have faith in the co-operative ideal. But its progress will be by stages. Every beginning is difficult. The creation of basic communities seems to me fundamental. We must remember always that "the individual only exists in his relationship with the other, spontaneously summons up the community, and cannot exist without it". It is not because man is social that he is man, but he is social *because* he is man.

I beg you, let us not copy others. We have our own originality, let us safeguard it. I would go so far as to say that the co-operatives of developing countries can make a great contribution to us in the industrialised countries, to revive our co-operative faith; it would be for us an admission of failure to see the individual reduced to a registration number in a card index. In order to keep democracy alive *and* be efficient, let us apply the principle of subsidiarity according to which it falls to a larger body at a higher level to do what the grassroots stage cannot do. The principle of subsidiarity apportions the nature of the means in accordance with the range of functions to be carried out. It is a factor of harmony in the institution as a whole.

Individuals exist only in a state of autonomy, and their solidarity is not based on fusion but on infinite respect for the resulting differences and diversity of vocations.

The vocation of the co-operative movement is to put an end to man's exploitation of man. This assumes initiatives on the part of individuals associated in grassroots communities, whose activities must be broadened, amplified and reinforced by central organisations directed and controlled from the base.

The co-operative movement has not to manage the crisis, nor to manage the discontent. What it has to do is to assemble men and women together, not for action in separate groups but for a grand overall design. It must summon men and women to take their own destiny in hand, to organise themselves, to respect each other, to join together for mutual help.

For the co-operative movement, the basis for action is training for responsibility. But let us show originality in our training methods. For my part, I believe in the virtues of "on the spot" training, through action. And I believe in it because I experienced it. As a worker in 1933, with no professional training whatever, I learned everything I know through trade union and mutualist activities. I did not learn the banker's trade at university but through practice and my own determination.

Each one of us possesses his own kind of wealth, even if he is illiterate or has not

attended a major school. The spoken word is the best means of communication. Everything must have a beginning. The spoken word allows explanations; discussion allows a concerted decision made by all together. But nevertheless the right to culture must not be the privilege of the minority.

We must communicate our faith, our ideals, to all our fellow citizens. The concept of community responsibility and decision-making process, based on the exchange of information while respecting differences of opinion, the possession of a language common to all, without technocratic privileges, in my opinion constitute so many characteristics already existing—and to be expanded still further—as to provide a model for a system of democratic participation. We must know how to persuade instead of imposing, how to convince instead of engaging in a dialogue of the deaf.

I am not saying that there is then nothing more to do, to make possible a wider culture in order better to take in and train the specialists essential to any institution.

But if the co-operative movement is to have a grand overall design, it must formulate a unified message and adapt it to the times. The movement stands in peril by reason of the too great diversity of its utterances. Instead of the message and the right to speak bursting on the co-operative movement, we must together find new ways of talking to the world in which our activities are set, and to which we must adapt.

This assumes the existence of a meeting place where we can develop a common language intelligible to all mankind. This assumes that we grant priority to the development of human resources and to the necessary co-ordination at international level. This assumes collaboration between the great thrift and credit co-operative movements of the United States, Canada and Europe, engaged in development projects in Africa, Asia and America, as Mr Daneau suggested in his intervention. This assumes that we will defend our co-operative specificity, especially our representation with the Public Authorities in order to safeguard the autonomy of all the infant organisations. This assumes, finally, a common strategy, of trade, of assistance.

The International Liaison Committee on Co-operative Thrift and Credit can take on this task, if we so desire. This Fifth Conference in my opinion confirmed that it was necessary to set up a dialogue between us in order to establish a consensus, to set in place an organisational formula which will not stop at arranging an international conference every four years—although this is useful—but will be in a position to respond to needs expressed. I am aware that the task is not easy, since every organisation has its own constraints. But I have faith in the future because I have faith in mankind, in their good sense, their dedication and their generosity.

We shall accomplish our task only partially if we do not at the same time seek collaboration with the other forms of co-operative institution joined together in the ICA. This should be possible, under conditions to be researched. By definition we are creative. Therefore we should be able to conceive and put into practice our unity in diversity.

We must bring a concrete response to men's new aspirations: namely, the desire today for active participation in the inauguration of a genuine dialogue which will not evade the difficulties but will aim at resolving tensions, in a continuously advancing dialectic.

All the cultural and historical traditions of the co-operative movement must be used to provide the foundation for the necessary transformations that will make of it the effective new instrument of a great gathering open to all men and women, whatever their opinions or convictions, so long as they aspire to rediscover that fullness which our society has mismanaged for so long.

These men and women, rich in their determination to seek complementarity—despite the diversity of individuals and social groups—united in the co-operative movement, will be able to develop together a common ethos to achieve a common goal.

Mr B. S. VISHWANATHAN, President, National Co-operative Union of India, welcomed the presence of Mr R. Venkataraman, Minister of Finance, Government of India, and thanked him for taking time from a busy schedule during the budget session of Parliament to give the valedictory address.

Mr Vishwanathan said their chief guest was a person who combined in his personality the dedication of a patriot, the high qualities of a statesman, the vision of a planner and the distinction of being a successful administrator. In addition he had long been a successful and reputable journalist, which had given him the analytical perspective necessary to visualise a situation. It was a matter of great satisfaction that he held the key portfolio of Finance in the Government of India, responsible for formulating credit and banking policies, and obviously there could be no better choice than Mr Venkataraman for his present task.

He then briefly, for the minister's benefit, described the aims of the International Liaison Committee, its relationship with the International Co-operative Alliance, the background, and theme of the present conference and its conclusions.

"I feel that these conclusions will go a long way towards strengthening the co-operative credit movement in both the developed and the developing countries and establishing a mechanism for international lending. In this context the Indian delegates have the satisfaction of knowing that the Conference appreciates the intention of the Indian Co-operative Movement to play a vital role in the proposed National Bank for Agriculture and Rural Development. I am happy that

our view point has been appreciated, not only at the national level by the Government of India but also by this Conference. The co-operative movement, particularly in developing countries, as in India, gets support from governments because the latter have accepted co-operation as an instrument of socio-economic transformation. In India, the Government has supported the co-operative movement by extending both financial and technical assistance."

He hoped that the Minister would consider the recommendations of the Conference with sympathy and favour so that the movement might become a shield for the weak in the true sense of the term: "I once again express my gratitude to you for accepting our invitation and associating yourself with this function. I welcome you, Sir."

Mr KERINEC, ICA President, thanked the Chairman for the opportunity to speak at this Closing Session. As President of one of the organisations which had been closely linked with the setting up of the International Liaison Committee, he was pleased to express the keen interest which the ICA had always felt in the Thrift and Credit Conferences. He thought the time and place of the Conference were most opportune: the time, because of the increasing consciousness of co-operators and co-operatives that they belonged to a movement which public authorities and international organisations were beginning to consider important and significant; the place, India, because this vast country had a great deal to contribute, in the way of experience and democratic innovation.

He also took the opportunity to thank

Mr Vishwanathan and his colleagues in the name of the ICA, for their warm welcome and their contribution to the success of the conference; and also the Indian co-operative movement as a whole for their support of the ICA Regional Office. He congratulated Mr Vishwanathan on his election to the ICA Executive Committee and looked forward to their closer collaboration. He expressed appreciation of the Minister's presence at their closing ceremony, as well as of those who had attended their opening session, particularly as relations between co-operatives and governments were a vital question at the present time.

He closed by thanking all those present for their participation, in the hope that through this conference new links had been forged which would contribute to the development of the International Co-operative Movement.

The CHAIRMAN thanked Mr Kerinec, and asked Dr S. K. Saxena, ICA Director and Conference Rapporteur, to briefly summarise their discussions for the Minister's information.

Dr SAXENA said the conference had been extremely rich in documentation and there had been a very useful interchange of ideas. He too expressed appreciation of the Minister's presence, and also of that of the Minister for Agriculture and the Deputy Minister for Finance at their opening session.

After detailing the main theme of the conference and the aspects laid down for discussion at the various sessions, he

said that, regarding the *Needs of the Underprivileged*, the conference felt that this problem was urgent and that wherever possible, credit societies should work for this much neglected sector, although governmental assistance would also be required; he referred to the problem of unemployment and the role of thrift and credit societies as creators of employment opportunities, especially by the financing of new activities. On the *International Interlending Programme* there had been a lively exchange between representatives of advanced and developing countries; it had been stressed that a co-operative's primary responsibility was towards its own members, nevertheless a number of assistance programmes were in existence, and details had been given; the discussion had been concrete and practical, both in terms of possibilities and limitations. The hope had been expressed that the very widespread Thrift and Credit Movement would help in the development of an *international co-operative financing system* and this had been referred to the International Liaison Committee for further consideration. Dr Saxena referred to the interesting information given by *co-operative banking institutions* from all over the world at this session, and said discussions had covered sources of finance, relations with governments, and the range and scope of their activities.

He felt the attitudes underlying the whole conference had been well expressed in its recommendations.*

*See page 63.

Shri R. VENKATARAMAN

Minister of Finance, Government of India:

I thank the International Liaison Committee on Co-operative Thrift and Credit for permitting me to address this Conference. Many participants have come from abroad and from international organisations: I extend to you all a very warm welcome and hope that your stay in this country has been pleasant.

The subject for the Conference has been appropriately chosen as *Thrift and Credit Co-operatives in a changing world*. I see from the programme that for nearly a week you have been discussing and exchanging views on this subject. I am sure that your deliberations will have focussed on the role of the co-operative sector in providing institutionalised credit in different economic environments. I shall, during my talk, highlight the role of the co-operative credit and thrift infrastructure in promoting economic development and social welfare, with special reference to the Indian case.

I am particularly glad that a substantial part of your discussions had been devoted to the problems and needs of the under-privileged sections of society in the developing countries. There are multi-dimensional approaches to the reduction and removal of poverty. The provision of credit as an input to the under-privileged is an important instrument in the strategy adopted for the reduction of poverty. Like all other inputs, credit is also scarce and is supplied at cost. Unless special steps are taken to protect the vulnerable sections of society, they may be denied this vital input which is necessary in modern production processes. In our country, we have devoted continuous and undivided attention to finding ways and means of surmounting this problem.

In India credit used to be, in the hands of moneylenders, an instrument of exploitation of the weaker sections of society especially in the rural areas. The low level of income among the rural population, the small size of land holdings, inefficient production methods, high administrative costs associated with making loans and the problems of recovery, rendered lending on commercial terms to agriculture unattractive in general. Further, inadequacy or unacceptability of the collateral offered as security by these sections of society denied them access to the normal lines of credit extended by the commercial banking sector. This was exploited by the moneylenders who charged exorbitant rates of interest and further subjected these hapless sections of society to greater social disability. This was the unenviable state of the rural economy at the turn of the century. Since access to credit was denied to agriculture, there was little possibility of improvement in productivity.

During the last quarter of the 19th century, the problem of rural indebtedness was rapidly assuming serious proportions. With the onset of the depression at the beginning of the 20th century, rural indebtedness was the most alarming problem in the agriculture-dominated subsistence sector of the Indian rural economy. Debt relief measures, such as the Punjab Land Alienation Act, 1901, were mainly intended to protect the farmers from the threat of bankruptcy. Compulsory scaling down of debts was also resorted to in certain States. Regulatory measures were clamped down on moneylenders. However, the mere provision of debt relief was not sufficient to improve the living standards of the rural masses.

With the introduction of planning processes, it became increasingly evident that a viable line of credit was a necessary condition for sustained rural development. If an individual did not possess satisfactory credit-worthiness, a group of individuals could collectively shoulder the responsibility. On this principle the thrift and credit co-operative movement was initiated in this country in 1904 to provide a viable alternative source of credit to the agriculturists. Through legislation and financial reform, the co-operative institutions have gradually replaced the moneylender as the

primary source of credit in the rural areas. A number of State Governments have enacted legislation for regulating the activities of co-operative societies. The pioneers in the co-operative movement in the country were the then composite States of Madras and Bombay.

After Independence, with the nation striving towards food self-sufficiency in the face of a growing population and an unacceptable level of food aid, achieving a breakthrough in technology for improving agricultural productivity became a national aspiration. The Reserve Bank of India has played a significant role in developing the co-operative credit structure as a motivator of agricultural development. The extensive refinancing of agricultural operations of the co-operative sector, on concessional terms from the Reserve Bank of India, has been of great importance in the evolution of the Co-operative Credit Structure as the main instrument of our rural development. The linking of credit with input supplies, especially fertilisers and pesticides, has now been institutionalised for implementing the High-Yielding Varieties Programme. Further, through Land Development Banks, the farmer has been able to undertake asset formation and modernise farming techniques. With the integrated approach towards technology absorption, the constraints on agricultural development could be overcome. New technologies such as the exploitation of underground water potential and the application of chemical fertilisers, which have brought about a tremendous improvement in agricultural productivity in the last three decades, could not have been possible without a strong co-operative movement, supported and developed by the Reserve Bank of India. The "Green Revolution" in the country, was effectively organised through the co-operative structure.

Now the financing of agricultural operations, both short-term and long-term, is primarily done through the hierarchical co-operative structure with the Reserve Bank of India at the apex and the village co-operative credit societies and Land Development Banks at the base. Short-term credit is routed through the village credit societies while the Land Mortgage Banks dispense long-term finance.

The Co-operative Movement, which was initially started for providing rural credit, has now widened and diversified to cover other aspects of rural development and other sectors of economic activity. Industrial co-operatives have now emerged as an important form of industrial organisation, especially in the handloom sector. The co-operative organisation has also entered many areas of manufacture including sugar and dairy products. Consumer co-operatives are now an essential component of the public distribution system and an indispensable instrument of the Government's anti-inflation policies.

The question that should now be asked is whether there is need for any change in the role of the co-operative credit structure, in view of the changing requirements of the economy.

We recognise that rural credit should not become the monopoly of the co-operative credit structure. It is necessary that the commercial banking structure should also shoulder the burden of rural development, in view of its larger and diversified coverage of deposits and investments. It may also be necessary to set up regional rural banks with emphasis on financing of integrated rural development. Hence, in our country there is a shift towards a multi-agency approach in the provision of rural credit. This has, in my opinion, the added advantage that a borrower in a village has a choice of credit institutions. However, there should not be too many such institutions in one area, resulting in wasteful multiple financing. This has been avoided by a purposeful branch licensing policy, and by persuading banks to adopt an area approach to lending. The credit gap in various parts of our country is so large that it is beyond the scope of a single credit institution, and it is our endeavour to ensure that the various credit institutions supplement each other's efforts and do not indulge in harmful competition.

Now that a multiple-agency approach to the provision of rural credit is being implemented by the Government, co-operative institutions should pay greater attention to target-group programmes such as the Integrated Rural Development Programme and the Small Farmers' Development Agency which are oriented towards the weaker sections of society. They should consciously impart a social welfare bias to their lending programmes. The emphasis of this Government's policy is on the provision of credit to weaker sections of society, as mentioned by my colleague, Rao Birendra Singh in his address. He stated that, conceptually, credit should follow thrift but the order has been reversed in our country. We are anxious to ensure that the underprivileged class, which has excellent capacity and potential for production, should be provided with sufficient opportunities through Government infrastructural support, and subsidies wherever necessary, buttressed by credit support. The gainful employment of such persons should be such as to enable a man to produce some surplus, to raise his standard of living, to set apart something for a rainy day and become master of his own destiny. Perhaps, the organisation of purposeful co-operatives can hasten the realisation of this dream. In view of the massive programme of agricultural development envisaged in the Sixth Plan, the dominant role of the co-operative structure in providing agricultural credit will have to continue.

As I stated earlier, there is in our country inter-relation between the various rural credit institutions and it is necessary for the Reserve Bank to take a leading role in effecting their co-ordination and integrated growth. I realise that public aspirations have outpaced the response of the credit structure. While I recognise that financial viability of the credit structure is a necessary condition for sustained development, I wish to point out that an excessively conservative attitude to the provision of credit will hamper the speedy implementation of government policies. The need of the hour is to pool all the available resources, governmental as well as institutional, to accelerate the pace of development and bring about an improved economic and social order in the foreseeable future. In order to ensure that there is no unhealthy competition between the various credit institutions, the Apex Bank should ensure that financial policies do not discriminate between agencies and should, as far as is feasible, even out risks.

Realising the special importance of integrated rural development this Government has decided to set up the *National Bank for Agriculture and Rural Development* as a national level institution for purveying credit to agriculture and agricultural operations and for the promotion of integrated rural development. I am sure that this will ensure better co-ordination of financing of rural development and in the process, the co-operative structure will be able to grow more vigorously.

This brings me to the question of the viability of the credit structure. A credit institution can exist only if its beneficiaries practice thrift and if loans taken are repaid in full, with interest, on schedule. It is of course possible that, due to natural calamities, a poor borrower cannot repay his loan on schedule. However, if there is a general tendency for borrowers not to repay the loans taken by them, in spite of profitable utilisation of those loans, the credit structure will collapse. In our country we have allowed a number of facilities to borrowers affected by natural calamities; further concessions would threaten the viability and the very existence of the credit structure. Co-operative institutions with their narrower resource base are especially vulnerable to irregular or non-repayment of loans. They are also better placed to effect recoveries in view of the more personal nature of the relationship between the institution and the borrower. I hope that this aspect of the functioning of the co-operative credit institutions will be fully realised and that nothing will be done that would adversely affect the stability of this vital component of our credit infrastructure.

We must also recognise that with the monetisation of the erstwhile barter-dominated rural economy and the increase in rural incomes from development, the co-operative structure is in a position to play an increasingly important role in the mobilisation of rural savings. However, any threat to its viability would pose a serious challenge to the fulfilment of this role.

I am glad that your conference has resolved that there should be international solidarity for the co-operative credit and thrift movement. The success of the co-operative movement is dependent to a large extent on keeping it divested of political overtones. Therefore, at the international level also, it should transcend political ideologies pursued by different countries. As the horizon of development expands, the challenges which have to be met by the co-operative structure will multiply correspondingly. The experience which some countries have acquired in the process of meeting the various problems encountered by them will no doubt be of relevance to other countries when they encounter similar problems.

I also note that your conference has resolved that co-operative institutions should be represented on any body or institution which is set up to promote rural development. A broad-based and democratic pattern of management of institutions involved in rural development is desirable. I am sure that, wherever relevant, your resolution will be kept in mind. However, I wish also to observe that in their own managements, co-operatives should foster a democratic structure.

You have also resolved that an environment and infrastructure conducive to the development of the co-operative movement should be created in developing countries. As far as India is concerned, I have made it clear that the healthy development of the co-operative movement is a cherished objective of the Government. I am sure that the Governments in other developing countries will also support the Co-operative Movement as an instrument for achieving growth with social justice.

I have come to the conclusion of my address. I hope that our distinguished participants, specially those from abroad, will carry away with them some impression of the credit policies through which we are keenly trying to uplift the lot of the under-privileged. Once again I thank the organisers of this Conference for the courtesy extended to me.

The CHAIRMAN thanked the Minister for his distinguished address with its human understanding, saying that it would reinforce the confidence of the delegates in the good will of the Government of India towards the co-operative movement.

He was in complete agreement with the Minister on the importance of democratic structures within the movement.

On the question of international solidarity, they were very conscious that this must manifest itself despite obstacles such as inflation. He believed the conference had shown that man must take his destiny in his own hands, for the progress of humanity.

He wished the Government of India and its country every success in its progress towards full development.

Votes of Thanks

Mr R. P. B. DAVIES, Treasurer to the International Liaison Committee and Deputy Director, International Co-operative Alliance, then rose to thank all those who had been intimately concerned in the planning of what appeared to be a very successful conference, in particular those who had been involved in the definition of the theme and its treatment, the individual members of the International Liaison Committee and its small headquarters group, Mr Hess, Dr Saxena and Mme Robert. The conference had generated a wealth of descriptive and analytical material, for which he thanked the authors and their organisations, and the printed report of the conference should prove a valuable reference tool for a long time to come.

The conference had been underpinned by its host organisation, the National Co-operative Union of India, which had given it considerable administrative support, for which they were grateful, especially as much of the planning had been done at long range between London, Paris and New Delhi. The very long hours worked by many members of the NCUI staff in the course of the conference were greatly appreciated. Mr Davies also expressed the thanks of participants to the NCUI and its affiliated organisations, who had received them with warmth and affection and given them extremely generous hospitality; this had provided the opportunity for informal exchanges between participants from many different parts of the world, and had enabled them to

know more of their Indian co-operative friends here. Such contacts were an extremely valuable part of any international conference.

Looking round the hall, Mr Davies was struck by the many leaders of international and national organisations who had come to New Delhi for the conference, and he thanked them for finding the time to be with them and for their constructive contributions to the deliberations.

In conclusion, he said:

“So far my thanks have been to our co-operative movements, and this is deliberate because our movements are non-governmental organisations, which is a very precious part of our tradition and our belief. But no one can have been in this conference or had contact with our Indian co-operative friends for very long, without being aware of the extensive interest and support of the Government of India to the Indian Co-operative Movement . . . You, Mr Minister, have given us a very valuable exposé of the Government’s credit policy and the way it works in the co-operative and other sectors, and we welcome the assurance that the co-operative movement will be remembered when the constitution of the new Bank is drawn up. So we thank you most warmly and hope that you will take back to your colleagues our very warm thanks for the favourable support they have given our conference. Round the Conference Hall we have three very vital quotations* from Indian personalities, two of them comparatively recent, and we feel sure that this will continue to be the policy of the Federal Government of India. We thank you very much for your presence here.”

*See p. 1.

Dr R. C. DWIVEDI, Chief Executive, National Co-operative Union of India, expressed his gratitude for the opportunity to propose a vote of thanks, which he took as a privilege and a duty. He had a very long list of people to thank, which would probably stretch almost to infinity, and he therefore apologised for any inadvertent omissions, perhaps even serious ones.

First of all he thanked the International Liaison Committee for accepting the NCU's invitation to hold the conference in New Delhi, which had given them immense encouragement. He thanked the Hon Ministers, Mr Rao Birendra Singh for inaugurating the conference and setting the tone for their discussions, and Mr R. Venkataraman for his inspiring and educational valedictory address, as well as Mr S. S. Sisodia who had been with them at the Opening Session. His sincere thanks went to the delegates who had made the journey, to the ICA President Mr Kerinec—he felt sure this would not be his last visit to India, and to the ICA Director Dr Saxena—he felt embarrassed at praising a fellow countryman but said it was due to Dr Saxena's initiative that the ICA had been able to diversify its activities during his years of office, and this was a matter of pride for the Indian co-operative movement. He thanked the staff of the ICA

Regional Office in New Delhi for all their support and assistance during the preparation of the Conference, in particular Mr R. B. Rajaguru the Regional Director, and Mr J. M. Rana the Director of the Education Centre; he also thanked Mme A-M. Robert and Mr R. P. B. Davies, Secretary and Treasurer respectively of the ILC for their help with the preparations. He thanked all those organisations who had been kind enough to host the participants at various functions in and outside New Delhi; the interpreters who had performed a herculean task with great competence; the staff members of the NCU and also its sister organisations who had put staff and facilities at his disposal; the various members of the press, radio and television who had covered their deliberations.

Last but not least he expressed his thanks to his own President, Mr B. S. Vishwanathan, who had overseen the minutest details of the conference and been a constant source of guidance and support to the staff and to Mr Dwivedi personally: this was their first experience of a world conference, although they had had the privilege of hosting a number of international regional conferences, and he had felt there were many shortcomings, for which he apologised. Again he thanked them all for coming.

* * * *

The Chairman, Mr Theo BRAUN, assured Dr Dwivedi that there was nothing for which to apologise—everything had been perfect. He wished all participants a safe return and the necessary courage to consider and take action on the subjects they had discussed, to build a happier future for the benefit of their peoples. He declared the conference closed.

Section II:

Extracts from Working Papers

1. Changes in the Social and Economic Environment as they affect Co-operative Thrift and Credit

Presented by

S. G. MADIMAN

Senior Officer, Agricultural Banking & Credit Group
FAO

PROBLEMS, CHALLENGES AND CHANGING GOALS OF CREDIT CO-OPERATIVES*

The world around credit co-operatives is changing—changing at a rate so fast that it has become increasingly difficult to comprehend the nature and the scale of change. It is therefore difficult for credit co-operatives to adjust themselves meaningfully to the change. How is the world changing? What are the problems of credit co-operatives? What are the challenges faced by them? What should be their new goals? This conference should discuss these questions in depth to be able to provide a proper perspective and a meaningful frame which could serve as guidelines to co-operatives in the individual countries.

1. The Changing World

The noteworthy aspects of the “change” are:

- (a) Increasing monetisation and commercialisation of agriculture in the developing countries. In some developing countries, there is a gradual metamorphosis towards an integrated market economy in which farmers' incomes are getting intertwined with the employment level and the prosperity in the urban sector. Terms of trade for agriculture, supply of inputs at reasonable prices, and marketing of output at fair prices (fair both to the producer and to the consumer) have become the major

issues which have a direct bearing on the prospects of credit co-operatives.

- (b) With rapid urbanisation and the increasing importance of prices paid by consumers in the context of an inflationary economy, state intervention in supply of food grains to consumers, marketing of agricultural raw material for agro-industries, efficiency of consumer co-operatives and, in general the rural urban linkage systems, have a direct effect upon marketing co-operatives and correspondingly on credit co-operatives.
- (c) Financing of cottage and small-scale industries, both in the urban and the rural sectors, has assumed increased importance because of programmes aimed at increasing employment opportunities, particularly for youth and the educated unemployed.
- (d) More importantly, credit co-operatives are facing increasing competition from nationalised commercial banks and marketing co-operatives and from the private trade.

As a result, the complexity of the problem faced by credit co-operatives has increased to such a level that a fresh assessment is required on the part of co-operative leaders.

2. Problems

While in some countries progress has been

*The views expressed in this paper are not necessarily those of FAO.

very remarkable (and in some parts of some developing countries co-operatives have been able to cover effectively almost 70 to 80 per cent of the farming population), in many others varying and complex problems are being faced by them.

- (a) Coverage of credit co-operatives is not expanding at a rate commensurate with the people's expectations. Still more unsatisfactory is the progress of marketing, processing and producers' co-operatives, even though in some isolated sectors like dairy, sugar, cotton, etc., marketing-cum-processing co-operatives have achieved remarkable success.
- (b) Under political pressure, credit co-operatives have sometimes been forced to expand to comply formally with quantitative targets; in such cases, the qualitative changes that should have accompanied and in some respects even preceded, quantitative expansion, e.g. with institutional checks and balances, have been conspicuous by their absence. Consequently, defaults have increased, particularly in countries where trade terms are unfavourable to agriculture, or in areas which are susceptible to natural calamities.
- (c) In some countries, as a result of rapid expansion of credit co-operatives, unaccompanied by changes in the tenure, production, or supporting services structures, co-operatives have virtually reached the limit of their potential, given the rural institutional constraints. The limited capacity of rural institutions to effectively absorb, use, supervise and repay investment funds has sometimes forced credit co-operatives to divert funds from high priority rural development objectives to low priority sectors in the urban areas. Almost invariably, this diversion on the part of co-operatives is a proposition forced on them by the compulsion to avoid losses.
- (d) The availability of trained manpower has not increased *pari passu* with the increasing complexities of operations undertaken by credit co-operatives. Improvements in training facilities and training techniques have not kept pace with the increasing demands for training associated with the increasing responsibilities of credit co-operatives.
- (e) Observed changes in structure, procedures, policies and functions within the co-operative sector—regarding both

scale and quality—have often fallen short of what is desired.

3. Challenges

In the developing countries, in the context of an economy which is not integrated, is scarcity-ridden, and wherein the tenure and the production structure, as well as the supporting services structures, have often been the main factor limiting the growth of credit co-operatives, simplistic analyses based on the classical macro-economies approach, or for that matter on the micro approach in terms of efficient management of co-operatives through trained personnel, have very limited validity. For a more productive analysis of challenges faced by co-operatives in developing countries, it would be advisable to discuss the problems of credit co-operatives in the context of the wider problems of developing institutions in a pluralistic society.

Appropriate note will need to be taken of the fact that in many developing countries the disequilibrium in the economy is often a result of the process of development of a non-integrated, semi-monetised and scarcity-ridden economy. A special note should be taken of the fact that many developing countries have mixed types of economy in which the state is assigned an important role, not only in the field of finance and banking but also in the field of input supplies, production, marketing of output and distribution; due cognisance needs to be taken of the fact that in many developing countries the state assigns a pivotal role to co-operatives in implementing its development programme. In this context, the development process is almost always accompanied by structural transformation. In pluralistic societies, for ensuring peaceful and gradual transformation of social structures, it is necessary to resolve conflicts between (a) social objectives and private profit motives, (b) administrative controls of market mechanisms and attempts to promote popular participation through co-operatives, (c) policies aimed at increasing productive efficiency with those aimed at encouraging involvement of the poor in the development process. These conflicts have to be resolved through institutional innovation and in concrete terms through political, juridical, legislative, executive, technical and administrative measures. It is against this background that challenges have to be squarely faced by co-operatives.

Schematically, the various challenges can be grouped as under:

(a) *Internal to the co-operative credit structure*

- (i) The evolving of loan policies and procedures to prevent leakages and corruption.
- (ii) Legal machinery, adjudication, tribunals for speedy penalising of defaulters.
- (iii) Institutional checks for audit, supervision and inspection.
- (iv) Co-ordination between short-term, medium-term and long-term finance.
- (v) Evolving a vertically integrated co-operative credit structure.

(b) *External to the co-operative credit structure but within the co-operative system*

- (i) Vertical and horizontal integration between different types of co-operatives.
- (ii) Management of multi-service credit co-operatives.
- (iii) Relationship between credit, consumer and housing co-operatives, etc.
- (iv) Synchronisation of the rate of development of credit co-operatives with that of marketing-cum-processing co-operatives.
- (v) Financing by credit co-operatives of a vertically integrated marketing-cum-processing co-operative structure.

(c) *Relationship between co-operatives, national financial systems and the state*

- (i) Co-operatives and parastatal organisations concerned with state agricultural price stabilisation programmes.
- (ii) Credit co-operatives and the central bank; evolving a new pattern of relationship on the basis of equality.
- (iii) Preventing domination of co-operatives by the bureaucrats of the state yet ensuring state support for co-operatives.
- (iv) Credit co-operatives and commercial banks/nationalised commercial banks.
- (v) Co-operatives as the main sector for rural development.

(d) *External: modus vivendi with the private sector*

- (i) Increasing internal efficiency of co-

operatives to compete with private sector institutions.

- (ii) Re-orienting the functions of credit co-operatives to give needed support to marketing and processing co-operatives.
- (iii) Resisting and preventing domination of co-operatives by urban interests, the rural rich, or vested interest groups.

The above list is not exhaustive, neither is it implied that the issues mentioned are relevant to every country. Hence it is not possible to make a broad generalisation for the developing countries as a group, but what is important to note is that a group of these issues together needs to be analysed in detail and a proper strategy needs to be evolved to resolve the conflict so as to create the optimum conditions for the growth of credit co-operatives.

By way of illustration, one of the issues, namely (a)(ii), "Legal machinery, adjudication, tribunals for speedy penalising of defaulters", may be referred to. In many countries, the registration of co-operatives and periodic inspection of these co-operatives is assigned to an administrative unit within the government. But it is important that the legal structure envisaged, whether courts or special tribunals or adjudication procedures, should be conducive to speedy dispensation of justice. More importantly, given the social responsibility of co-operatives, the co-operative units should be in a position to penalise defaulters and that, too, in a speedy manner without undue interference either by the executive or by the legislative authorities, or for that matter by the financial authorities. This implies that the rights and duties of co-operatives vis-a-vis the state, financial institutions, the legislative organs, ought to be clearly defined and protected by a viable and a credible judicial machinery. An issue like this will involve all organs of the state, yet it is a sad experience that this aspect is often neglected, which ultimately results in lack of confidence in the performance of co-operatives.

Another type of challenge which co-operatives have to face is with regard to the age-old principle of the "separation of banking and commerce." This concept, which is based on a long tradition in the field of banking, has been followed in higher level co-operative units and there is a tendency in many countries to separate credit co-operatives from marketing and processing co-

operatives. There is no denying the fact that co-operative banks involved in commercial trading are exposed to high risk. Co-operative bank supervisors could also be involved to a substantial degree in decisions involving trading companies which could well hamper the successful functioning of the co-operative banks as independent financial organisations. Yet the time has come when the inter-linking between co-operative banking and co-operative marketing and processing has to be encouraged through innovative experiments. In many countries, there is no doubt that any further expansion in credit co-operatives is virtually impossible without concomitant development of marketing and processing co-operatives to ensure proper recovery of loans. Further, the absence of marketing co-operatives also forces well-developed credit co-operatives to divert their surplus resources to other sectors, some of which may be in direct competition with the marketing co-operatives. It is noteworthy that even as conservative an institution as the Federal Reserve System of the United States has had to revise its age-old views, as will be seen from the following extracts from the statement by a member of the Board of Governors of the Federal Reserve System before the Committee on Banking, United States Senate, 25th July, 1980 (Mr Wallich):

“At the outset, I should like to reaffirm the view of the Board that the United States needs a strong export sector. The development of export trading companies will probably assist in achieving this goal . . . Banks have an important role to play in financing US exports, and banks can assist export trading companies in this country by providing financing and by offering a wide range of export-related services.”

Arguing in favour of the banks' participation in the share capital of the export trading companies, Mr Wallich goes on to say: “. . . The Federal Reserve has tried to design safeguards that would make it possible to permit a degree of bank participation in export trading companies without breaching the separation of banking and commerce . . . In particular, the Board urges that S.2718 be further amended to provide the following: (1) A Banking organisation would be permitted to invest in an export trading company only up to 20 per cent of the shares of the trading company. (2) A group of banking organisations could not own more than 50 per cent of the voting stock of any single export trading company.”

It will be seen from the above statement that the banks have been asked to undertake responsibilities which have never been undertaken by them in the past. There is no reason why the co-operative banks should not also participate more actively in organisation, promotion and strengthening of marketing and processing co-operatives in future.

4. Desirable Goals

Co-operative development, as noted earlier, is always accompanied by structural changes. Structural changes do generate imbalances, and new policies are likely to produce understandable mistakes. Under such conditions, self-discipline and coherent financial management become particularly crucial for the survival of co-operatives. In this process democratic consultations between people's organisations, government and financial institutions are essential to prevent the ascendancy of de-stabilising forces. Such basic questions as how to reconcile the expectations of co-operative members with actual possibilities, or productive efficiency with popular participation, need to be adequately resolved in both technical and political terms, and, more importantly, in institutional terms.

Reconciling production efficiency with popular participation should therefore be the main goal of co-operatives in the '80s and '90s. This will involve two major aspects (a) institutional development, and (b) structural reorganisation; in a sense these two aspects are complementary to each other and sometimes one cannot be easily differentiated from the other.

A. Institutional Aspects

In developing countries with a pluralistic political structure, the government, the central bank, commercial banks and other financial institutions are in a position to mobilise resources for rural credit. In many countries, the limiting factors are neither financial resources nor lack of knowledge of banking procedures. The limiting factors in these cases are: (a) working rules influencing the relationship between the state and the farmers' organisations are not properly defined; (b) the legal framework and the judicial administrative machinery are not conducive to a rapid expansion of co-operative institutions; (c) the policy measures evolved by government in fields which have a direct impact on the performance of co-operatives are not adequately and properly integrated with measures aimed at developing co-operatives.

Because of intertwining between rural institutional structures, co-operative development policies are in effect public policies made operative by practical and/or social judgments of what to do, how and where to do it, and by whom it should be done. In effect co-operative policies are guidelines to the "(a) use of powers of the state by public officials, (b) exercise of financial powers by central banks and commercial banks, (c) use of judicial powers by courts, tribunals and commissions, and finally, and more importantly, (d) exercise of political power by the people themselves." This procedural dimension is one crucial part of public policy: it is complemented by a substantive dimension which treats anticipations of performance among co-operative members if the policy is implemented.

The co-operative development policy can be made objectively secure only by (a) evolving dependable financial, organisational, executive, legal and social procedures; (b) introducing politically feasible, organisationally viable and operationally efficient institutional checks and balances to ensure development of co-operatives within the framework of public purpose. Thus the institutional approach is of crucial relevance to the development of co-operatives in the developing countries. This is particularly so because the institutional approach sees rural society as a composite of the rich and the poor, of the powerful and the weak; it assumes that changes are necessary to protect the weak from the strong; it examines the vulnerability of the weak to the arbitrary actions and decisions of the strong and is devoted to the evolution of rules and procedures to protect the rights of the weak, within a pluralistic society, and to offer him incentives (security of expectation) to facilitate his participation in the co-operative process.

B. Structural Transformation

As regards structural transformation of co-operatives, there is need for redefinition of the goals of co-operatives.

First, in the past, co-operatives were often conceived merely as an appropriate institutional agency for accepting the deposits of the rural rich and for disbursing them in the form of credit to needy rural producers. In order to solve the problem of the small peasants, co-operatives need to be increasingly used as an instrument for organising small owners into a purposive system for accelerating investment in the desired channels within the local community. The new role that credit

co-operatives are expected to play, based on the concept of "open membership", makes it imperative that they be viewed as an integral part of the co-operative system.

Second, successful integration between credit and marketing can be made possible only if there is co-ordination between loaning operations, marketing, and recovery of loans through an integrated structure of co-operatives. The various units at the rural level can be supported by higher level federal co-operative units at the semi-urban level. Each such vertically integrated unit specialising in credit, marketing, insurance, etc. has itself to be integrated horizontally at each of these three levels. It is only thus that the entire co-operative system enables individual co-operatives to perform as part of the main system and not merely as individual units.

If the entire co-operative institutional framework works in unison with the government's policy, even the weakest co-operative unit at the lowest level can have the strength of the entire organism. If this co-operative system functions in the context of a well-formulated price policy, the risks associated with marketing and competition with private trade can be reduced appreciably. Unless credit co-operatives are sponsored as part of an integrated credit and marketing system, an individual co-operative unit is able to withstand neither the internal stresses arising out of conflict of interest—between rich and poor farmer, between landlord and tenant, and between big farmer and labourer—nor direct attacks and competition from outside.

Third, the co-operative system, with credit co-operatives occupying a strategic position, should be capable of being ubiquitous and capable of operating at relatively low cost. At the same time, the co-operative structure should be in a position to keep social policy objectives fully in view and to fulfil them adequately. But what is more, it should act as an autonomous system on its own. Its structure and autonomy should guarantee open public operations. Thus, it should be an agency which can be effectively used by the state for furthering the social and general welfare objectives of its policy. At the same time, its operations should fulfil the cherished objectives of decentralisation and encouragement of local leadership. The system should be capable of promoting effective growth and development from the community upward, of group activities of the producers; this can be effectively achieved only through popular participation.

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RELATIONS BETWEEN CO-OPERATIVES AND THE STATE*

If there is a field in which profound changes have taken place in the course of the last twenty years, it is surely in the organisation and regulation of relations between the executive authority responsible for managing the economy of each State, and the co-operative or pre-co-operative institutions which play, or aspire to play, a role in the economic and social life of their respective countries. It will be readily agreed that the various important legal and regulatory texts adopted in this connection provide a guide to these changes that is both accessible and convenient, though of course it is not the only one. The very manner in which they are applied may also have a determining influence on their effects. Furthermore it must be stressed that we should take into account not only those texts dealing directly or solely with co-operatives: many aspects of their daily life are governed by legislation and regulations of a general kind. It is nonetheless true that, as a preliminary step, we can restrict ourselves—as will be the case here—to the examination of laws that are in effect co-operative, with their application, in order to form a reasonably accurate idea of the way in which governments have, at world level, understood their responsibilities regarding the conditions affecting the creation and operation of co-operatives.

The preliminary work carried out by the ILO for the creation of a data bank for collecting and processing all available information on co-operative legislation, regulations and statistics, taking into account only those texts dealing with co-operatives as a whole (and ignoring both those—notwithstanding very essential—which in certain countries introduce co-operative education at school and university levels, and those—likewise very significant in their effects—which have brought about either a transfer of responsibility in the supervisory ministries or

profound changes in the very structure of co-operative movements at national level) reveals that between 1960 and 1980:

- a co-operative law was introduced for the first time in 17 countries (13 in Asia, the Middle East and the Pacific, and 4 in the Americas);†
- general co-operative legislation was completely changed in 80 countries, of which 34 African, 18 in the Americas, 16 Asian/Middle East/Pacific, and 12 European. It was even changed twice in 10 African, 6 Asian, 2 American and 1 European country; and three times in 1 African and 2 Asian countries;
- the regulations governing agricultural co-operation alone were transformed in 3 European countries and 1 American country;
- more or less important amendments were made to the laws of 20 other countries (7 American, 6 African, 6 Asian and 1 European);
- only 36 countries (11 American, 10 European, 10 Asian and 5 African) have retained intact, or without significant changes laws of varying dates, some of which go back to the last century, and which governed their co-operatives prior to 1960;
- only two examples can be found of “new laws” which have resulted, or could result, in the disappearance of co-operatives: in one country, following the adoption of a new law, co-operatives have lost recognition as specific organisations possessing individual status; in the other, certain legislative and regulatory provisions strike a very heavy blow at the essential conditions for the application of co-operative principles.

Thus, although perhaps we have not been very much aware of it, the last twenty years

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†While most of the newly independent countries of Africa and the Caribbean have changed their co-operative laws since 1960, this does not mean that these were the “first co-operative laws” of a general kind applicable in these countries, since the English, French, Belgian, Italian and Portuguese colonists had brought with them their own homeland legislation, adapting it more or less for the purpose.

have been marked by a basic transformation of relations between the co-operatives of more than two thirds of the countries of the world and their executive authorities.

Nor does the process yet appear to have ended. Drafts of new "co-operative bye-laws", in the form of general laws, ordinances or statutory orders, are now being studied in at least 53 countries (22 in the Americas, 19 African, 9 Asian and 3 European), 24 of which had not changed their co-operative legislation over the past 20 years. If these drafts become law, then only 27 countries in the world will not have profoundly modified the conditions affecting the creation and operation of their co-operatives since 1960.

An examination of the texts at present in force (irrespective of the conditions under which they are applied) and of these draft laws reveals, at a very general level, five different attitudes of the executive authority, shared by the legislature wherever the general texts concerning co-operatives must receive its previous approval. They can be listed as follows:

(1) **Negative:** shown by the adoption of measures hostile to co-operatives or discriminating against them, whether by suppressing them forcibly or in stages, by rendering impossible the creation of new co-operatives at local or higher level, or simply by making more difficult their daily functioning.

(2) **Indifferent:** when nothing is done either for or against them, their development being neither hindered nor facilitated, with no recognition of their outstanding role in favour of the least privileged categories of the population, or even of their specific character.

(3) **Theoretically favourable:** when, in one way or another, the texts adopted and the official declarations recognise the special character of co-operatives and the role they can play in the improvement of living conditions and national development, but without measures being taken to enable them to overcome difficulties (apart from those inherent in their very nature) due to circumstances outside their control which often constitute insurmountable obstacles to their take-off and also to their further expansion.

(4) **Paternalistic:** when for various reasons, governmental authorities, even with the intention of being helpful, consider that co-operatives are not yet capable of managing their own affairs and therefore take them over, create and manage co-operative institutions, often drafting their own staff to run them, grant advantages and privileges and

allocate resources to what have become, in fact, "their" co-operatives.

(5) **Genuinely positive:** as defined to some extent by Recommendation No. 127 adopted in 1966 by the ILO Conference, when the State, while respecting the independence and autonomy of co-operatives, recognises not only their right to exist but also their specific characteristics, accepts and even seeks the collaboration they can provide in the management of the national economy in those fields in which the government's authority and competence are limited.

This last attitude will lead governmental authorities to go beyond the adoption of special legislation and regulations, applicable to co-operatives in general, permitting them to "operate on not less than equal terms with other forms of enterprise" (*Rec.127.III.11*) and eliminating "provisions contained in (general) laws and regulations which may have the effect of unduly restricting (their) development" (*Rec.127.III.10*). It will lead them to "formulate and carry out a policy" which will be "without effect on their independence, . . . integrated in development plans, (and) kept under review and adapted to changes in . . . needs . . . The governments concerned should associate co-operatives . . . with the formulation of national economic plans and other general economic measures . . . liable to affect their activities . . . (and) with (their) application . . . insofar as this is consistent with their essential characteristics" (*Rec.127.II.4-9*). It will also imply disseminating "a knowledge of the principles, methods, possibilities and limitations of co-operatives as widely as possible among the peoples . . ." (*Rec.127.III.14*). It will be further shown by the setting up of governmental structures capable of guiding, advising and, in certain cases and for certain activities, efficiently supervising co-operators and their democratically elected representatives.

Lastly, insofar as this lies within the powers of the State and is compatible with the imperative requirements of national development and the co-operatives' true capabilities, this attitude will lead the responsible authorities to grant co-operatives, equally with others, justified economic and financial aid not entailing "any obligations contrary to the independence or interests of co-operatives" (*Rec.127.20(2)*), it being thus clearly established that, when the need arises, the State will provide assistance to particular sectors of economic or social activity but not to a specific type of undertaking, and that it is

essentially “designed to encourage rather than replace the initiative and effort of the members of co-operatives” (*Rec.127.20(2).*).

Many factors intervene in the adoption of any one of these attitudes by the Public Authority and the Legislature. One of the most important is doubtless the fact that, despite their already long history, co-operators still remain a minority as compared with the population as a whole in most countries. Statistics published by the International Co-operative Alliance on the occasion of the last International Co-operative Day, based on 1977 figures, put its total membership at 355 million. Whatever reservations may be made regarding these data, they nonetheless show clearly that 280 million individuals, that is three-quarters of the total, are divided between 12 countries in which, apart from a few exceptions, the role of co-operators in the national economy is not yet proportional to their number and is in some cases almost marginal.

Under these conditions, the attitude of the Executive Authority towards co-operatives at any one time is obviously, at best, merely the sometimes temporary result of compromise between the various pressures to which it is subjected as a result of its particular duties, but its attitude will also vary according to the options it has made at various levels and the national co-operative movement’s willingness to take part in the development effort while safeguarding its own autonomy. Such willingness, however, must be clearly expressed and shown. Otherwise co-operative expansion will be dominated and directed by the State which, in most countries, is exercising increasing authority in the economic and social sectors. But such “co-operative expansion” is not necessarily “co-operative development”, since the State’s attitude to co-operatives is essentially determined by the role it intends to make them play as instruments of a policy enabling it to meet its responsibilities.

This is particularly true in matters of thrift and credit. In this sector, no matter how attached governments may be to the principles and methods of co-operation, the Executive Authority has a twofold concern and a double role. On the one hand, responsible for public order, it must take care to see that any institution taking charge of its citizens’ deposits carries out measures to safeguard those deposits. On the other, one of its basic functions is to “create money”. It must therefore keep a very close watch on

all private status bodies pursuing activities which bring them into money-issuing channels. Here the distinction to be made is not between savings co-operatives and thrift and credit co-operatives, but between non-banking financial institutions which collect savings and only grant credits within the limits of these resources, and banking institutions which participate indirectly in the “creation of money” through rediscount of short-term bills of exchange or mobilisation of medium- and long-term bills.

On the question of safeguarding citizens’ savings, it is perfectly normal for the Executive Authority to lay certain restrictions on co-operatives, especially on those which grant loans from resources they have collected directly. But when it is only a question of savings, such provisions should not go so far—unless the Authority holds a negative attitude with regard to these co-operatives—as fixing the minimum number of members or even the minimum amount of working capital co-operatives should amass before commencing operations, or, at certain times, not permitting the creation of co-operatives having this sole activity—by refusing approval for example, or forbidding one person to be a member of several such co-operatives.

On the other hand, it can perfectly legitimately specify the conditions to be fulfilled by their elected or appointed executives (or their employees if such be the case), and the various guarantees it is incumbent on them to supply, and it can also fix certain regulations for the investment of sums collected and the periodic checking of operations carried out, as well as for the creation of savings sections in co-operatives having other activities.

It is irrelevant, in the long run, whether the Executive Authority is indifferent or theoretically favourable towards this first type of co-operative. It would be more dangerous for them if the Authority were to have a negative attitude, and equally so if it were to become paternalist, particularly when it is a case of multipurpose co-operatives including such savings, since the deposits of certain members could be employed, outside their control, for risky operations.

It can be questioned whether it is ultimately advantageous for a co-operative movement, even at its beginnings, if the Executive Authority adopts an attitude that is clearly and truly positive towards co-operatives having savings as their sole activity and

objective. Indeed, since thrift is basically a personal effort to support mutual aid, it is in reality, like co-operation for that matter, more the "daughter of education" than of "necessity". Moreover this type of co-operative aims, generally during the first stage, at liberating its members from their obligations to other, often usurious, lenders; during a second stage, at enabling them to better satisfy their basic needs, that is to acquire goods of daily consumption; and subsequently to acquire goods of deferred consumption once their economic and social position has considerably improved. Very rarely does it help members to increase their means of production as individual entrepreneurs, farmers, artisans, fishermen or shopkeepers. Finally, their role does not essentially affect the nature of goods consumed on a national scale, although it does have some influence on their quantity, the countervalue of the moneylenders' interests having changed direction.

A clearly positive attitude of the Public Authorities towards such co-operatives would only be of economic significance if they were to direct their efforts towards the utilising of savings for essentially productive purposes. But such conduct on their part would incur the risk of diminishing their role in the initial improvement of living conditions for the least privileged with the result, sooner or later, of alienating the latter. Here again we come up against the dangers of a paternalist attitude. As there can be no question of intervention by the Public Authorities, with guaranteed success, in the matter of interest rates (which would furthermore be contrary to the educative aim pursued, and even to the co-operative notion of economic service, since the money is to receive only low remuneration) or in deposit guarantees, this positive attitude would finally be reduced to providing co-operators with a certain type of civic education, which should normally be given to all by the State since such is its essential duty as well as one of the primary conditions necessary for balanced national development of the nation. It is therefore not evident that a movement would draw any long-term advantage from such a "privilege" granted to its members, sometimes to the detriment of other citizens, and from specifically co-operative training of its members being provided by bodies that are no doubt well-meaning but outside the movement. It has only too often been stressed that one cause of weakness in certain co-operatives,

and even in whole co-operative sectors, originates essentially in co-operative education and training not being provided for future members before the commencement of mutual activities, and we do not need to further insist on this point.

The history of thrift co-operatives in several countries moreover illustrates that their promoters, unconnected with the Public Authorities, have often preferred a theoretically favourable attitude on the part of the latter. We can even find in Africa, and in the Caribbean in particular, many examples of thrift co-operatives that are established without even being "officially registered", but which nonetheless operate to the full satisfaction of their members.

There is however no question of accepting such a position when it is a matter of thrift and credit co-operatives (or credit co-operatives), in respect of which it is the Public Authority's absolute duty to follow closely certain aspects of their operations. It could not, for example, tolerate institutions granting loans at illegal rates or not offering minimum guarantees to their depositors, whose savings are in part or totally no longer held with maximum security as is generally the case with thrift co-operatives, but are re-committed to the economic system, with all the risks that this implies. To avoid abuses, it is logical that, in certain cases, it should fix rules for the granting of loans or concerning the expulsion of members or the suspension of administrators, the reasons for dissolution, and the keeping of detailed records. The precise list of these normal and perfectly acceptable powers of the Public Authority can be drawn up without great difficulty. Among them, the carrying out of regular audits ranks high.

But the problems raised by relations between the State and thrift and credit (or credit only) co-operatives vary, depending on whether co-operatives:

- only grant loans from their own resources (capital, reserves) or from deposits which they, and only they, have received;
- having become linked together in one way or another, have pooled a part or the whole of the resources they employ for the granting of loans, without calling upon sources of finance outside the group;
- whether or not in conjunction with others, employ for their credit operations capital not derived solely from

the co-operative sector, without necessarily becoming banking institutions;

- also act on behalf of co-operative or public banking institutions;
- have other activities in addition to thrift and credit.

The situation becomes even more complex when several of these sub-categories of thrift and credit (or credit only) co-operatives are represented in one and the same national movement.

The Public Authority's attitude towards these co-operatives must really, then be judged according to three criteria, at least, applied simultaneously:

- the importance which national legislation and regulations place on the bye-laws of individual co-operatives and unions, which latter constitute their charter and the true contract between the members of the organisation;
- the diversity of such legal and regulatory texts, taking the characteristics of each sub-category into account;
- the forms of supervision exerted over them, and the extent or lack of concertation between co-operatives and the Public Authority when it is necessary to study, put into force or correct the mode of operation of these institutions.

In fact, identical items have to be dealt with very differently. Thus there is no "public law" or "financial policy" reason that justifies members of a co-operative of the first sub-category not being able to decide alone, provided they are consulted by their elected leaders and *a fortiori* by their appointed managers, what shall be the maximum loan granted to each of them. Here it is a case of direct democracy, although assuming previous training of the members and the possibility of control by them, in particular for the purpose of preventing persons of standing or influence from utilising the co-operative's resources solely for their own profit. The law or regulation must provide for adequate forms of supervision, but autonomy in this respect should be strictly observed. That special provisions may have been made in the bye-laws or internal regulations as to the maximum amount of loans is of small consequence provided they have not been imposed from the outside. The same principle applies to the purpose of the loans, the guarantees to be supplied by borrowers, who are in principle

the members and depositors, and the distribution of surpluses.

It is on the other hand perfectly normal that statutory autonomy and autonomy in daily operations should be somewhat reduced in the second case. Here the Public Authority can legitimately require that voluntarily grouped organisations should concert their policies on, for example, the admission of new members, the granting of loans, the allocation of supplies, and even the representation of the federated body on certain bodies of the primary co-operatives, since resources and their utilisation are at different levels. It would be likewise legitimate, for the same reason, for the State to impose regulations of an identical or similar nature on the thrift-credit sections of multi-function co-operatives, where a "communicating vessels" policy is practised between the various sections. On the other hand, the State's conduct would be paternalistic—or negative—at this level if, using the pretext of the extent of the operations by these groups (actual or forecast), it were to impose its representatives on the councils and assemblies of the co-operatives or their "unions", or assumed to itself the right to dissolve these bodies or to suspend or expel their legitimately elected members without any justification.

However, the State cannot be taxed with either paternalism or opposition if it imposes restrictions on co-operatives employing capital originating in part outside the co-operative sector, even though they themselves do not yet form part of the banking sector; such restrictions may affect their freedom in the allocation of proceeds, may require a minimum capital, and may even enjoin strict provisions as to the purposes for which loans are granted. The overall economic and financial policy of the State, in that case, is directly concerned with the utilisation of resources originating outside the particular sub-unit (accepted as such in that it has its specific rules and enjoys a certain autonomy) since the reimbursement of these funds must be guaranteed to those outside the sub-unit who have provided them. *A fortiori* the State is even more concerned if it has itself procured this additional capital. In this case, such provisions are acceptable which give its representatives some power of decision, in addition to their normal supervisory powers.

It must be noted, furthermore, that the exercise of these supervisory powers, apart from the texts themselves, clearly reveals the

actual attitude, not so much of the Public Authorities as of their representatives towards co-operatives. The organisation of this supervision—and in many cases of what amounts to guardianship—inevitably gives rise to certain problems. In a great many countries such supervision is exercised direct over all co-operatives, irrespective of their activities, by a single ministry or authority of the necessary status. But in various countries we find, in addition to ministries of co-operatives, ministries of agriculture, economy, rural development, labour, social affairs, finance, trade and industry, planning, development, etc. In some countries, on the other hand, each ministry is to some extent responsible for co-operatives carrying out operations that fall within its own field.

There is no proof that the first solution, often favoured by co-operative movements (especially when they procure the creation of a co-operative ministry, or a ministry with a title that expressly includes the word “co-operative”), is the one most favourable to co-operative development or the one most likely to lead to a larger number of Public Authority representatives evincing a real interest in co-operatives. In fact it reveals numerous disadvantages. It is evident that, operating in all or nearly all economic and social sectors as they do, co-operatives must deal with the competent technical ministry on many questions; even thrift and credit co-operatives may have dealings with the ministries of agriculture, industry, fisheries or transport, naturally not forgetting the ministries of finance and economy. But the experts of these various ministries are very often tempted not to reply direct to their requests, under the pretext that the latter are the concern of another ministerial department. On applying to this other department, its members, who cannot claim to be fully informed on all problems arising in all fields, and on all the possible solutions to them, must turn to the first ministries without being certain of receiving a welcome any different from that given to the co-operatives themselves. Admittedly, such problems can sometimes be solved at a non-institutional level or by personal contacts. But this administrative structure can cause great loss of time and waste of energy.

The second solution deserves close examination. Intrinsicly it has definite advantages when there are, in each department, men who are familiar with co-operative reality and its problems, who can thus help in solving them

as quickly as possible and who can take the measures and decisions which effectively fall within their competence. From many points of view, these various representatives of the Public Authorities would certainly be better suited for carrying out the necessary supervision and for guiding and advising co-operatives, and more inclined to respect their autonomy since their observations and advice could not concern all aspects of their operation.

In this field, we could consider it as a manifestation of a really positive, rather than paternalistic attitude towards co-operatives on the part of the Public Authorities if they were to organise, in each ministerial department, “reception, advisory and audit” structures for co-operatives and for co-ordination between them; and above all if they were to carry out a programme of co-operative training for all representatives of the Public Authorities who have to deal directly or indirectly with co-operatives or with any relevant files. We already find in some European and North and South American countries another proof of a positive attitude, in the form of consultation with the co-operative movement organised voluntarily by the Public Authorities prior to enacting any important measures concerning them.

The history of thrift and credit co-operatives shows that the appropriate time for such an exchange of viewpoints in depth, as a prelude to the setting up of procedures and programmes, is reached when the co-operatives—for various reasons, generally insufficient deposits from their members and lack of planning—begin to use capital from public origins, although they are still not banks; such borrowing may well lead to rapid loss of their financial independence, until they are no longer able to meet the requests for increasingly large loans from their members (whose expectations have been raised) and are finally unable to survive in any case without government funds.

This is the crucial stage. The dangers of the State's adopting a paternalistic attitude are considerably increased, and the whole thrift and credit co-operative system can topple—which has already happened on several occasions. Therefore, well before this stage is reached, thrift and credit co-operatives, in conjunction with the other co-operatives, must seek consultation with the Public Authorities—who can never in fact be equal partners since they are so much stronger—to persuade them to adopt a genuinely positive attitude, not only towards the thrift and credit

sector but on the general question of financing for the movement as a whole. For once this stage is reached the State can no longer remain indifferent, or even theoretically favourable, and it is important to ensure that it does not become hostile or paternalistic.

An examination of the texts governing thrift and credit co-operatives and a survey of their history throughout the world, reveal that their relations with the State reach this "dangerous" stage much more rapidly when they become banking institutions, either directly or indirectly, wholly or in part; this appears to be the case whether thrift and credit co-operatives themselves attain such status, whether they create separate institutions over which they retain control (admittedly a rare case), or whether institutions which originally depended on them become independent. Once this happens, it is no longer the co-operative texts that primarily and essentially govern the new institutions they have become or have created, but rather the laws on banking and credit. The same applies when they operate as agencies or branches of non-cooperative banking institutions.

When thrift and credit co-operatives reach this stage of financial dependence vis-a-vis the Public Authorities, or else when they become banking institutions, they then face the essential problem—which is at the root of most of their difficulties—of finding a balance between the State's monetary and financial policy on the one hand, and the continued and extended provision of services on the other, not only to their direct members but also to the movement as a whole; they must at the same time preserve the particular quality and nature of these services as well as members' participation in decision-making. A bank is not, and does not remain, co-operative because it grants loans primarily to co-operatives or collects its resources essentially from co-operators; neither is it co-operative when it uses its power, which is great, to impose on the movement and its members aims, concepts and methods other than those they have themselves defined. On the other hand it does remain co-operative if, like any secondary or even tertiary co-operative organisation, it considers itself solely as a structure for the service of co-operators (though better informed as to governmental policy than its members), if it lays no claim to a policy of its own and acts as an intermediary between the Public Authorities and co-operators. Even if its

status is no longer strictly co-operative, it has emanated from the movement and is not an arbitrator between two sides. But since it is administered, not controlled, by technical staff who have easier and more frequent contact at various levels with the representatives of the Public Authorities, it can and must be one of the points and means of concertation between them and co-operatives.

Developments which have taken place during the past twenty years in such diverse countries as Brazil, France, India and Nigeria, to mention only a few, as thrift and credit co-operatives have gradually become "articulated" with public financing institutions, illustrate the obstacles which this brings in its train. The far-reaching reorganisations that co-operatives have had to undertake in the Argentine provide an example of the need for extremely careful thought on possible changes in relations with the Public Authorities once the movement begins to carry more weight in national affairs and to finalise lines (or plans) of action enabling it to surmount the greatest difficulties which may arise, possibly without any warning.

The time has certainly come for most thrift and credit co-operative organisations to concentrate on these researches and on finalising their plans, all the more so since the world economy is becoming increasingly deranged. Did not UNICEF, in its 1979 report, reveal that at least 12 million children under one year of age died of hunger or malnutrition in the Third World? And yet, in the course of that same year, financial operations yielded fabulous sums to persons who had speculated on shortages and soaring currencies and raw materials (*Le Monde*—30th April, 1980—p. 41).

Today's co-operators, and especially those who concentrate on assembling and using to best advantage the necessary resources, first for the improvement of the situation of the least privileged and then in trying to give development a more human dimension, cannot hope to achieve their objectives unless, in consultation with the Public Authorities, they put forward new final goals and new methods to reduce the fantastic imbalances prevailing today. The young, who represent the future of their movements, will never be won over by a "co-operative project" which "integrates" annual interest rates of over 20 per cent. It is therefore high time for co-operators to "search as those do who must find, and to find as those do who must search further".

Asia

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THRIFT AND CREDIT CO-OPERATIVES IN SOUTH-EAST ASIA—AN OVERVIEW

Background

The co-operative form of organisation as we know it, was introduced into most Asian countries in the form of credit co-operatives as a means to fight chronic indebtedness among the mass of the people, mostly farmers. At the turn of the century, peasant agriculture was mostly at subsistence level, hardly providing any surpluses. The absence of clear titles to land, insecurity of tenure, absentee landlordism, low yields, unrestricted import policies, and consequent low prices for agricultural products, all contributed to perpetuating rural poverty and enriching the bigger landlord and the usurious money-lender, whether from the village itself or from outside. The commercial banking sector had little or no time or money to spare to satisfy the needs of the small farmer. Governments too, whether colonial or otherwise, were far too busy concentrating on revenue collection and international commerce and hence had no effective programmes to meet the massive problem of rural poverty. Other institutional sources, from which assistance was available to other sectors, were woefully absent in the rural peasant sector—and over 80 per cent of the population at that time would be rural peasants. The peasantry, notwithstanding their level of poverty, had evolved mutual assistance schemes which provided them with the necessary labour and other minimum support on a non-monetary basis for their agricultural and other pursuits, but such mutual assistance schemes hardly helped to generate surpluses which would eventually pull them out of the rut of poverty—these schemes helped in maintaining a subsistence economy—and surpluses when such were available went to enrich the landlord or the moneylender, and not the peasant.

It was against a background of this nature that the more enlightened colonial administrators of the then British Empire, sought to find co-operative solutions to alleviate the conditions of the peasantry. Successes

achieved through the Raiffeisen approach in Europe inspired these administrators to experiment with the model—and consequently the cry was “Find Raiffeisen” as a means to overcome the chronic indebtedness of the peasantry. Thus the co-operative credit society, in the first instance with unlimited liability and later with limited liability, made its appearance in many of the Asian countries around the first two decades of the 20th century, giving birth to a century of significant co-operative development in many of the countries of the region, extending to practically all facets of economic activity even in the post-war complex industrial society of today.

Organisation

The early credit co-operatives were small in size, with a very limited membership, often confined to the more well-to-do in the village; loans too were limited, and were mostly of a short-term nature. Loans were given on the guarantee of two sureties who were also members of the society—the guiding principle was that of self-help and mutual help and the only external assistance, when such was available, was from limited funds provided by the government under various schemes of assistance to the poor. The organisers of the societies emphasised both thrift and credit, and in some situations borrowings could be only up to a percentage of the individual's own savings. Personal knowledge between members was given much emphasis. The MacLagan Committee in India commented as follows: “We would lay stress on the importance of small beginnings. The members of a society should be few to start with and increases should be gradual and the ultimate total moderate. The main advantage claimed for large societies is economy of management, but this consideration scarcely affects rural society. On the other hand, small societies are more easily supervised and trained in co-operative principles, just as small classes are more easily taught in schools.”

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

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

- (i) Thrift and Credit Co-operatives with unlimited liability were converted to those with limited liability. This step helped in broadening the base for membership and enabled a larger number to benefit from the society.
- (ii) Thrift and Credit Societies became established among employees in the institutionalised sector—these were to grow to mammoth proportions in certain countries, with membership extending to several thousands—in some countries they went under the name of credit unions—e.g. Australia 669 societies, 1.3 million members and 1.7 billion Australian Dollars in assets, Thailand, etc.
- (iii) Federation of primaries into secondaries at District or Regional levels leading to formation of an Apex Organisation at the national level.
- (iv) The primaries federating to form co-operative Banks at the District level, affiliating with central co-operative banks at the Regional and National levels.
- (v) Where development did not take place in line with (iii) or (iv) above, the credit function in some situations got integrated with the Agricultural and Multi-purpose Co-operatives that emerged after World War II.
- (vi) Continuation of the Thrift and Credit Societies on the same basis as in the beginning, but now depending on co-operative or commercial banks for their borrowing, and for the investment of their surpluses. In many countries of the Region the simple village level credit co-operative society flourishes to this day, organised and maintained by a hard core of committed co-operators who are happy, in some situations, that their smallness has left them outside the pale of increasing governmental attention and control.

Loans were given mostly in cash on a short-term basis—to cover such needs as cultivation expenses, purchase of raw materials for artisans, capital for petty traders, and

at times for the redemption of mortgages or the repayment of old debts. Very few societies went into medium-term loans to cover such needs as improvement of lands, purchase of bullocks etc.

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

It must be mentioned, however, that notwithstanding the steady growth of co-operatives in the credit sector, and elsewhere in such fields as Agricultural Production, Agricultural Marketing and Multi-purpose, the co-operative share in the total lending operations vis-a-vis the agricultural sector was insignificant—in most situations it was less than 10 per cent, with the balance of funds coming from friends, relatives or moneylenders.

The post-war period showed the importance of credit in the massive efforts made by most countries to increase productivity and to achieve their goal of self-sufficiency in food. To achieve this objective, many governments had to evolve new strategies for financing which involved more the agricultural co-operatives and the multipurpose co-operatives than the small village credit co-operatives. The recommendations of the Royal Commission on the Co-operative Movement in Ceylon headed by Dr. Laidlaw, reflects this changed emphasis. The Royal Commission said: "Whatever may be said for social values of small co-operatives—and it cannot be denied that they are often great—their economic benefits are often slight and of short duration. We therefore recommend that the number of primary societies be greatly reduced, and that the first general objectives of a new structure should be a much smaller number of large primary societies." This is a trend that is noticeable in all countries of the region, where the concept of viability has been given first consideration in determining the size of the co-operative.

Along with this concept evolved also the idea that any sound credit policy could be developed only if the supply of credit in cash and kind was linked with the marketing of produce, with the entire procedure being accompanied by a system of well-planned advisory services, whether in the farm sector or in the handicrafts and small-scale indus-

trial sector. What was now being encouraged was a package programme which included credit, extension, supply and marketing. Many of the small village co-operatives, by their own limitations, were unable to match the services now being rendered by the large sized agricultural or multipurpose co-operative society. But many of them continued to contribute their mite by meeting at least some of the credit needs of those with limited means. A factor of significance and one which has to be taken into consideration is that notwithstanding the massive support provided by the banks and the governments to this sector of agricultural credit through the new organisations, many a small village credit co-operative still continues to function, which in effect means that there is still a sector which cannot qualify for assistance through government schemes and is satisfied through these village co-operatives.

It would be appropriate to trace the growth of the credit function in situations where it became a part of the agricultural/multipurpose co-operative society. A good example would be that of Japan, where the Co-operative Society Law of 1900 made provision for the organisation of credit co-operatives in addition to co-operatives for marketing, processing etc.; by 1906 the credit co-operatives had also taken on marketing functions. In time these societies performed credit, marketing and supply functions—but they were operated independently and there was not much linkage between the functions. The new policies followed by the Japanese government in the post-war period led to the establishment of the multipurpose type with all services required by the farmer being provided under an integrated approach—the societies today perform Guidance Activities, Marketing, Purchasing, Credit, Mutual Insurance, Utilisation and Processing, Education Activities, and also legal activities such as measures to safeguard prices, ease taxation, trade liberalisation etc. Co-operative financing, covering over 15,000 agricultural and fishery co-operatives and over 10 million members are combined into a vertically integrated structure with the agricultural and fishery primary co-operatives at the base, 47 credit federations at the prefectural level, all combining in the Norinchukin Bank (the Central Bank for the nationwide systems of Agriculture, Fishery and Forestry Co-operatives) at the apex.

The growth pattern is similar in Korea where the National Agricultural Co-opera-

tive Federation functions as the apex level Bank both for internal and international transactions.

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

Problems and Prospects

In many countries of the Region which commenced co-operative activity with the introduction of the co-operative credit society, the small village co-operative credit society and the institutionalised co-operative credit union or thrift and savings society still exist. Where such societies are linked with a co-operative banking structure, there seems to be greater progress, better discipline in financial management, better schemes for increasing savings and better recovery performance.

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

Overall, both in the small size credit co-operative and in the integrated type, many of the co-operatives suffer from the absence of guarantee support both in respect of deposits and in respect of loans. Though some movements have been able to obtain limited government or central bank guarantees, even to set up a Co-operative Credit Guarantee System (Indonesia), yet the performance has not been such as to inspire confidence. This is an area where much can be done

which would help credit co-operatives to perform better.

Another factor to be considered is the increasing competition credit co-operatives and integrated co-operatives are facing from commercial banks, government savings schemes, post offices and other institutions, which in recent times have intensified their activities in this field. With increased mechanisation and even computerisation of services, the customer stands to get a better service from the private sector banking institution as against the staid old systems followed in many co-operatives, involving a large amount of paperwork, authentication and consequent delay.

A further factor is that the new institutions are offering new loan schemes coupled with insurance schemes which tend to make their propositions most attractive to the borrower. In the co-operative sector, even under some government schemes, loans are still available for cultural operations but do not cover such aspects as subsistence of the farming family during the cultivation period or even contingencies—all of which makes the farmer borrow from several sources to meet his credit needs, and often compels him to leave repayment of the co-operative loan till last.

In most countries of the Region, co-operative thrift and credit continues to perform a valuable and significant service. The prospects are that co-operative credit will continue to be available both through small credit co-operatives and integrated co-operatives. It is necessary to enthuse and energise this sector in order:

- (i) to inspire the necessary confidence among the members to make this

aspect more dynamic;

- (ii) to provide a mutual guarantee system which will inspire the necessary confidence;
- (iii) to build up the necessary resources to make more funds available for lending;
- (iv) to develop sufficient managerial skills to introduce a touch of dynamism in credit and savings operations;
- (v) to develop attractive savings schemes to mop up surpluses at the rural level;
- (vi) to devise attractive loaning policies and schemes which will enable a member to satisfy all his credit needs from one source;
- (vii) to develop insurance schemes which will ensure some support to the farmer/fisherman in the event of such calamities as crop failure;
- (viii) to gradually introduce schemes which will avoid unnecessary paperwork and consequent delay;
- (ix) to make available through the co-operative, assistance in financial planning, family budgeting, etc.;
- (x) to develop better and more meaningful member relations programmes;
- (xi) to strengthen the supporting structure for credit co-operatives with District and Apex level Federations or co-operative Banks;
- (xii) to strengthen the international supporting structure, to provide both guarantees and channels for loans and investments.

Much remains to be done and perhaps this World Conference will point the way to future action.

Presented by

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THRIFT AND CREDIT CO-OPERATIVES IN INDIA

General Background

The co-operative movement started in India basically as a Thrift and Credit Co-operative Movement for promoting thrift among the poor peasantry and providing institutionalised credit facilities. Ever since the passing of the first Co-operative Societies Act of 1904, the credit co-operatives have

developed in India with State support. During the post-independence period Thrift and Credit Co-operatives were accepted as the main instrument of promotion of banking and institutional facilities in the urban and rural areas.

The Government appointed a number of expert committees/groups to examine the

role of credit co-operatives in national development. The Committee of Direction on the All India Rural Credit Survey (1954) recommended an Integrated Scheme of Rural Credit and State participation in co-operative credit institutions at all levels. The Working Group on Non-agricultural Credit Co-operatives (1964) specified the range of activities in which urban credit co-operatives could be introduced. Subsequent policies and programmes as outlined under the Five Year Plans are based on the recommendations of these Expert Committees.

Other supportive measures taken by the Government include the following:

- (i) The passing of special legislation for the organisation and working of co-operative institutions;
- (ii) Protection of co-operative societies from the restrictive provisions of the various debt relief acts and money-lenders acts;
- (iii) Financial commitments by governments to the maintenance of special co-operative departments with large staffs;
- (iv) Financial aid given in the shape of share capital participation, loans, grant-aid, subsidies, government guarantees, etc.;
- (v) Service personnel entirely or partly free of charge to various institutions, which could not otherwise afford to employ them;
- (vi) Moral support in recognising the co-operative movement as the most important agency for rural reconstruction and planned economic development;
- (vii) Special concessions and privileges, such as: exemptions from income tax, stamp duty and registration fees; execution of awards through Government agencies; exemption from attachment of shares of co-operative societies; free remittance facilities, etc.

Credit Co-operatives constitute the most significant and vital part of the Indian Co-operative Movement.

Agricultural Credit Co-operatives

The structure of Agricultural Credit Co-operatives has emerged distinctly as (A) short and medium-term credit structure and (B) long-term credit structure.

The basic objective of the short- and medium-term credit structure is to provide seasonal credit for raising crops, purchase of bullocks, agricultural implements, etc. The normal loan period for short-term is 12 months while that of medium-term 5 years. In regard to long-term credit, the objective is to provide development and investment finance to effect improvements on farms including sinking of tube-wells, purchase of tractors. The normal period is 15 to 20 years.

A brief description of both (A) and (B) is given below:

(A) *The Constituents of Short and Medium-Term Credit Structure* are (i) Primary Agricultural Credit Co-operatives at the base level, (ii) District Co-operative Central Banks at district level, (iii) State Co-operative Banks at the State level and (iv) National Federation of State Co-operative Banks at the national level.

Primary Agricultural Credit Co-operatives: These societies have been organised at village level, numbering 116,000 with average membership of 2,000 farm families per society covering areas of about 5 to 10 villages depending upon the size of villages.

District Co-operative Banks: The Primary agricultural credit co-operatives have federated themselves at the district level into District Central Co-operative Banks. There are 344 district co-operative banks in the country. The main objectives of these banks are to assess the financial needs of primary agricultural credit co-operatives, provide technical guidance, supervise functioning of the agricultural credit co-operatives, develop rural banking facilities on a co-operative basis, etc. They are key institutions in the agricultural co-operative credit structure on which depends, to a large measure, the success of the agricultural credit co-operatives at operational level.

State Co-operative Banks are the federations of the District Co-operative Banks. There are 26 such Banks in the country. Their main function is to provide leadership to the agricultural co-operative credit structure in the State and co-ordinate their activities. These banks have assumed the responsibility of meeting the financial needs of members by borrowing from the Reserve Bank of India (Central Bank of the country) on the basis of the borrowing eligibility of the District Co-operative Banks. Taking into account their place in the overall banking structure and their importance, these banks have been given the status of scheduled

banks in the banking structure.

National Federation of State Co-operative Banks: The State Co-operative Banks, in turn, have federated themselves into the National Federation of State Co-operative Banks, which is a promotional body. Its main functions are:

- (a) To provide a common forum for discussing technical and practical problems relating to co-operative and other banking business and allied problems of its member banks and to devise ways and means to solve those problems;
- (b) To promote and protect the interests of the member banks in all spheres of their activities and to give expression to the views of the member banks;
- (c) To establish contacts with the Union Government, State Governments, the Reserve Bank of India, Industrial Finance Corporation of India, Agricultural Refinance Corporation of India, State Bank of India and other allied Institutions and Organisations at National and International levels;
- (d) To organise conferences, conventions, seminars, and working groups relating to banking, credit, processing, marketing management, etc.;
- (e) To arrange publication of periodicals, news bulletins and journals and to exchange information of common interest to member banks and to co-operate with the National Co-operative Union of India in the field of education and publicity;
- (f) To administer the all-India Mutual Arrangement Scheme for co-operative banks and to take such actions and/or enter into such agreements as may be necessary for furtherance of the Scheme;
- (g) To assist the state co-operative banks to establish common cadres for staff and their training;
- (h) To introduce a consultancy service in banking for the benefit of member banks;
- (i) To undertake studies or research projects concerning banks;
- (j) To acquire membership of co-operative and other connected institutions and associations at national and international levels.

(B) *The long-term co-operative credit structure* has developed two patterns—one-tier and two-tier. There are 5 States where the

state co-operative land development banks have established their branches at appropriate levels to provide long-term finance to the farmers. In 14 States, the structure consists of primary co-operative land development banks, which have federated themselves into state co-operative land development banks. There are at present 19 state co-operative land development banks in the country with 889 primary land development banks as constituent members or with branches.

The State Co-operative Land Development Banks have federated into the National Federation of Co-operative Land Development Banks, which provides leadership to the long-term credit structure and establishes liaison with the Reserve Bank of India, State Governments and Central Government. Its main functions are as follows:

- (a) To promote mutual understanding amongst members by providing a common forum for discussing technical and practical problems relating to long-term credit and to devise ways and means of solving these problems;
- (b) To organise conferences, conventions, seminars, working groups, study teams, etc., relating to long-term credit development and allied matters;
- (c) To strive for the promotion of the interests of the member banks and to establish contacts with the Government of India, State Governments, Planning Commission, Reserve Bank of India, Agricultural Refinance and Development Corporation, State Bank of India, Indian Banks Association, Life Insurance Corporation and other institutions and give expression to the common viewpoints of the member banks;
- (d) To collect statistics and assimilate and compile them in suitable form and disseminate the knowledge and experience gathered therefrom;
- (e) To arrange for the publication of periodicals, news bulletins and journals and exchange information relating to long-term credit useful to the member banks;
- (f) To arrange for lectures and to conduct studies and research on problems concerning long-term credit;
- (g) To assist member banks to establish common cadres for staff and their training.

Progress

There has been phenomenal expansion of the Agricultural Credit Co-operatives in the

country since Independence. With only 3% share in the total agricultural credit in the year 1951, the share of agricultural co-operative credit today is more than 40%. They cover practically all the villages in the country, with a membership of nearly 50 million.

The progress made by the Agricultural Credit Co-operatives during the period 1968-69 to 1977-78 is indicated below:

Short-term Agricultural Credit Co-operatives: The number of primary agricultural co-operatives in the country as at 30th June, 1969 stood at 168,000. On account of their non-viability, the structure has been reorganised into bigger more viable institutions at primary level and consequently their number has been reduced. On 30th June 1978, the number of primary agricultural co-operatives stood at 116,000. The owned capital of these co-operatives went up by 204% and share capital rose from Rs. 1,673 million to Rs. 4,206 million, i.e. an increase of 250%. The Government, being a partner in the equity of these societies, subscribed equity capital to the tune of Rs. 591 million. On 30th June 1978, the working capital of these societies stood at Rs. 27,124 million and their loan outstanding against their members amounting to Rs. 17,930 million which was three times more than in 1968-69. One of the problems confronted by these co-operatives was that of overdues. The percentage of overdues at the primary level which was 34.6% on 30th June 1969 had gone up to 45.1% at the close of the year 1977-78.

These primary agricultural credit societies were federated into District Central Co-operative Banks whose number was 344 at the end of the year 1977-78. These banks have also made phenomenal progress and on 30th June 1977-78 their owned funds stood at Rs. 4,840 million, deposits at Rs. 13,770 million and working capital at Rs. 29,541. These banks advance loans both for agricultural and non-agricultural purposes and total loans outstanding of these banks at the close of 1977-78 were Rs. 21,150 million.

At the state level 26 State Co-operative Banks with owned funds of Rs. 2,139 million and working capital of Rs. 18,223 million were supporting the activities of the District Central Co-operative Banks both in the agricultural and non-agricultural credit sectors. One of the salient features of these banks was the deposits which had grown about four times during the period 1968-69

to 1977-78, the total deposits of these banks being Rs. 10,037 million at the end of 1977-78.

Long-term Agricultural Credit: As already indicated above this is disbursed through a separate structure comprising 19 State Co-operative Land Development Banks and 889 Primary Land Development Banks and branches. The progress of these banks during the plan period has been phenomenal and at present they advance a sum of Rs. 2,500 million approximately every year. The total working capital of these banks (both Central and Primary Land Development Banks) stood at Rs. 29,790 million and the total loan outstanding at the end of 1977-78 stood at Rs. 13,050 million (Central Land Development Banks only). Like the short-term agricultural credit structure these banks are also facing the problems of overdues.

Structural Changes

With a view to making the rural Thrift and Credit Co-operative structure an effective instrument of service to the members, the structure has been subjected to frequent reorganisations. These experiments have generally been confined to the Thrift and Credit Societies in the rural areas. The structural changes effected from time to time were prompted by various factors. Ideologically, the concept of 'one village/one society' often weighed heavily to outnumber other considerations and it was considered that nearness of a co-operative institution to its members would be more valuable for creating a sense of belonging. This ideological consideration made the institutions non-viable. They could not be provided with well-paid and trained staff. With a view to making them economically viable these societies were reorganised into bigger societies.

Another factor which gave rise to new forms of rural thrift and credit societies was orientation of the policies of credit co-operative institutions towards the weaker sections of the community. Service to the weaker sections of the community, being a national objective for ameliorating their socio-economic conditions, was taken as a duty by the co-operative movement and it was felt that the co-operatives should not only provide more services to them but that the weaker sections should also be made a partner in the management of these co-operatives. Farmers' Service Societies, which were much larger in size, were one of the latest forms where the management was dominated by the weaker sections. For the

tribals, a special form known as LAMPS (large-sized agricultural multi-purpose co-operative societies) came into being with the object of providing credit, marketing services etc., to the tribals.

Thus in the rural area the thrift and credit structure generally has three types of societies, viz., the reorganised primary multipurpose societies, the farmers service societies and the LAMPS.

When we consider the question of the form that the thrift and credit co-operatives can adopt, we have to keep in mind the historical background and the evolution process through which the structure has passed over the last 7 decades. Adoption of form is not that important. What is more important is the service aspect. Better services can be provided only by better-managed, viable thrift and credit societies. This would call for increased business, which may affect the size of these institutions. The question of size is more relevant in the rural areas. In case of urban areas, many Thrift and Credit Societies are based at institutional level such as offices, factories, etc. The membership of these societies is confined to the employees of such establishments and their form cannot be changed. This is confirmed by the fact that the structure of Urban Thrift and Credit Societies has not been disturbed in most cases.

Another important aspect that has to be considered in this context relates to the lack of a functional or commercial institution of credit and thrift co-operatives at national level. The absence of such an institution has been badly felt. If a banking institution at national level were established in the co-operative sector, it could play a very important role in the streamlining of the structure of Thrift and Credit Co-operatives in the country. A proposal is under active consideration by the Government to set up a National Bank for Agricultural and Rural Development (NABARD). The Co-operative Movement has suggested that co-operatives should be given a major role in the NABARD.

Some issues regarding the form of rural credit co-operative institutions which are often debated:

(1) Whether the short-term credit structure should continue to have three tiers viz., the State Co-operative Bank, the District Central Co-operative Bank and the Primary Agricultural Credit Societies, or whether the structure should be converted into a two-tier one with the State Co-operative Bank at

state level and the primary societies at village level. In fact, in one of the states of the country the middle tier, i.e. the District Central Co-operative Banks, have already been done away with. The school of thought which favours the three-tier structure advances the argument that District Central Co-operative Banks are the leaders of the co-operative movement at the district level and are a balancing factor between the village level and state level co-operative credit institutions. Further, they also advocate that abolition of the middle tier may result in lack of supervision of the primaries, and that if the State Co-operative Banks start supervising the primaries through their branches at District level, it will not be economic. The other school of thought, which favours a two-tier structure, has generally advanced the one argument that it will reduce the burden of interest on borrowers and economise the cost of purveying credit to members.

(2) It is often argued that the short-term and long-term credit structures should be integrated and that only one co-operative credit institution should operate at village level to provide all types of credit to the rural people. In fact, at one point, the pressure for integrating the two structures had become very strong and the co-operative movement of the country was worried on this issue. The movement did not favour such structural integration and wanted functional co-ordination to be effected at the primary level rather than by integrating the structures. The implementation of integration has been kept in abeyance for the present.

Frequent structural changes at base level have, among other factors, been responsible for operational deficiencies in rural credit co-operatives. The size, form, amalgamation and or division should be left to the members.

Non-Agricultural Credit Co-operatives

These include the urban co-operative banks and employees' thrift and credit societies. These institutions have played a very important role in the field of deposit mobilisation as well as purveying credit to their members. In the context of the speedy removal of regional imbalances in economic growth, and in helping the industrialisation of small entrepreneurs and protecting the weaker sections in the urban areas against exploitation by the moneylenders, these co-operatives are providing very useful services.

Such societies numbered 21,168 at the end of June 1978 as compared with 17,666 as at 30th June 1975. The organisational structure of urban co-operative credit comprises urban co-operative banks and salary earners' co-operative societies at primary level. These institutions have not formed any higher level organisations for business and are operationally linked with the central co-operative banks of the agricultural credit co-operative sector at district level. However, they have formed their promotional bodies at state level known as State Urban Co-operative Banks Associations and a National Federation of Urban Co-operative Banks and Credit Societies at national level.

The sector of urban credit co-operatives has 12.4 million members, working capital of Rs. 13,720 million and deposits of Rs. 8,310 million which form 61% of their working capital. Their total borrowing as at 30th June 1978 stood at Rs. 802 million, including Rs. 732.6 million from Central Co-operative Banks. The loans and advances made during the year including cash credit amounted to Rs. 10,130 million as compared with Rs. 9,100 million during the preceding year. Their total overdues comprised 8% of the total outstandings as at 30th June 1978.

The purposes for which loans and advances are granted by them are generally for purchase of immovable property and repairs to houses, petty trade and industry, purchase of consumer articles and household goods, meeting of ceremonial and medical expenses etc. Advances by these banking institutions are generally made against mortgage of immovable property, pledge of gold and silver ornaments, personal sureties, etc.

In spite of overall progress in the sector of urban credit co-operatives sector, there are certain problems that beset their functioning. These are: over-emphasis on consumption-oriented financing, mis-utilisation of loans, concentration of loans in the hands of a few and the members of the Board of Directors; regional imbalances; lack of proper planning for the investment of resources mobilised; low managerial efficiency as far as fund management is concerned. In order to overcome these problems, steps are being taken to ensure a planned diversification of the loan portfolios of urban credit co-operatives to make them more production-oriented. The promotional organisations viz. the State Urban Co-operative Banks Associations and the National Federation of Urban Co-operative Banks and Credit Societies have

taken appropriate steps by impressing upon the urban credit co-operatives, particularly the primary co-operative banks, that their area of emphasis is to be shifted from consumption-oriented lending to production-oriented finance.

An important impediment to the successful working of these banks is the dual control of the Reserve Bank of India (in respect of urban banks covered under the Banking Regulation Act) and the Registrar of Co-operative Societies. This puts them at a disadvantage. It has been found that many instructions issued by these two agencies vary and are contradictory. In some of the States, the Registrars of Co-operative Societies have agreed to follow the directions issued by the Reserve Bank of India as far as financing and control policies of urban banks are concerned. This needs to be followed in the remaining States also, but what is more important in this context is the need to evolve a uniform pattern to regulate the working of these banking institutions throughout the country.

Relationships with Banking Structure

The entire co-operative credit structure, both agricultural and non-agricultural, is administratively and operationally linked with the Central Bank of the country. The Banking Regulation Act 1949 has been made applicable to the co-operative banks which have minimum paid-up share capital and reserves of Rs. 100,000 and are accepting deposits from non-members. Under the Act, the Central Bank of the country, i.e. the Reserve Bank of India, is entitled to exercise certain powers to regulate the functioning of the co-operative credit sector. So far as operational linkage with the central bank of the country is concerned, it is more perceptible and effective in case of agricultural credit co-operatives. The Reserve Bank of India provides refinance facilities to the agricultural credit co-operatives at a concessional rate of interest for short-term and medium-term agricultural credit. The Reserve Bank also maintains two funds, viz. the Agricultural Credit (long-term operations) Fund and the Agricultural Credit (stabilisation) Fund.

The long-term operations fund is maintained by the Reserve Bank by making suitable appropriation out of its profits and is used for advancement of medium-term agricultural loans to the State Co-operative Banks, investment in the debentures of land

development banks and loans at concessional rates to State Governments to enable them to participate in the share capital of co-operative credit institutions.

An autonomous subsidiary organisation of the Reserve Bank of India, viz. the Agricultural Refinance and Development Corporation, has been constituted to meet the investment and developmental finance requirements of the co-operative credit sector. The Corporation gives refinance facilities to the Co-operative Land Development Banks for long-term investment credit in agriculture.

Multi-Agency Approach

Till 1969, the co-operatives were the main, if not the sole, institutional agency for providing credit both for production and investments in the agricultural sector. However subsequently, on account of rapid changes in agricultural technology, the credit needs of the agricultural sector increased substantially and it was felt that the co-operative credit sector was not in a position to meet the full requirements of the agriculture sector. The Government, therefore, on the recommendations of an Expert Committee viz. the All-India Rural Credit Review Committee, introduced a multi-agency approach to agricultural credit in 1969 by inducting commercial banks into agricultural financing operations. The Commercial Banks since 1970 have been undertaking agricultural finance, both on a direct basis and through the agricultural credit co-operatives at village level. According to the latest statistics available as at June 1978, the Commercial Banks have financed 2,863 primary agricultural credit co-operatives in 31,000 villages to the tune of Rs. 576.01 millions. The experience of commercial banks in the sphere of direct financing has not been up to expectations, and it has once again been proved that without co-operative institutional support the agricultural financial system constituted with a non-co-operative financing agency will not be successful. Therefore, all-out efforts have been initiated to bring about co-ordination between the co-operative institutions and commercial banks.

The National Bank for Agriculture and Rural Development

Reference has already been made to the proposed establishment of NABARD. The co-operative agricultural credit sector is

estimated to have provided more than Rs. 25,000 million as long-term credit, and short- and medium-term co-operative credit to the tune of Rs. 17,000 million at the end of 1978-79. Its target for long-term lending during the 6th Plan has been fixed at Rs. 25,000 million, while that for short- and medium-term has been pinned at Rs. 25,000 million and Rs. 12,000 million respectively. However, the co-operative agricultural credit structure does not find existing organisational linkages with the Reserve Bank of India sufficiently effective to meet the challenges and growing requirements of agriculture and the rural economy. Therefore, the view of the co-operative movement all along has been that there should be a National Co-operative Development Bank.

All the expert committees on co-operative credit appointed from time to time have supported the view that some institutional arrangements at national level for financing, co-ordinating, guiding and controlling the co-operative credit system should be created. The Mirdha Committee on Co-operation, as early as 1965, made a specific suggestion to establish a National Co-operative Bank. Thereafter the Working Group on Co-operation appointed by the Administrative Reforms Commission (1968) also categorically recommended the establishment of a National Bank for Co-operatives and Agriculture. Indian Co-operative Congresses and leadership conferences have been pleading for the establishment of a National Co-operative Bank.

The recommendations of the experts and the highest co-operative forums are not merely theoretical enunciations. The National Co-operative Union of India has had them examined by experts who have come to the conclusion that a National Co-operative Development Bank would be a feasible proposition to correct various limitations from which the rural credit sector is suffering.

The Government of India has recently taken the decision to establish a National Bank for Agriculture and Rural Development to co-ordinate the agricultural credit system and ensure the smooth and effective flow of credit to agriculture and the rural sector of the national economy. The decision, no doubt, will generally be welcomed particularly in the context of the need for devising a self-propelled development-oriented agricultural credit and banking system in the country. Although the contours of the proposed institution have not been announced

by Government, co-operators believe that it is proposed to establish the said bank under the control of the Reserve Bank of India by amalgamating the Agricultural Credit Department of the Reserve Bank of India and the Agricultural Refinance and Development Corporation. The position of co-operators which are major shareholders in the Agricultural Refinance and Development Corporation, has not been clarified as yet in relation to the proposed Bank.

With the establishment of the National Bank for Agriculture and Rural Development, the most affected sector will be the co-operative credit system. It will be most appropriate if the co-operative credit system is given a distinct place in the proposed Bank. The co-operative credit institutions could, without much difficulty, subscribe the major share capital of the proposed Bank.

The issue was discussed in the Conference of State Ministers for Co-operation convened by the National Co-operative Union of India on 26th and 27th September 1980. Previous to this Conference the Co-operative Parliamentary Forum of the National Co-operative Union of India also deliberated on the subject on 5th August, 1980. Nearly 200 members of Parliament participated in the Conference of the Forum. The Forum resolved that the Government of India be requested to allocate a 50% share to the co-operative sector in the equity capital and management of the proposed Bank.

International Assistance and Co-operative Credit

International financing institutions viz.

World Bank, International Development Agency (IDA), International Bank for Rural Reconstruction (IBRR) have been providing funds to financing institutions through the Government of India for minor irrigation and land development programmes including mechanisation of agriculture and diversified activities such as dairies, fisheries, etc. These funds are advanced by the international organisations on a project basis, at a nominal service charge of 0.7% to the Government of India which in turn makes these funds available to the financing institutions, including co-operatives, through the Agricultural Refinance Development Corporation (ARDC) at a pool rate of interest around 6%. In addition to IDA, the European Economic Committee (EEC) has also made available funds through the National Co-operative Development Corporation for development of storage facilities by primary agricultural credit co-operatives and marketing co-operatives. During the year ending 30th June 1971, IDA provided finance through ARDC amounting to Rs. 3,837.4 million to the state land development banks, and the finance provided to State Co-operative Banks by IDA amounted to Rs. 17.4 million. IDA also sanctioned Rs. 549.9 million for construction of 8,654 warehouses under co-operative storage projects in the States of Haryana, Orissa and Uttar Pradesh. Similar project assistance of Rs.157.05 million for developing the storage capacity of co-operatives was approved by the EEC for the construction of 6,851 new warehouses for rural co-operatives during 1978.

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1. Country Background

Malaysia—a brief introduction

This 129,000 sq. miles of 'good earth' are situated centrally in the fast growing region of South East Asia. Endowed with rich natural resources, Malaysia ranks amongst the world's largest exporters of rubber, tin, timber, palm oil and pepper. Petroleum and natural gas and cocoa have assumed even

greater importance in exports. Labelled as another economic showpiece of Asia, it is certainly a land of plenty for investors—including the Co-operative Movements of the world.

The population was 12.7 millions in 1977 with a cosmopolitan mix of 6 million Malays, 4.2 million of Chinese origin, 1.1 million of Indian/Pakistan origin and 1.4 million of

*This paper was distributed but not presented owing to lack of time.

natives and others. About 50% are below 21 years and 58% are of working age. The people enjoy a comparably high standard of basic amenities and facilities.

Malaysia is an elective, constitutional monarchy with a democratic bi-cameral Parliament—The House of Representatives (elected) and the Senate (appointed). The Government is people-inspired and certainly action- or development-oriented. This results in political and economic stability and happiness for the people contributing.

The Economic Situation

The Malaysian economy remained strong and buoyant in 1979 under the stimulus of greater public sector demand and better than anticipated growth in exports. Real GNP is estimated to have grown by 8% (Budget estimate being 7.2%). Price increases have remained moderate and the rate of inflation for 1979 went down to 3.6% from 4.6% recorded in 1978, one of the lowest in the world.

Exports, which account for about half of GNP, accelerated in 1979 largely due to higher commodity prices of rubber, palm oil, tin, timber, cocoa, etc. Government expenditures were expansionary during the year and further stimulated economic expansion. Monetary policy continued to be relaxed in line with Government's policy objective of stimulating private investment.

The manufacturing sector advanced steadily and contributed significantly to the expansion of the productive capacity of the economy in 1979. Value added in the manufacturing sector increased by 12% and accounted for 20% of real GNP or M\$4,769†. Increases of between 20% to 10% were recorded in the production of iron/steel products, rubber products, textiles, electrical and electronic goods.

The construction sector was particularly buoyant in 1979 being stimulated by increased residential and public sector building projects. Prices of building materials rose by about 15%.

Value added in the services sector (46% of real GNP) is estimated to have expanded by 7% in real terms to M\$10,584 million. Wholesale and retail trade expanded by 7% together with the overall expansion of the economy.

The public sector was expected to strengthen and achieve a growth of 15.6% in 1979 and thus provide a firm basis for sustained economic growth. The total public investment expenditure was M\$4,571 million.

†US\$1=M\$2

With higher exports, (M\$21,025 million) the total trade balance is expected to grow by 33% reaching M\$4,520 million. The net external reserves will reach M\$ 8,714 million, M\$1,350 million being added in 1979.

2. The Role of Industrial Development in the Country's National Plan

Malaysia commenced planning after a World Bank mission made a comprehensive survey of the Malaysian economy, and is in its fifth Five Year Plan, since 1956.

The main objective till 1970 was growth in income and employment through agricultural expansion, and diversification and industrialisation to overcome the major problems of low productivity, export instability, etc. Since then and the implementation of the New Economic Policy, industrialisation has progressed at a remarkable pace. The manufacturing sector has become the leading and most dynamic growth sector of the Malaysian economy. In the last decade, it has progressed from the initial stages of industrialisation based on simple consumer goods import-substituting industries to the production of durable goods and light machinery and equipment for both the domestic market and for export. Of significance is that the rapid expansion of labour-intensive and export-oriented industries goods (insignificant in 1958) accounted for 20% of the total value of gross exports in 1979.

Today, the role of industrial development in the country is to be further hastened and the Government has provided the necessary incentives and safeguards for industries to operate efficiently and profitably. The Government of Malaysia encourages joint ventures between foreign investors and Malaysian persons for the establishment of mutually beneficial, long term projects. Generally, Malaysia prefers industries that are export oriented, labour intensive, agro and resource based. Malaysia also welcomes industries that are high technology oriented and industries that can lend themselves to backward and forward integration with existing industries.

3. The Co-operative Credit Movement in Malaysia

The co-operative credit movement in Malaysia was started in 1922 by Government as a measure to combat indebtedness amongst its employees and other workers who were then being exploited by unscrupulous moneylenders. The workers were unorganised, underpaid and were prone to

overspending and extravagance and thereby easily fell prey to the loan sharks of the day. The moneylending system then was so 'killing' that a good number of borrowers were permanently glued to it with little hope of escape under existing conditions.

Thus credit co-operatives were organised and registered with the Registrars of Co-operative Societies in the respective component States of the Federation. For the monthly salaried employees, the thrift and loan co-operatives were organised either along departmental lines, or in administrative districts or places of employment. For the daily paid employees, they were organised as employees' or labourers' credit co-operatives and their credit facilities were limited to 80% of their subscription capital. In both cases, these institutions provided facilities for savings for the members through collection facilities from pay deductions provided by Government and employers. As an immediate benefit the deserving members could take loans for their own economic use which were then repaid by monthly instalments over a maximum period of thirty-six months.

The impetus for accelerated growth within the credit co-operatives came with Independence in 1957 when Government efforts in assisting the development of the Co-operative Movement became more pronounced. More of these co-operatives—identified with urban areas and places of employment—were established for the benefit of their members. They accumulated capital and extended their loan facilities to include the following:

- (a) ordinary loans of up to \$5,000/- repayable within 36 months;
- (b) emergency loans of up to \$500/- to meet urgent personal or family requirements;
- (c) 80% or 90% loans based on the members' credit accumulation;
- (d) mortgage loans to build or purchase houses of up to \$30,000/- repayable by monthly instalments within 15 years with the member having to save/deposit one year before the loan disbursement;
- (e) Consumer loans were also started to cater for the purchase of consumer items such as electrical goods, etc.

In most cases, the interest charged on these loans was 6% on the original amount and on the reducing balance for the mortgage loan.

In the 1960s and after the launching of the 1st Malaysia Plan, the concept of the multi-

purpose co-operative was implemented to contribute towards national development. Under this programme, credit co-operatives, in addition to enhancing their credit activities, were also encouraged to involve themselves in consumer activities (trading), housing development or block purchase of houses and investment in public companies, gilt-edged securities; joint venture projects were undertaken as part of a programme to provide work opportunities for members' children as well as being economically viable projects for a reasonable return on investment.

With the 2nd and 3rd Development Plans for Malaysia covering 1971-1980, the development of co-operatives, including credit co-operatives, became more intensified and capital accumulation and loan disbursements increased considerably. This was partly because Government employees were given two salary revisions in 1971 and in 1977 which increased appreciably their salaries and consequently their propensity to save in their own co-operatives. The co-operative credit movement is still today the backbone of the Malaysian Co-operative Movement—it comprises the Thrift and Loan Co-operatives, Multipurpose (urban), Thrift and Investment co-operatives, Labourers/employees Credit Co-operatives and Co-operative Banks.

For the 80s it is envisaged that the co-operative credit movement, including co-operative banking, will progress at a much faster rate, gearing itself towards better achievements in savings, deposits, loans to members and also a commitment to the development activities of the national economy. Towards this end, the credit co-operatives, along with the other sectors of the Movement have agreed to join hands together and participate more actively in industrial activities, housing development and construction, international co-operative trade management and audit services, investment and other collaboration activities between co-operatives within the country and without.

4. Co-operative Industry

The Co-operative Movement in Malaysia has until today been very much a credit movement. Of late the various other sectors like agricultural, fisheries, housing and consumer are gaining momentum due to greater input from external sources as also to meet the pressing needs of members for housing and daily necessities.

The industrial activities of co-operatives in Malaysia are of recent origin, having been

started in the mid 60s, as a result of the diversification of activities of co-operatives through the 'multi-purpose' concept. The creation of employment opportunities for members' children and the thought of accelerated economic gains from new opportunities in the industrial field offered by Government policy were contributory reasons for co-operatives to venture into industry. Another reason for the belated entry into industry was the 'consumption character' of the Movement (credit, consumer and housing), and as a consequence the 'producer' aspect which industry entails was given less importance.

For the 80's, it is hoped that the Co-operative Movement in Malaysia will play a more positive role in the industrial field and for this reason, a National Seminar on accelerating industrial activities amongst co-operatives was organised by ANGKASA and the Department of Co-operative Development in 1979. As a result of this the Konsortium Koperasi Nasional, Berhad (KONSKO-OP for short) was formed with an initial proposed capital of M\$ 5 million to spearhead the industrial activities of the Co-operative Movement in an organised way. It is hoped that with the proper production facilities both for consumption goods and goods which can be exported to other co-operatives, the industrial activities of the Movement will become more significant than at present.

5. Scope and Importance of the Movement

In a free enterprise economy like Malaysia, where there is also substantial Government and public sector business, the role of the Co-operative Movement as a complementor and supplementor is very much appreciated in view of the Government policy of all round growth and the more equitable distribution of wealth or 'the expanded cake'. With 1.3 million members and about M\$ 500 million in paid up capital, the movement has expanded from the traditional credit orientation to housing, consumer, land development, production and marketing and other asset accumulation activities. With the implementation of the New Economic Policy, the co-operatives' own activities will have to be expanded drastically to fulfil the members needs. Thus, with a policy of a house-owning democracy, the role of co-operative housing (construction and development) will become pronounced. Consumer co-operation will once again emerge as urgent in view of the inflationary pulls on the daily lives of

members. The role of production (or land development) co-operatives through the assistance of special government agencies will fulfil the needs of those co-operatives who had missed the stroke of development in the past. In the industrial sector the scope for co-operatives will become more significant.

In the situation of a rapidly developing country like Malaysia, the scope and importance of the Movement in all fields are definitely of great importance and urgency.

6. The Legal Status of the Movement

The Co-operative Movement in Malaysia is presently governed by a set of six Co-operative Laws, each with its own distinct area of operation or application. This arose out of developments in the country rather than meaningful design. These laws are as follows:

- (a) The Co-operative Societies Ordinance, No. 133/1948 which covers co-operatives which are non-agro and non-fishermen based in Peninsular Malaysia, with the Registrar-General and Department of Co-operative Development, Malaysia, administering the Law. Thus, Thrift and Loan Co-operatives, Housing, Insurance, Consumer, Land Development, Transportation, Industrial and School Co-operatives come under the purview of this Law.
- (b) The Farmers Organisation Act, 1973, covers the former agro-based Co-operatives and the newly registered farmers area co-operatives. The end result would be to amalgamate the Farmers' Associations registered under the Farmers' Association Act, 1967 and the local co-operatives into more viable farmers' co-operatives on an area basis. The farmers' co-operatives are therefore the new agents of change and development and most Government assistance and subsidies to agriculture and the farmers would pass through these vital links. Agricultural modernisation, mechanisation and productivity are given top priority. This Act covers Peninsular Malaysia only.
- (c) The Fishermen's Development Authority Act, 1975 (MAJUIKAN) covers the fishermen's co-operatives and also the Fishermen's Association. The aim here is also to integrate the two organisations into new viable fishermen's co-operatives and for this reason inputs and subsidies are offered by MAJUIKAN, the Govern-

ment Agency for the overall betterment of the fishermen and their families. As part of the development process, the fishermen will benefit equitably from the Government Development Programmes. This Act covers Peninsular Malaysia and Sarawak.

- (d) The Co-operative Societies Ordinance of Sarawak 1949. This Ordinance covers all types of co-operatives in the component state of Sarawak, with the arrangement that Fishermen's Co-operatives are administered by MAJU KAN.
- (e) The Co-operative Societies Ordinance Sabah 1958. This Ordinance covers all types of co-operative in the component state of Sabah.
- (f) In addition, the Co-operative College of Malaysia which is responsible for the education and training of members, lay leaders and employees of the Movement, operates under an Act of Parliament called the Co-operative College Malaysia Incorporation Act, 1968. 2% of their net profits are paid by Co-operatives to the Education Trust Fund, a good portion reaching the Co-operative College.

The existence of the above laws is part of the historical process of the Movement coupled with the needs of a rapidly developing country. It is envisaged that in the not too distant future, a single united Act on Co-operatives in Malaysia will be promulgated.

7. The Organisational Set-Up of the Movement

Prior to 1966, the Co-operative Movement could be said to be divided into an urban sector and a rural sector, the latter being members of the Co-operative Apex Bank. The 1st Co-operative Congress in 1966 decided *inter alia* that the Co-operative Movement be united as a whole under one banner. This was further enunciated at the 2nd Co-operative Congress in 1971 which gave birth to ANKGASA, the National Co-operative Union of Malaysia, which is now the sole national non-trading apex co-operative in the country. It is the mouth-piece of the Movement and is recognised by the Government of Malaysia as the sole representative of the Movement.

As indicated by the prevailing Co-operative Laws in the country the Co-operative Movement in Malaysia is slowly evolving a suitable and practical structure based on

actual need, and the following may be the guideline:

- (a) ANKGASA or the National Co-operative Union as the sole apex organisation for all the co-operatives in Malaysia. It will have *inter alia* the function of policy-making, research, services and international relations. Its main source of funds will be 1% of the net profits of co-operatives.
- (b) As part of the practice of the sixth Co-operative Principle—collaboration between co-operatives at regional, national and international levels—all co-operatives in Malaysia may federate at the national level according to their distinct functional activity; thus, the National Federation (indicating a business enterprise) for each functional activity such as Industrial, Housing, Transportation, Land Development, Farmers Development, Fishermen Development. It was to this end and as a measure to rationalise this part of the structure that the consortium KONSKO-OP was formed on 13 December 1979 to harness the funds of co-operatives for investment in projects related to the needs of member co-operatives or to the development of the country.
- (c) As part of the process of co-operative collaboration and integration working together at the State (provincial) level appears to be necessary from time to time and in some instances the need has long been felt.
- (d) At the ground level will be the roots of the Malaysian Co-operative Movement—the 3,000 odd primary co-operatives of various types, ages, functional activities and stages of development. A concerted attempt at consolidation of the Movement would be undertaken so that only viable co-operatives with large membership, sufficient own capital and managed by full-time, trained and dedicated management staff will remain on the register to work for the good of individual members.

8. Mutual Relations Between the Government and the Movement

Before Independence in 1957 the role of Government was one of 'Systems maintenance' and not of Development as is typical of independent nations. The successive Five Year Development Plans have laid the groundwork for raising the living standards

of the people and the general development of the country, which acquired new dimensions and meaning with the inauguration of the New Economic Policy in 1970.

Basically the objectives of the New Economic Policy are the eradication of poverty and the restructuring of Malaysian society, implemented through the policies, programmes and projects of 2nd, 3rd and subsequent Development Plans of Malaysia until 1990. In these Plans lie the hopes for economic, social and all-round progress of Malaysians.

Malaysia adopts the system of indicative planning in its Development Process. Although a free enterprise economy, the role of Government and government agencies in industry and business is substantial, due mainly to the implementation programmes of the New Economic Policy. Thus with the participation of decision makers both public and private in deciding the targets and objectives of Development Plans, the participation of the Co-operative Movement as a whole has become more important as one of the vehicles for the achievement of the goals of the New Economic Policy. For a start, a M\$ 25 million Revolving Fund was created in 1979 for co-operatives under the Department of Co-operative Development. Similar provisions for agro or fishermen based co-operatives were made earlier.

The mutual relations between the Government and the Movement can undoubtedly be described as being very good and it is left to

the Movement to create a more positive impact through its own dynamic implementation of programmes and projects. At the recent officiating ceremony of ANG-KASA's Computer Service, the Deputy Agriculture Minister stated that "The Government has accepted the vital role of the country's co-operative movement in improving the people's livelihood and helping to achieve the New Economic Policy".

9. The Co-operative Dimensions

Having been introduced in 1922 as a measure to combat indebtedness amongst government servants, farmers and workers, the Co-operative Movement in Malaysia, which will celebrate its Diamond Jubilee in 1982, can be said to have undergone a long and trying period. The credit movement is more urban based, catering for the Government servants and salaried employees, and is generally considered as the backbone of the Movement. The 80 odd housing co-operatives have started to make a greater impact under the programme of house-owning democracy and 30,000 housing units are expected to be completed in the 4th Malaysia Plan (1981-1985). Consumer co-operation, which played a vital role in the early 50s, will again emerge to give the consumers a bastion for protection against the malpractices of the private trader; an annual sales turnover of M\$ 250 million is being targeted at the end of the 4th Malaysian Plan. Consumer goods retailing from about

Statistics of Co-operative Credit Societies 1975-1979

	1975	1976	1977	1978	1979
No. of Co-operatives	277	272	321	357	382
No. of individual Members	175,097	224,023	434,865	508,493	572,262
No. of loans disbursed	53,969	95,864	161,181	184,582	154,544
	M\$*	M\$	M\$	M\$	M\$
Subscription/ Share Capital	111,890,843	179,986,030	260,339,209	382,898,850	337,890,341
Total Assets	176,233,281	465,197,184	520,485,276	939,739,355	1,031,384,909
Loan balance—b/f. . .	95,385,635	182,342,464	239,490,524	333,331,905	378,779,859
Total loans disbursed during year	95,187,937	112,796,158	254,838,670	323,047,296	331,703,631
Total repayments . .	76,915,002	125,074,357	222,014,888	255,536,209	274,290,398
Loan balance at year end	113,658,570	170,064,065	272,114,306	400,842,992	436,193,092

*US \$1 = M\$2

700 units of shops will now include 20 petrol kiosks, which in all cases have been found to be leading sales outlets. Co-operatives in the development areas, such as land settlers in FELDA (Federal Land Development Authority), rubber smallholders under RISDA (Rubber Industry Smallholders Development Authority), Land schemes under FELORA (Federal Land Consolidation and Rehabilitation Authority) and land schemes by State Government and other agencies, will play a positive role in improving the living standards of co-operators who participate in those schemes. Farmers and Fishermen's Co-operatives will play more dominant roles in the Fourth Malaysia Plan.

The estimated latest basic statistics of the

Co-operative Movement in Malaysia as a whole are as follows:

- (a) No. of Co-operatives—3,300;
- (b) No. of Individual Members—1.6 million;
- (c) Share Capital—M\$ 600 million;
- (d) Total Share Capital—M\$ 1.2 billion.

The present policy is to encourage co-operatives to have large membership, adequate own capital and managed by full-time, trained and dedicated staff and geared towards giving service to the individual members. There should also be adequate interco-operative collaboration based on the 6th Co-operative principle in order to enhance the healthy growth of the Movement.

Presented by

Augustine KANG

General Manager

Asian Confederation of Credit Unions (ACCU)

MAIN EVENTS IN ACCU MEMBER COUNTRIES

Korea

As at 28 February 1979 there were 1,499 credit unions serving nearly 700,000 members all over the country. Like any human organisation that operates on a large scale, the complaints of members on the tendency towards 'dehumanisation' are growing loud. With the active leadership of the newly-elected President and officers, it is expected that the CU movement in Korea will continue to grow, sticking to the principles and philosophy of the credit unions. The relation between the CU movement and the Ministry of Finance, Republic of Korea, is unchanged; both parties respect each other and are enthusiastic about their future development.

30 Korean CU leaders completed a 3-week training in November 1978 in Tokyo, during which the CU leaders studied the history of Japan's CU movement, the principle and theory of the Credit Union Co-operatives, the general condition of Japan's Agricultural Credit Unions, the development and expansion of social economy and its role in society. From Japan, they went to Taiwan and Hong Kong and observed the leagues and credit union operation.

Taiwan, ROC

In September/October 1976 an ACCU official visited Taiwan to help with the formulation of Credit Union legislation in the ROC. After 3 weeks of intensive study and discussion of existing legislation and practices, his report was submitted to the Ministry of Finance.

A Joint CU Training Seminar was held in Taiwan in July 1977, with more than 50 participants from Japan, Korea, Hong Kong, Papua New Guinea and Taiwan, focussing on *How to Work Together with the Government*. Mr. Bailey (WOCCU) and Mr. Tong-Sun Ha, Director of the Finance Bureau of the Republic of Korea, (who attended the seminar), visited key government officials, accompanied by credit union officials of ACCU and the Taiwan Credit Union League. As a result the Government of Taiwan, ROC, is seriously considering legislation for the Taiwan credit union movement.

The ROC Vice-Minister of the Interior visited the Credit Unions in Korea in September 1978, accompanied by Mr. A. Kang (ACCU); they visited CU employees

in various companies and Credit Union chapters, and the CU National League. The Vice-Minister had many questions about the Korean CU movement, its management, relationship between league and chapters, and with ROK government officials.

Japan

The Japan Credit Union League set up a 5-Year Plan (1976-1981) and appealed to credit union leaders in Japan and some sponsoring agencies for support. Mr. Endo, Managing Director of the League stated that by May 31 1981 the total number of CUs would be more than 200 and the League would become a model co-operative in Japan among many profit-oriented financial institutions.

Since the 'Sarakin' private loan business firms create formidable social problems in the society of Japan, CU leaders are seeking for better methods to advance the movement.

Hong Kong

Mr. Andrew So, one of the pioneers of the Hong Kong CU movement and the first ACCU President, now serving as Secretary of its Board, was appointed a member of the Legislative Council of the Hong Kong Government.

Thailand

The Thai CU movement finally obtained CU legislation on 21 September 1978 from its government.

Another highlight in the Thai Credit Union League's achievement was the opening of their new building on 28 April 1979. The League office building with a training centre is an imposing 3-storey building and the largest League building in Asia.

Singapore

A group of leaders in Singapore who attended an ACCU CU seminar there in August 1976, formed a Credit Co-operative Promotion Group (CCPG) as an informal organisation with a view to continuing the CU promotional work started by ACCU technicians.

The first credit union was organised in Singapore in 1979 and named Xeppep Group Co-operative Credit Union Ltd. They informed the ACCU office that they were launching an education plan for their members and asked for education materials.

Indonesia

The CUCO and leaders in Indonesia were working to strengthen the grassroot level chapter structure prior to forming a national CU organisation, as is the normal procedure. They also wanted more time in order to get their government's understanding of the CU movement and its structures.

The head of CUNA's Risk Management visited Jakarta to assist CUCO with training programmes for auditors. A member of CUCO staff was awarded a scholarship for a month's CU course at the Coady International Institute, Canada.

Papua New Guinea

The Federation of Savings & Loan Societies Ltd. recently became a new ACCU member and received the first ACCU technical Assistance Programme. ACCU technician Mr. John Park, Assistant Director of Co-operative Education Institute worked for Papua New Guinea Federation for three months, helping them with the Three-Year Education Plan. Papua New Guinea CU leaders are working in extremely difficult conditions especially with people who speak 700 different dialects. ACCU tries to assist them with some financial help, such as the expenses of publishing CU education material in various dialects.

Philippines

The CU movement in Philippines is still growing sporadically in spite of many difficulties. The CU leaders are working hard to readjust the CU movement itself to the new situation which develops along with the government's attitude toward the credit union movement.

West Asia

The year 1978 ushered in great hopes for the CU movement in the West Asia region. The trips made by the ACCU General Manager through the region and his subsequent reports show that CU leaders and people who have a great concern for the CU movement in this part of the world are working hard to organise, develop and keep the movement going and growing.

India

This Asian country which is second only to China in its geographical vastness and density of population is very rich in culture but compared to other countries it is extremely poor economically. The Credit Co-operatives in India have a long history that

dates back to the year 1904 when the co-operative act was established by the British rulers. Consequently the government supports and controls these Co-ops. However, some CU leaders who have been trained abroad have organised Credit Unions that maintain the CU philosophy as well as the term "Credit Union" even though they are registered under co-operative laws existing in the country.

Three CU leaders from Bangalore, Calcutta and New Delhi, led by Mr. George Kuttickal, a Coady graduate and a staff member of CRS-USCC, New Delhi, were invited to the CU Training Conference in Bangkok, in March 1978. The Indian Social Institute also sent a representative to this conference and since then, these leaders have worked hard to promote the movement in their country. The Indian situation is showing great hope and promise, especially since the Indian government has recognised the importance of nationwide voluntary activities in promoting development. A unified structure is being fostered and several activities have been going on to promote the movement.

Bangladesh

There are 52 credit unions in the country but only 19 are associated with Caritas Bangladesh which is now acting as an informal CU League. Rev. Charles Young, founder of the CU movement in this country was very happy to work with ACCU, especially in the formation of the national CU league which will assume the responsibility for the Bangladesh CU movement. Since the trip of the ACCU General Manager to the country, a bylaw draft and a budget plus work plan have been organised for the National League and a national organisation has been formed.

Nepal

There are some co-operatives in Nepal but they can hardly be categorised as such. In Kathmandu, they have a pilot project called "Small Farmers Development Project". An Agricultural Bank provides management but it is not a genuine co-operative. It is hoped, however that this may provide an experience that will develop into a real farmers' co-operative. It has been agreed that a simple type of co-operative has to be practised among the farmers before they go into multi-purpose co-operative enterprises, due to the high rate of illiteracy. Many multi-purpose

co-operatives have failed, so it was suggested that they should remain "Credit Co-ops" and not go into business directly using their capital.

Pakistan

The situation in Pakistan is similar to that of India: the movement was started in 1904 by the British rulers. For many reasons, such as the high percentage of illiteracy and the colonial policy of the foreign ruler, the movement did not prosper.

The 1977 report shows a membership of 134 thrift and loan societies being operated in Karachi City of the Sind Province, but there is almost no unified activity among them. However, all their officers are young and full of good spirit and eager to work with ACCU.

Pakistan is made up of four Provinces: Bishnar, Sind, Panjab and Bolersidan. There are now 205 co-op credit societies in operation, serving 39,132 members in Sind. One of the participants at the Bangkok Training Seminar has been working on the organisation of a sort of federated body among the 205 societies.

Sri Lanka

Again, the situation of co-operatives in Sri Lanka is similar to that of India and Pakistan. One difference, however, is that the Ceylonese have had another co-operative experience under their left-wing government, which took the co-operatives under strict government control from May, 1970 to June, 1977.

In October 19, 1978 the Minister of Food and Co-operatives and his advisory committee met with CU leaders to discuss the reformation of the credit societies of Sri Lanka. He insisted that the co-operatives should be turned over to their own members by withdrawing government control step by step. The Socio-economic Development Centre discussed the feasibility of CU legislation and the necessity of forming a CU Promotion Body on a national level. This Body would not only do promotional work but would also contact government authorities to solve legislation problems, until the national CU league was formed.

Afghanistan

Afghanistan sent a representative to the Bangkok Training Conference and the first direct contact has been made. Further study was necessary to develop the credit union programme in this country.

Africa

Presented by

B. DIENG

President

Africa Co-operative Savings and Credit Association

THE BACKGROUND TO ACOSCA'S PROGRAMME IN AFRICA

Introduction

ACOSCA's programme is derived from two Plans, the first covering 1969 to 1973, and the second 1976 to 1980. During 1974 and 1975 there was a period of consolidation, reappraisal and formulation of the Second Plan. The Second Plan was greatly influenced by the proceedings of the Third Biennial Meeting of Affiliates held in Kabwe, Zambia, in September, 1974, not only regarding the teaching of development planning suitable for co-operative savings and credit activities, but by the complex and technical demands made upon ACOSCA by Affiliates as described in Working Paper No. WP/4/79 under the heading of *Demands from Affiliates*. The Second Plan was approved for implementation by the Fourth Meeting of Affiliates held in Monrovia, Liberia, in August 1976. Generally the Plan reviewed past performance and reset goals up to 1980 in its major components of Organisational Structure; Endeavour towards Self-Reliance; Promotion and Growth; Education; and Rural development. Activities in this area of work are regarded as being of a continuing nature for some years to come. They must continue in the countries of existing Affiliates and in 'new areas' described under that heading below.

Approaches to the work at grassroots level are well described in the 'ACOSCA' Booklet prepared with great care and co-operation for the Tenth Anniversary Education Conference. This is a historical document, and more needs to be said and done on future requirements and support operations.

A criticism which has been made about ACOSCA is that it tends to work from the top downwards, thus creating a form of top-heavy association and reducing the impact at the grassroots. The facts do not bear this out, in that even primary societies have always turned to ACOSCA for help in their organisation and development. The case of Malawi, which is comparatively a newcomer, is illustrative. All national

associations have been assisted by ACOSCA in their organisation, registration or incorporation, and development by 'on the spot' activities and guidance from ACOSCA Head Office. The same process will no doubt apply in 'new areas' and the work will be harder where there is little or no spontaneity locally.

Therefore although ACOSCA does work from the top downwards, the results have an impact on and benefit the grassroots people. These operations concern educational and training courses at the sub-regional, national and local district/village levels. In these cases ACOSCA provides guidance on the topics which are tackled and on the teaching materials. Where funds are not available locally, it seeks the co-operation of donors, and encourages societies and associations to obtain the physical support required from the local government authorities concerned, and from religious and trade union bodies. Good progress has also been made in the newcomer countries in French-speaking Africa.

ACOSCA has of course to rely to a good extent for co-operation from its regional offices (which was the reason for this form of decentralisation) and the national associations. It is financially and physically impossible for ACOSCA to achieve the impact it would desire at the grassroots level unless it was provided with substantial travel funds expressly for the purpose.

Establishing and Strengthening National Associations

ACOSCA continues to encourage and assist in the establishment and strengthening of National Promotion Committees which then emerge as national associations. Some of the older associations are now thinking about decentralisation to the provincial level and this will entail further assistance from ACOSCA in both financial and physical support. Ghana and Zambia are cases in point, and the national association in Ghana is already making a modest financial support

for this type of decentralisation.

The work of establishing national associations has abated to some extent, but there are still some promotion committees which need assistance to enable them to become national associations. The work will pick up in tempo when the operations start in a larger way in the 'new areas'.

It is in the nature of things that once established, the national associations will come up against teething troubles and perhaps more serious problems arising from their operations. Then there are natural and also man-made disasters and difficulties which arise. Examples are: the drought in the Sahel countries, the war in Uganda, and the breakdown in management and operations in Liberia. It is ACOSCA's duty to become involved in assisting those concerned towards recovery. More recently ACOSCA arranged a seminar on promotion and organisation in Upper Volta mainly for the benefit of participants from the Sahel, and provided a technician to work with the national association in Liberia. ACOSCA has carried out appraisal missions to Uganda since hostilities ceased in that country, and these have resulted in an improvement in morale, helping the people to pull the pieces together again, and formulation of projects to restore the losses incurred. These are exceptional cases, but the same careful consideration for the affairs of the other associations has to be maintained through the regional offices and by correspondence.

There is one factor which specially affects the establishment and strengthening of national associations. This is the level of general or formal education required for successful administration and management of operations. This factor is dealt with in Working Paper No. WP/3/79 entitled *Objectives in the Short and Long Terms*, under the heading of *Administrative and Technical Capability*.

The Five Year Plan 1976-1980 set out the aspirations in developing the movement in individual countries as put forward by national associations.

Work in 'new areas' taking into account different economic systems and religious factors

Work in 'new areas' including extension to new French-speaking countries is providing one of the most interesting stages in ACOSCA's development. It is challenging in some directions. By 'new areas' we mean different groupings of countries which, as

far as we know, have little or no knowledge or experience of co-operative savings and credit activities including organisation and development.

These groupings may be seen as: Morocco, Algeria, Tunisia (the Magreb countries), Libya, Egypt, and the Sudan in the Northern sub-region; Mauritania, Mali, Guinea, Niger, Chad, Central African Empire (CAE), Gabon, and Congo (Brazzaville) in the West and Central sub-regions: Angola, Mozambique, Malagasy, Zimbabwe, Namibia, Botswana, Swaziland, and Azania, in the Southern African sub-region. To these groupings need to be added the names of Ethiopia, Somalia, and Burundi.

In a number of the countries mentioned above a mixed economy exists i.e. both public and private sector concerns operate. It is in these conditions that the movement is most likely to take root and develop. On the other hand, a number of the countries have a centrally planned economy which means no NGO can be established. However, this is not an insurmountable obstacle provided that the movement is part of governmental machinery. Such is the case in Benin and will probably be the same in Malagasy. The only country in which there is doubt as to whether the movement can be established is Libya, but this will need to be tested.

The large majority of the people in the countries of the Northern sub-region are of the Muslim religion. This may pose problems. The conservative nature of the religion may require very careful measures by ACOSCA in promotion and development. There is also the question whether Muslim communities will accept the concept that interest should be paid on money borrowed from investors and that interest should be charged on money lent to borrowers. This matter also has to be tested. Research in Libya by the UN Economic Commission for Africa showed that a mortgage operation existed in 1975, although large loans from Government were made to Government banks and subsidiaries at no interest. Whether this was due to substantial revenue from petroleum exports was not clear. Savings banks exist in all these countries.

Overall promotion effort and its maintenance, as part of development efforts in Africa

There seems little doubt that in the last resort, the value of ACOSCA will be judged by Africans according to the contribution which can be seen to be made towards human, economic and social development.

This then should be accepted as the main criterion, on which the ACOSCA Plan and Programme is based, and that is why the ACOSCA Programme emphasises Promotion and Training.

Grassroots projects leading to the establishment of viable, self-sufficient organisations of the district/village, national and regional levels require longer term financial support than other types of projects. ACOSCA'S strategy calls for an integrated system which is mutually reinforcing from bottom to top. If ACOSCA has covered less than half its task in its early years, then it is clear that a further sustained period is necessary to allow ACOSCA to establish the movement in as many countries in Africa as are willing to co-operate.

It is important to keep in mind the stabilising effect that co-operative savings and credit activities can have on the movement of capital as between urban and rural areas. The system can help to reverse the flow of money from rural to urban areas. On the other hand, excess savings mobilised from the professional and working groups in urban areas can, through the Central Finance operation, be channelled to societies in the rural areas to help those societies meet the demand for credit in agricultural enterprises.

ACOSCA affiliates and societies at the country level are paying their dues to ACOSCA but not as promptly as may be the case in industrialised countries. They agreed in 1978 to cover the costs of a second delegate to the Biennial Meetings of Affiliates. This is not a small decision from their point of view, but ACOSCA believes they get value for their money. One or two African governments have made a modest capital contribution to assist movements in their countries. This form of support for the promotion effort is being encouraged by ACOSCA.

Short Term Objectives

Administrative and Technical Capability

In both administrative and technical sectors of the work, ACOSCA'S strategy calls for an integrated system which is mutually reinforcing from bottom to top. This will take some more time to achieve because of the need for improved capability, the widely scattered network of activities, and the lack of assured funding. The ACOSCA mission to Europe in January 1979 sought to alleviate the position in respect of these three factors

and some progress has been made on the type of programme discussed at that time. ACOSCA will of course endeavour to improve capability through its educational courses for both administrative and technical purposes, but it is thought that a higher level of general education will have to be sought when candidates are recruited for employment particularly at the national association level. Recruitment of candidates at this working level who have received formal education may prove to be an important step. There are a few working at present but there are attractions from better paid areas.

There has always been emphasis in ACOSCA'S work on utilising volunteers in promotional and organisational work in grassroot societies, and in the national associations. This should of course be continued. A further contact should be made with institutions of higher education including polytechnics, to see whether the movement can be encouraged within those organisations, and whether the services of teachers of different grades could be used in educational and training courses on a voluntary basis. The example in Sierra Leone can be quoted.

In respect of existing staff employed, ACOSCA continues to take advantage of educational and training opportunities offered by different governments and organisations at little or no expense to ACOSCA.

Securing increased support from all African collaborators

ACOSCA accepts the comments by one or two donors that it should attempt to secure increased financial and technical support from its collaborators in Africa. Existing and potential collaborators can be seen to include ACOSCA Affiliates, African Governments, African regional, sub-regional and national organisations, national trade union movements, religious bodies, and international institutions located and working within Africa including offshore islands. ACOSCA aims at securing financial commitments of a voluntary nature from those organisations mentioned above, together with increased co-operation generally in the future.

Decentralisation on sub-regional basis

ACOSCA has always accepted decentralisation in order to improve working arrangements and reduce costs. This is why regional offices have been established at Nairobi, Maseru and Lome, and training centres at

Nairobi, Maseru, Bamenda and Bobo Dioulasso.

Apart from the obvious subjects of ACOSCA policies, overall planning, administrative control, and overall press and public relations, both the regional offices and training centres work with a large measure of autonomy in dealing with the affiliates and government authorities within the sub-regions, and with the substantive content and carrying out of training courses, together with assisting at the national level.

In dealing with the francophone countries from the regional office at Lome, note must be taken of the very large land coverage and the question of communications of all kinds. There have been suggestions that the present area of work from Senegal to Zaire should be divided to form an ACOSCA central region.

In direct relation to the policy of decentralisation which ACOSCA has pursued, note has to be taken of the large numbers of persons, members of societies and national associations, government officials, members of religious bodies, trade unionists and other private persons who have had the benefit of all types of training and have propagated knowledge and experience concerning the movement after return to their own countries and localities.

Long Term Objectives

Financial and Technical Self-Sufficiency

ACOSCA has a long way and a long time to go before financial and technical self-sufficiency can be achieved, although some progress has been made in the latter respect. The two aspects can be looked at separately, but there are two factors affecting the topic overall which need to be seen clearly in an objective way. The first is that on its establishment and incorporation, ACOSCA was faced immediately with the needs and demands of about sixteen prospective affiliates which were not long in making their demands felt. They were in a hurry to see something done in their countries and ACOSCA was in a hurry to set an image for itself and a presence in the African countries. The fact that a series of meetings had been held in Africa on the subject of mobilising savings before the establishment of ACOSCA, gave rise to the impression and feeling that everyone concerned knew enough to be able collectively to establish a savings and credit movement with little or no account of African conditions. Thus an *ad hoc* system of operation was instituted,

and even with present efforts by ACOSCA and its collaborators, it is still proving very difficult to get back to the right lines.

The second factor affecting the issues is that no really serious study was given at the outset to financial and technical self-sufficiency which could have acted as guidelines during the early years. However, if we accept that ACOSCA's work becomes more and more a part of the continental economic and social development effort, then it can be realised that financial self-sufficiency has a long time to go because of the nature of that work. On the other hand, if there would be any idea of cutting off funds for any subjective reasons which might arise, then this would be self-defeating and harmful to the movement in its task gradually to pay its own way.

In respect of financial self-sufficiency, ACOSCA is a non-profit organisation which taking one year with another, should disburse available funds for the benefit of the movement and be accountable for them. It has three main ways through which it can accumulate a surplus for covering expenses and reinvesting the balance in the movement. These are: receipt of dues from Affiliates for services rendered; receipt of commissions on services rendered through its risk management programme, and investing money at interest in the movement through any capital contributions it may receive for establishing a fund for this purpose.

Receipts of dues have been building up very gradually, but the majority of Affiliates have paid to date. For reasons of maintaining cohesion in the movement, it has not been politic for ACOSCA to adopt the characteristics of the moneylender or the debt-collector. Dues will never cover the costs and support needed for a continent-wide programme, but they will make a healthy contribution. Secondly, the mainstay of prospective self-reliance may be the commissions received from the ACOSCA risk management programme as they increase, but here again the collection of these commissions will need care especially over national exchange control regulations. Thirdly, a motion to create a capital fund within the movement in Africa and under the administration of ACOSCA was approved during the Fifth Biennial Meeting of Affiliates held in August 1978. When funds become available for investment in Africa, this can provide a third source of revenue but the proceeds will take time to build up.

The prospects for financial self-sufficiency are, therefore, very moderate and studied efforts will need to be undertaken to achieve improvement over the years. The solution appears to depend on the healthy growth of the movement during the second decade of ACOSCA which can be stimulated through adequate funding. ACOSCA will insist on the strengthening of national associations as the movement grows.

Relations with African governments and institutions

When dealing with the question of establishing a relationship of a permanent character with African governments and institutions it has to be seen that ACOSCA itself has a permanency in its own field of operations i.e. the promotion and development of the co-operative savings and credit movements on the African Continent. Its recognition by its own affiliates which created it, by African Governments and their representatives who attend its gatherings, by international institutions which invite ACOSCA for consultations and meetings, and by the support officially given from African governments to ACOSCA's application for Observer Status at the Organisation of African Unity, together with support from its donor collaborators, all lend weight to the type of permanency that is required.

The Chairman of ACOSCA at the Tenth Anniversary Conference in August 1978 stated: "Promotion of the movement will always present us with an opportunity to grow. Commonplace as this may sound, it constitutes the basic criterion against which the future of our Association will be measured. An institution which does not show an adequate and balanced level of expansion in its operations must sooner or later fall into decline and be relegated to insignificance. ACOSCA should not show symptoms of weakness by not pressing for balanced growth at an adequate pace." Again: "More and more, our Association will have to think in continental terms of projects both national and multinational, instead of carrying out isolated and piecemeal projects, now that its base is reasonably well established and it has knowledge and experience behind it". An inquiry whether ACOSCA would be willing to take part in a multi-national project on agricultural credit in the Niger basin in Mali, is relevant. Two further enquiries from international institutions concerning ACOSCA's willingness to take

part in the financial aspects of co-operative housing and large scale co-operative schemes are also relevant.

Since its Tenth Anniversary, ACOSCA has kept contact with the African Development Bank, and the matter of joint co-operation under a formal approach is being worked out. On a national basis, interest in ACOSCA's activities is being shown from one or two Central or National Banks.

When the project to secure increased support from African collaborators is implemented, ACOSCA will endeavour to have talks with Central Banks.

There are also possibilities of a working relationship with the Institute for Development Planning located in Dakar, Senegal, and the Centre for Development of African Administrations located in Casablanca, Morocco.

Co-operative savings and credit are one of the key issues facing African countries. Both growth and development are dependent on savings and credit. Investment from any source can help growth, and if the people of any country develop thrift, savings and investment, they can play a role in economic development. The savings and credit movement is essentially a social movement which addresses itself to the basic human needs of the town and country worker, the small farmer, the small businessman, and the marginal men and women who are regarded as victims of social change.

The African Development Bank does not usually finance projects alone or single-handed. It calls on other international financial institutions to form groups or consortia to sponsor and finance most of its projects. In this way it provides a mutual guarantee to its lenders—the guarantee not only of individual borrowing States but of all States which are members of the Bank, to its creditors. As something of a parallel, ACOSCA feels that it should be able to attract resources from national governments and international organisations to finance projects which its membership may consider as totally beyond its reach.

ACOSCA is an African organisation, run by Africans, which was brought into being by sister organisations' help and support from both within and outside Africa. ACOSCA hopes this collaboration can increase so that it can become part of the decision-making organisations which provide a voice and a place for the town and country workers, small farmer, small businessman, and those

who do not speak for the Establishment, big business and political parties.

When the international community begins to give form and content to basic human needs, ACOSCA looks forward to being involved with African countries in defining and acting upon the enlarged meaning being given to economic and social development. ACOSCA was pleased to take part in discussion at the NGO level in January 1979 on the Lome Convention.

ACOSCA believes that if African governments, NGO co-operators, and collaborators and donors encourage savings and credit

societies, they are taking realistic steps towards providing social security and essential social services. In considering the relationship between production, consumption, savings and investment, ACOSCA feel it can play its part in bringing the importance of this relationship to the attention of African people through the movement, and by having members serve on the directorates of fellow financial bodies, marketing boards, savings and loan associations, and the councils of national insurance and social security agencies. Part of ACOSCA's work must be devoted to this end.

North America

Presented by

Gilles JOBIN

Assistant General Manager, Human Resources

Confédération des Caisses Populaires et d'Économie Desjardins du Québec (Canada)

1. Introduction to the Caisses Populaires et d'Économie Desjardins

Alphonse Desjardins founded the first People's Bank in North America on 6th December, 1900 in Lévis, near Quebec. He thus created a form of co-operative institution in which savings precede, provide for and support credit, and in which the savings of the common people become the source of loans to the people.

Now, 80 years later, the Desjardins People's and Economy Banks are spread throughout the territory of Quebec and, thanks to an advanced data-processing system, are able to offer high quality services throughout their network. More than 4 million members, grouped together in 1,370 banks, have chosen the co-operative formula in order to satisfy their financial requirements through thrift and credit and to participate in the social development of their community. Assets managed by the Desjardins Movement now exceed 13 billion dollars.

One of the major reasons for the Desjardins Movement's progress lies in the fact that its vitality is drawn primarily from its human resources. About 16,600 voluntary managers take part, the majority at local level, in the administration of the Movement, which is democratically structured.

In addition, the Desjardins Movement is one of Quebec's largest employers: 18,200 competent specialists carry out their tasks in various fields within the framework of the *Caisses populaires et d'économie Desjardins*.

Democratic Structure

Every Desjardins Bank has complete autonomy, and is governed by its General Assembly, which decides the direction of the Bank's activities and its general policy. Every member has the right to one vote only. In accordance with this democratic rule, the members elect the voluntary officials who will be responsible for conducting the Bank's affairs between General Assemblies, as follows:

- The *Board of Directors*, with a membership of at least five persons, supervises the efficient running of the Bank.
- The *Credit Committee*, consisting of three elected members, deals with loans and watches over refunds. It may delegate a part of its powers to the Bank's managing director or one of his deputies, but is itself ultimately responsible to the General Assembly on the matter of credit.
- The *Supervisory Council* comprises three elected members, who carry out

periodical checks to ensure that the work of the Bank and of the other two bodies is carried out efficiently; it also keeps a close watch on the laws and regulations currently in force, and on the decisions of the General Assembly.

Each of these bodies reports to the General Assembly at least once a year.

Thanks partly to the activities of these voluntary officials, the Desjardins Movement has been able to adapt itself from the beginning to the expectations of its members, while at the same time espousing the concerns and aspirations of the society in which it has evolved.

2. Evolution of the Desjardins Movement and Social and Economic Change

The Federations

From 1920 onwards, wishing to procure wider services than they would be able to do individually, the People's Banks began to form regional groups in order to promote and protect their joint interests. In this way Federations came into being in ten of the Quebec regions. An eleventh Federation, the *Fédération des caisses d'économie*, joined the Confederation of the Quebec Desjardins People's and Economy Banks in 1979.⁽¹⁾

The task of the Federations, the secondary level of the Desjardins Movement, is to promote the efficiency, growth and development of the people's and economy banks, by providing professional, technical and financial support.

The Confederation

The Desjardins Movement People's and Economy Banks Confederation, was at first responsible for co-operative education and for inspecting the regional federations and banks. In the course of time, several additional services have been added, concerned mainly with legal and fiscal matters, international relations, research, data processing, standardisation of procedures and services, advertising, etc.

Founded in 1932 under the name "La Fédération de Québec des caisses populaires Desjardins" (Quebec Federation of the Desjardins People's Banks), this tertiary

organisation of the Desjardins Movement changed its name after the affiliation of the Economy Banks to the Desjardins Movement, to become the *Confédération des Caisses populaires et d'Économie Desjardins du Québec*.

The Confederation enables all the federations and institutions to exchange views to ensure the orientation, planning and co-ordination of all the members' activities.

Over and above the services for which it is responsible, the Confederation is the official spokesman of the Desjardins People's and Economy Banks Movement in its relations with governments and national and international organisations.

Member Institutions of the Confederation

In the course of years, and as the structures and services of the People's Banks evolved, other needs made themselves felt. It became evident that thrift and credit operations alone did not fulfil all the members' financial requirements.

In the field of general insurance, for instance, rural areas were at one time particularly badly served. Due to the absence of any infrastructure of water-mains or fire-fighting installations, fire insurance was so expensive that very few people could afford adequate protection. The *Société d'Assurance des Caisses populaires* (People's Banks Insurance Company) was formed in 1944 to meet this need. It also provided the Movement with an organisation to insure its banks against fire, theft and fraud.

From another standpoint, as the large life insurance companies continuously drained great sums away from Quebec and Canada, the *Assurance Vie Desjardins* (Desjardins Life Insurance) was created in 1948 to adapt life insurance services to the real needs of the population, and at the same time it slowed down this systematic flight of capital.

These two initiatives were reinforced by the purchase in 1962 and 1963 of the *Sauvegarde Life Insurance Company* and then the *Sécurité General Insurance Company*.⁽²⁾ This made possible the practice of re-insurance, the expansion of operations to the whole of the Canadian territory and the preservation of the interests of Quebec in the field of insur-

⁽¹⁾The People's Banks differ from the Economy Banks principally in the matter of their organisation. The former, on the whole, serve a geographical area, while the latter generally operate at the workplace.

⁽²⁾The recent merger of the "Sécurité" and the "Société d'Assurance des caisses populaires" gave birth to the *Groupe Desjardins - Assurances Générales*. The merger of these two institutions should provide improved utilisation of the available human and technical resources, standardisation of policies and rates, better scale economies and improve profitability.

ance. In 1975 these two companies set up their registered offices in the Montreal Desjardins complex, built by the Desjardins People's Banks Movement in collaboration with the Government of Quebec.

La Fiducie du Québec (Quebec Trust company) also has its registered office there. This finance company, purchased by the Desjardins Movement in 1963, offers to the general public of Quebec numerous specialised services such as the safe custody and management of securities and property, the issuing of debentures, the management of pension funds and of pension and house savings plans, the management of inherited assets and the execution of wills, real estate brokerage and mortgage loans. Here again, the People's Banks acquired complementary financial apparatus to extend still further the range of services already available.

In addition to these member-institutions of the Confederation, other institutions are attached to the Confederation, which have been created—especially since 1970—to enable the Desjardins Movement to better fulfil the needs of Quebec Co-operators, to be better able to face up to the tight competition from other financial institutions and to participate more actively in the development of Quebec society.

Institutions attached to the Confederation

At the present time, nine institutions linked to the Confederation of Desjardins People's and Economy Banks enable the Movement to play a key role in various sectors of Quebec society. These are: the *Société d'investissement Desjardins*, the *Crédit Industriel Desjardins, Inc.*, the *Caisse Centrale Desjardines du Québec*, the *Institut Coopératif Desjardins*, the *Fondation Girardin-Vaillancourt*, the *Société de Développement International Desjardins*, the *Corporation de Fonds de Sécurité de la Confédération Desjardins*, the *Société d'Habitation Alphonse Desjardins* and the *Service de Sécurité des Caisses populaires Desjardins Inc.*

The *Société d'Investissement Desjardins* and its subsidiary *Crédit Industriel Desjardins Inc.* enable the Desjardins Movement to become actively involved in industrial and commercial development in Quebec by placing certain capital at the disposal of dynamic ventures and offering them a range of services. Through the intermediary of the *Société d'Investissement Desjardins* and the *Crédit Industriel Desjardins Inc.*, the Movement can intervene more systematically in the wheels of the

economy in sectors other than thrift and credit.

The deficiencies in the Quebec manufacturing sector, as well as the manifold and complex problems facing small- and medium-sized firms, have for some time now demanded additional efforts in these sectors of economic life. This is perhaps even the angle from which the Desjardins Movement will work more actively for the development of co-operative undertakings which, in size, are readily comparable to the small- and medium-sized firms.

The *Institut Coopératif Desjardins* and the *Fondation Girardin-Vaillancourt* ensure the Movement's presence in the fields of co-operative and management training.

Created at the beginning of the sixties, the *Institut Coopératif Desjardins* has contributed actively to the development of education for the people of Quebec. Many trainees from Quebec and from abroad have stayed there. This specialised educational centre for adults, available to the co-operative movement and to private and public bodies, also provides accommodation and restaurant services.

In setting up the *Fondation Girardin-Vaillancourt* in 1970, the Desjardins Movement proved that it was determined to encourage education and research in the fields of co-operation, the economy, finance, administration and the sciences and arts, and desirous of giving assistance and support to students through the granting of study scholarships and subsidies.

As regards the *Société d'Habitation Alphonse Desjardins*, (Alphonse Desjardins Housing Association), its creation will enable the Desjardins Movement to participate more actively in the search for solutions to the knotty housing problem encountered by thousands of families in Quebec. For despite a financial commitment of more than \$5 billion in 1980 under the heading of loans with mortgage guarantee, the Desjardins Movement decided to create this association with the task of linking up with various governmental and private bodies, and of coordinating and planning the Movement's many initiatives in the field of housing and restoration.

As for the *Caisse Centrale Desjardins*, it is intended that this institution should play a key role in the development of the Desjardins People's and Economy Banks Movement in the next few years. This organisation can receive deposits from its members and from governments, issue debenture certificates and

other acknowledgments of debt, grant loans, undersign some acknowledgments of debt outright and participate in Canadian systems of compensation or settlement of instruments of payment. Membership of the Caisse Centrale is the same as that of the Desjardins People's and Economy Banks Confederation, and is also open to any other co-operative organisation that so requests. The Caisse Centrale can participate directly and fully in public, para-public and even private share issues and in the issue of bonds and debentures offered by certain Quebec co-operative bodies.

In a society in which competition between financial institutions is very tight and in which there has been considerable technological development (new payment systems), the *Caisse Centrale Desjardins* will, over the medium and long term, provide an important tool which will help to increase flexibility within the financial structure of the Desjardins thrift and credit co-operatives, as well as their impact on the national and international monetary and financial markets.

The *Société Développement International Desjardins*, another venture linked to the Desjardins Movement, works in rural and co-operative development projects in French-speaking Africa and in Latin America, where it offers the following services: socio-economic studies and research; work with grassroots communities; management support of community development projects; organisation of co-operatives, especially in the fields of thrift and credit, agriculture and fisheries. The Desjardins Banks' participation in this work is in keeping with the Movement's long tradition of an international presence.

Two further important institutions within the Desjardins Movement are:

The *Service de Sécurité des Caisses populaires*, which provides enquiry and safe-custody services for the Desjardins Banks and other institutions; it regularly consults with those responsible for security, checks the banks' physical installations, and provides survey services, etc.

The *Corporation de Fonds de Sécurité de la Confédération Desjardins*, which was set up for the purpose of establishing and administering a security and mutual aid fund for the affiliated banks, and assisting with the pay-

ment of losses suffered by members through liquidation of a bank.

3. Protection of Members' Interests and Deposit Guarantees

During the pioneering period, the bankruptcy of a thrift and credit bank was unlikely but was nonetheless possible. At that time many small financial institutions ran the risk of collapse.⁽³⁾

Today, when members deal with a Desjardins bank, they need not worry for their interests are well protected. The security of deposits is well guaranteed, first by highly efficient external mechanisms, and secondly and most important, by the internal dynamism of each bank as well as of the Movement they together form.

Deposits Insurance

Among the external mechanisms, there is first of all deposits insurance (assurance-dépôts), which is in fact an external guarantee from the State. It rests on the Quebec Law on Deposit Insurance, by virtue of which the Deposit Insurance Trustee guarantees to any person who makes a deposit of money in a people's bank (or any other registered institution) the repayment of this deposit at maturity, up to a sum of \$20,000 per institution, for each depositor. The excess over \$20,000 for each depositor must still, of course be protected, and in this connection, the efficiency of the Banks' inspection system, which has stood the test of time, is an important factor.

Inspection of the Banks

The Ministry of Consumers, Co-operatives and Financial Institutions of Quebec has the final responsibility for inspection. The Government has however entrusted to the Desjardins People's and Economy Banks Confederation of Quebec the task of carrying out inspection of the banks belonging to the Desjardins Movement, save for a few exceptional cases. In the course of years, the Confederation's Inspection Department has acquired experience and competence which is readily acknowledged by the federations and banks. Qualified inspectors, equipped by law with all the necessary powers, regularly make detailed inspections of each bank, so as to ensure, in the interest of its members, that its finances are soundly managed.⁽⁴⁾

⁽³⁾This section of the paper was inspired by an article written by Michel Poulin of the Desjardins People's Bank Federation of Quebec, which appeared in *Ma Caisse*, Vol.17, No.5, 1980.

⁽⁴⁾Due to rapid technological development, electronic audit mechanisms are provided for by inspection officials.

Security Fund

With its recent adoption of the law on security funds corporations, the Quebec National Assembly created an additional mechanism for guaranteeing the public's deposits in thrift and credit banks. This law provides that the Government may, if so requested by a federation, set up one or several bodies to be responsible for administering a security fund for the benefit of the banks it represents, and thus avoid their depositors having to suffer losses in the event of financial difficulties.

For the Desjardins Movement, which already had its own security fund, the new law is an additional security against uncertainty. Any of the bodies created under the authority of this law can moreover require that all banks make a regular contribution, with a view to gradually increasing the security fund they administer.

Internal Mechanisms

On examining the internal operation of the People's Banks, we rapidly realise that there too, security mechanisms are of great importance. These mechanisms are all the more reassuring as they are based on the bank's operations and not on external factors.

The first of these internal mechanisms is the standard fixed by the banks as to the money and liquid securities to be kept in hand in order to be able to deal rapidly with possible massive withdrawals. The percentage of liquid funds to be thus kept has always represented a notable proportion of members' deposits. At present it stands at 15 per cent, and the Desjardins banks very often exceed this in practice.

The principle of compulsory reserves is doubtless the most interesting security mechanism. At the end of the year each bank must transfer, within certain limits, a part of its annual surplus to a permanent reserve, which may not be used for current requirements nor shared out among the members. Its purpose is the simultaneous absorption of any losses which may arise and the protection of deposits; it also has the secondary effect of bringing in additional income, since the sums composing the reserve yield a reasonable interest. All this guarantees that as time goes on, each bank acquires financial soundness enabling it to face up to difficult economic cycles with serenity, without having to call upon the Desjardins Movement as a whole.

As can be seen, the strength of the reserve

as a guarantee mechanism becomes immense with a total of 1,374 banks in the Movement. With its assets amounting to \$13 billion and the reserves it has accumulated since the beginning of the century, the Desjardins Movement will not run the risk of tarnishing its image, on account of any bank which may not have had time to build up its own reserves. There is therefore no question of allowing a member to lose money with a bank in difficulties. Even if, one day, the security funds and other sources of existing guarantees were to prove insufficient, the financial strength of the Desjardins Movement would in fact constitute a further solid bulwark.

The remarkable fact is that one of the most important security factors, "the reserve", is provided by the bank members themselves, for it is the borrowers and depositors who gradually build up their bank's reserve, out of the end-of-year excess amounts received or surpluses. These excess amounts belong to the members but a part of them is allocated to the reserve. This sacrifice to which the member-owners agree each year is not very heavy individually, but the accumulation of these sums creates an additional security.

Other Mechanisms

The existence of the Supervisory Council, the Board of Directors and the Credit Committee, the production of monthly and annual reports, together provide other mechanisms that are reassuring to members who make deposits in the Desjardins Banks.

Examination of some of the security measures (deposits insurance, security funds) put forward to guarantee deposits by members of the Desjardins Banks also shows the close relations existing between the Desjardins Movement and governments.

4. Relations between the Desjardins Movement and the Governments

Alphonse Desjardins and other co-operators of the early period took steps to approach the governments with a view to making them aware of the value of the co-operative formula in the people's thrift and credit field, and to procuring appropriate legal status for the Desjardins Banks. The Quebec government followed up the requests by Desjardins and his collaborators by voting a law in 1906, the "Law on Co-operative Syndicates of Quebec", which sanctioned the existence of the Desjardins Banks.

Since the adoption of this law, close relations have existed between the Government of Quebec and the Desjardins Move-

ment. Thus, at various times, the Movement's representatives have intervened with the Quebec government when the latter proposed adopting or amending laws affecting the development of thrift and credit co-operatives.

This happened, for instance, in 1963, when the Law on Co-operative Syndicates of Quebec, acknowledged by both the State and the co-operative Movement as being obsolete, was replaced by the Law on Thrift and Credit Banks and the Law on Co-operative Associations. Other cases arose when certain other draft laws, such as those concerning security funds, the protection of consumers, deposits insurance, and the integration of certain institutions into the Desjardins Movement, were debated and adopted.

The State, through its laws, provides the legal framework for the banks; it requires them to deposit their annual reports and supervises the application of the law governing them. The Desjardins Movement, a co-operative enterprise that is distinct from the State, must establish and maintain permanent lines of communication with the government of Quebec in order that, among other things, it may fully understand the direction of government policies and make known the Desjardins Banks' viewpoint on governmental projects affecting it.

Very often, approaches to the government are made through officials, in particular those of the Ministry of Consumers, Co-operatives and Financial Institutions. This Ministry, created in 1968, has a co-operative department comprising two Directorates: the Savings Banks and Credit Directorate and the Co-operative Associations Directorate.

Forms of Collaboration

In the course of the last few years the Desjardins Movement has concretised various other forms of collaboration with the Government of Quebec.

It has, for instance, built the Montreal Desjardins complex with the participation of the Quebec Government, promoted the development of the "Société de développement des entreprises québécoises" (SODEQ) and of the "Sociétés québécoises d'initiatives agro-alimentaires" (SOQUIA), taken part in the creation of the Co-operative Development Society, received within the Desjardins Investment Society representatives of the Deposit and Investment Bank of Quebec, collaborated in the carrying out of government projects in various fields (housing, loans to farmers, registration of motor vehicles),

distributed numerous documents for public use such as Quebec pensions administration forms, Quebec income forms, etc.

It should be remembered that the Desjardins People's and Economy Banks Confederation is the official spokesman of the Movement in its relations with the Government of Quebec, although the banks, federations and institutions may also be called upon to make contact with the State concerning their own operations.

In addition to its contacts with the Quebec Government, the Desjardins Movement also maintains relations with the Canadian Government and with municipal governments.

Other Governments and the Co-operative Summit

As regards contacts between the Desjardins Banks and the municipal governments, these generally concern fiscal, zoning, industrial development or housing development problems.

Contacts between the Desjardins Movement and the Canadian Government are of two kinds: the first provides the opportunity for the Desjardins Banks to make their point of view known to the federal authorities on various subjects, such as the revision of laws concerned with the dynamics of the Canadian financial and banking system, the adoption of various laws which affect members of the Desjardins Banks as citizens and consumers, the possibility of being able to take advantage of various governmental programmes, aid to developing countries; the second is connected with the evolution of payment systems, as in the case of our participation within the Canadian Payments Association, the purpose of which is the standardising of such systems.

As already pointed out, it is obviously with the Government of Quebec that the Desjardins Movement has the most frequent contacts, and at the beginning of 1980 a key event occurred in the history of relations between the State of Quebec and the Desjardins Banks. This was the holding of a Co-operative Summit in February 1980, which not only provided an occasion for the State to meet various representatives of the co-operative movement but also enabled representatives of all co-operative sectors and of all categories of co-operatives to meet each other for the first time.

This Summit, organised by, among others,

the Quebec Co-operative Council and the Ministry of Consumers, Co-operatives and Financial Institutions, proved to be a type of privileged meeting, during which the Des-

jardins Movement made known its views on the development of co-operation in Quebec and stated its expectations in relation to the State.

Presented by

Chris HANSEN

Chairman

Canadian Co-operative Credit Society

History and Structure

The Canadian credit union movement began in 1901 with the establishment of the first *caisse populaire*—the French language equivalent of a credit union—in the province of Quebec. Alphonse Desjardins, its founder, had studied people's banks and similar thrift and credit co-operatives already in existence in Europe and applied their principles of co-operative member-ownership to meet the financial needs of Canadians. The new concept spread quickly throughout Quebec, other Canadian provinces and the United States. Eastern and western Canadians had already adapted the co-operative philosophy to their business operations and were enthusiastic about applying this same concept to serve their personal financial needs. Today, the Canadian movement has grown to where more than 9 million individuals belong to some 3,700 credit unions and *caisses populaires* holding in excess of \$30 billion of assets. They are represented in the Desjardins *caisse populaire* movement in Quebec and the credit union/*caisse populaire* system throughout the other provinces of Canada.

The Canadian System

There is a very fine distinction between the structure of the Canadian credit union movement and that of European co-operative banks. Both movements share a common philosophy and are member-owned and controlled; however, while the European version is organised on a national basis with regional and provincial branch structures, the Canadian movement is comprised of separate and autonomous local organisations which have established and now maintain control of provincial and national organisations. The second tier of the system consists of provincial credit union centrals, which manage liquidity and provide support services within their geographical juris-

dictions. Through these provincial centrals, credit unions and *caisses populaires* also have established a third-tier, national organisation: the Canadian Co-operative Credit Society. CCCS serves as the national financial intermediary for credit union and co-operative organisations in Canada, and also provides other support services to the credit union movement as its national-level association.

Legislative Framework

Credit unions and their provincial centrals in Canada are incorporated under provincial legislation in each of our 10 provinces and are subject to provincial government supervision. In some provinces, special ministries or departments have been established to regulate and participate in the development of credit unions. CCCS, as the national-level organisation, is incorporated under and governed by the Co-operative Credit Associations Act, which is administered by the federal Department of Finance.

Credit unions and *caisses populaires* in Canada are required to meet statutory reserve requirements and to obtain annual audits performed by qualified outside auditors, in accordance with provincial statutes. They also benefit from provincial depositor protection organisations, which ensure the savings of individual members and, through their provincial centrals and CCCS, have access to the Canada Deposit Insurance Corporation, which provides a source of liquidity in addition to that of the movement.

Legislative representations by the credit union movement at the federal level were particularly successful in 1980. The passage of new banking legislation late in the year gave credit union organisations direct access to the cheque clearing system in Canada, correcting an inequitable situation in which

chartered banks owned the system and had to be used as agents for credit union payment instruments. It will also provide the movement with direct access to Electronic Funds Transfer Systems and other future payment systems. Other favourable changes in legislation affecting credit unions demonstrated an increased awareness and support for these organisations by government in 1980.

English/French Cultures

The simultaneous development of caisses populaires and credit unions in Canada mirror's our country's founding English and French cultures. Each organisation is a direct reflection of the financial, social and community needs of its members. As such, *caisse populaire* members are predominantly French-speaking Canadians. While there are caisses populaires in every province, they are mostly concentrated in the province of Quebec—where the Desjardins *caisse populaire* movement serves the majority of financial services users—and in parts of New Brunswick and Manitoba. Credit unions serve English-speaking Canadians and many other linguistic groups that make up our cultural mosaic.

Credit Union Services and Strategies

Canadian credit unions have made great strides since the turn of the century, when they provided only basic savings and loans services. Today they offer a full range of financial services, many of which are unique to the Canadian financial services marketplace.

The Canadian credit union movement places great emphasis on the continued provision of traditional and innovative services, even when faced with intense competition, high interest rates and narrow margins as has been the case so far in the 1980s. These somewhat unpleasant realities have prompted renewed emphasis on improvement in efficiency, knowledge and expertise on a system-wide basis. A special programme was implemented in 1980 by the provincial centrals, to provide analyses of credit union operational strategies and recommend approaches to meeting the short-, medium- and long-term goals of individual credit unions.

The development of marketing strategies is taking on greater importance in our credit union movement as a result of the continuing intensification of competition with chartered banks, trust companies and loan companies. In fact, a national Marketing/Communi-

cations Committee has developed a long-range Marketing/Business Development Plan which provides guidelines to improve market shares, products, service, delivery, pricing and office layout, as well as recommend detailed actions required to meet these objectives.

New Services/Capabilities

New and innovative financial services and capabilities are being added, as was made evident by a number of developments in 1980. The Canadian movement last year signed an agreement with the *international MasterCard* licensing organisation, which concluded a process of study and consultation in the area of payment/credit cards. The first applications are anticipated for the provinces of Saskatchewan, Alberta and British Columbia, whose provincial centrals are studying the introduction of a card programme with both debit and credit capabilities.

Lease financing of purchases is another area which helps to demonstrate the Canadian credit union movement's continuing interest in maintaining a full range of contemporary services. Leasing has begun to gain in popularity and is expected to account for the sale of one out of every three Canadian automobiles by 1985. This expectation, in part, led to official approval by the movement of a pilot project to test a proposed Individual (Retail) Auto Lease Programme. A number of credit unions have indicated an interest in extending such a service on a preliminary test basis, with initial testing expected to get under way during 1981.

The Canadian credit union movement is also moving closer to the reality of a nationwide system for inter-branch accessing of member accounts. A number of provincial inter-branch systems are already in operation and introduction of such facilities is planned or anticipated for other regions, thus creating the potential for coast-to-coast link-up of credit unions and caisses populaires in the not too distant future. Members of credit unions on-line with an inter-branch system can arrange deposits, withdrawals and other financial transactions from credit union locations other than their own.

Training

The efficient offering of existing and new services requires a high degree of expertise on the part of professional staff, financial awareness by the members and administrative insights for credit union leadership. As

a result, training has been an important part of the Canadian credit union and *caisse populaire* system from the outset, with member education formalised as a permanent principle of co-operative ownership. Educational opportunities are extended to members and professional staff alike and, in both cases, are supported by seminars and courses conducted by provincial centrals. Individual credit union members and staff across the nation can pursue their training objectives through their local or provincial organisations or through the Co-operative College of Canada in Saskatchewan, the Desjardins Co-operative Institute in Quebec, the Canadian Credit Union Institute's Fellows Programme at local educational institutes or by completing a new university degree programme in Co-operative Administration. Annual conferences also are coordinated by CCCS.

International Involvement

At the international level, the Canadian movement takes an active role in providing financial, administrative and developmental support to credit union organisations in both developing and developed countries. Under the auspices of the World Council of Credit Unions, of which it is a member, CCCS acts on behalf of the Canadian movement to ensure that people throughout the world have an opportunity to enjoy the financial and other benefits inherent in the co-operative approach to financial services. The World Council, in turn, is a full member of the International Co-operative Alliance and participates in its various activities dealing with financial co-operatives. The Canadian International Development Agency (CIDA) provides complementary support and matches the credit union movement's contributions in varying ratios.

A Look Ahead

The advent of a new age of electronics has led to some exciting prospects for the financial services marketplace. In addition to payment card services and instantaneous inter-branch transactions, the 1980s hold the promise of

in-home financial transactions through two-way television communications, point-of-sale systems linking merchants, customers and their accounts, as well as small, affordable computers for office and home use.

There are other equally exciting prospects for both credit unions and co-operatives, including the possibility of an energy partnership with the Canadian government. The overall movement is presently discussing the participation of credit union, *caisses populaires*, co-operatives and their members in energy resource exploration and development. These organisations, by their very nature, can provide a guarantee of continued Canadian ownership, to the extent of their involvement. The Canadian government has recognised this fact by offering up to \$100 million to help fund a proposed co-operative energy company.

The continuing evolution of Canadian credit unions as well as co-operatives is of vital concern to their members and is evidenced by their establishment of the Co-operative Future Directions Project. The project—which completed its first calendar year of operations in 1980—has been directed to identify the movement's vision of the future and the mechanisms necessary to achieve it. Thousands of Canadian co-operators at local, regional and organisational levels are holding meetings and providing their input to the project director and his staff, as part of the future planning process. In this manner, the Canadian movement can anticipate and help shape future social, economic and business environments.

One environment will remain unchanged, however, and that is the philosophical environment for credit unions. These organisations and their co-operative counterparts will always be member-established, member-owned and member-controlled. It is an orientation that we share with other thrift and credit organisations around the world and one which ensures the serving of financial needs within the context of individual autonomy and integrity.

Caribbean and Latin America

Prepared by

Caribbean Confederation of Credit Unions*

CREDIT UNION DEVELOPMENT IN THE CARIBBEAN

Missionaries promoted and organised the first credit unions in the Caribbean during the 1940s within church, social and community centres. Despite the difficulties of introducing new ideas into socially and culturally close-knit extended family units, patience, perseverance and the appropriateness of credit unions to the people's needs resulted in a regional network that today serves more than 330,000 members. In 1957 credit union leaders from the English-speaking Caribbean organised the West Indies Confederation of Credit Societies (WICCS) and affiliated with the Credit Union National Association (CUNA). By 1961 WICCS affiliates included over 475 credit unions with a membership of more than 60,000. The Caribbean leaders in 1972 reorganised WICCS into the CCCU to assure a greater regional voice in the affairs of the World Council of Credit Unions; to more effectively promote credit unions throughout the region; and to speak on behalf of credit unions to National Governments. WOCCU has collaborated in development projects throughout the Caribbean, with short-term financial assistance from CUNA Mutual Insurance and the Co-operative Union of Canada.

The CCCU now represents thirteen affiliated national credit union movements (Belize, Jamaica, Barbados, Surinam, Guyana, Trinidad and Tobago, St Lucia, St Vincent, Grenada, Dominica, Montserrat, St Kitts/Nevis, Antigua) and two newly developing movements applying for official affiliation (Bahamas and Cayman Islands). From its modest beginnings the Caribbean Credit Union Movement now serves over 330,000 members, has mobilised more than \$100 million in savings, has loans outstanding of \$103 million and assets of \$116 million.

Success stories can be found throughout the Caribbean demonstrating the positive attitude the region's people have toward credit unions as safe, responsive and locally managed financial institutions. Credit union successes also show that local communities

can effect appropriate and long-lasting changes with limited resources.

Dominica for example: In 1951, twelve leaders of the Social League of Catholic Women with help from a missionary sister, introduced credit unionism to the island. Within six years most major population centres on the island had a credit union. By 1976, Dominica was leading the Caribbean Credit Union Movement in percentage of population belonging to credit unions (18 per cent) and had mobilised \$1,360,000 of local savings.

A second outstanding example of credit union development is the upsurge of growth in Jamaica beginning in 1972. Credit union savings increased by 363 per cent to \$44,000,000 between 1972 and 1978 during a time of national and international economic slowdown, currency devaluations and high inflation. Between December 1976 and December 1977 there was a net decrease of savings in other financial institutions of J\$19.9 million, while credit unions experienced a net increase of J\$14 million.

With appropriate technical and financial inputs replication of these success stories throughout the Caribbean will be enhanced. Institutional development at the local, national and regional levels also will be accelerated to facilitate an increase in services and more effective and efficient services to a wider Caribbean population.

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The Caribbean Confederation of Credit Unions was organised in 1972 to co-ordinate promotion and organisation of credit unions throughout the Caribbean; to provide training and education for credit union leaders and staff; to assist in developing financial management systems consistent with the purposes and philosophy of credit unions and national credit union leagues; to facilitate the co-ordination of technical assistance to the credit union movement; to become a regional credit union institution capable of providing technical and financial services to its member

*This paper was distributed but not presented owing to lack of time.

leagues; and finally to initiate and support the process of credit union financial and service self-sufficiency at the local, national and regional levels.

Since 1972 the Confederation has successfully implemented leadership training sessions concurrently with their annual general meetings. At CCCU's request, the Jamaica and Trinidad and Tobago leagues have co-ordinated credit union promotion and leadership programmes and technical training programmes for the St Vincent and Belize Leagues and the Government of the Bahamas. Since 1973 CCCU has collected over US \$60,000 in dues to help support their regional headquarters and implement leadership training.

Credit union membership in the Caribbean has grown at a compound annual growth rate of 14.6 per cent since the founding of the Confederation in 1972. The project will provide the financial and technical assistance necessary to ensure accelerated growth in members and savings throughout the entire region.

* * *

Credit unions constitute the largest sector of the co-operative movement within each of the thirteen CCCU affiliated territories. Credit unions are closely associated with consumer, housing, agriculture and marketing co-operatives, either as their financial arm or as the most accessible source of capital allowing members to participate effectively.

- In Jamaica the Credit Union League is involved in a low cost housing sites and services project; has financed a mortgage lending department and is collaborating with USAID and the Foundation for Co-operative Housing (FCH) in disbursing loan capital for new housing construction. The League Board of Directors promoted establishment of a national consumer co-operative, most of whose Board members are from the credit union movement.
- The Credit Union League of Guyana has assisted the Government in organising a co-operative insurance programme. A League-initiated project feasibility study has established the basis for co-operative housing in Georgetown.
- The St Lucia Credit Unions capitalise Co-operative Fisheries Societies and consumer buying clubs.
- In St Vincent Marriacqua Credit Union provides member loans to finance

Banana Packing and Petrol Distribution Co-operatives. This co-operation has been successful and the co-operatives make use of the credit union as their main depository. A co-operative centre to house the offices of all three is now under construction.

- In Surinam the League acts as intermediary for HIVOS loans to consumer type co-operative buying groups and fishing co-operatives.

These are a few examples of how credit unions throughout the Caribbean collaborate with other co-operatives in rural and urban development projects. A most significant aspect of this type of co-operation is the leadership overlap from co-operative to co-operative. Training provided to a credit union committee member is training provided to an active member or leader in many other co-operative and community development organisations.

Eleven of the thirteen territories affiliated to the CCCU have laws governing co-operatives and credit unions. Ten have co-operative departments providing assistance in some or all of the following general services: promotion, auditing, management training, book keeping training, supervision, legal advice, delinquent loan collection.

The CCCU and its affiliates actively support and collaborate with the ILO/DANIDA Regional Co-operative Training Project. Credit Union Committee Members and Staff have attended Guyana's Kuru-Kuru Co-operative College under the ILO/DANIDA programme.

Caribbean Credit Union Institutions also foresee active collaboration in development projects with CARICOM and the Caribbean Development Bank (CDB). As CARICOM initiates its Co-operative Secretariat, CCCU, as the only Caribbean Region private sector co-operative institution, will make itself available for joint development efforts.

Informally credit unions have also had a lasting impact on the region by shattering the grip money lenders held on their prey. Even though "box money" is still a common practice and "Sou Sou" groups can still be found most everywhere, credit unions offer an increasingly attractive effective alternative.

Therefore, by developing the institutional and service capabilities of the credit union system throughout the Caribbean, services vital to meeting the critical needs of members will more effectively be provided.

Prepared by

Confederación Latinamericana de Cooperativas de Ahorro y Credito*

THE COLAC REGIONAL FINANCIAL SYSTEM

The COLAC co-operative financial system consists of a three-tier network: (a) 2,300 co-operative savings and credit organisations that operate in local communities; (b) 18 national federations and central savings and credit co-operatives, and (c) a Latin American Regional Co-operative Financial Institution: COLAC.

Local Co-operative Savings and Credit Co-operatives

At the local community level approximately 2,500 credit unions provide basic financial services to more than 2 million individual co-operators. Approximately 40% of these members live in the rural areas of the various Latin American countries and have annual incomes ranging from \$500 to \$5,000 per year with the median income being around \$1,500 per year.

Statistical data provided to COLAC by the national affiliated savings and credit co-operatives as of December 31, 1977 indicate that they have total assets of \$425.5 million, loans outstanding of \$337.6 million, membership savings and deposits of \$320.9 million and reserves of \$23.6 million.

As a result of their agriculture production credit activities, rural savings and credit co-operatives in Latin American communities have in recent years become involved in providing members with farm supplies and the marketing of their members' agricultural products. A few rural credit co-operatives have also actively participated in the organisation and financing of agro-industry projects that help their members to solve the marketing problems of their agricultural products and to get a greater share of the marketing profits that formerly accrued to the traditional middlemen and food processors.

In many rural communities of Latin America, the local savings and credit co-operative acts as the rural community bank. It mobilises local savings and recycles them back in the form of loans and investments that generally stimulate greater economic activities within the community and help members solve their own basic needs.

Latin American credit movements vary in

type, depending on the country. For example, the Savings and Credit co-operative movements of Brazil, Venezuela, Uruguay, Argentine, Panama, and to a lesser extent Colombia, are predominantly urban based with a high number of closed type credit co-operatives. On the other hand, the national co-operative credit movements of Guatemala, Honduras, Paraguay, Dominican Republic and Ecuador are, to a great extent, rural based.

National Federations and Central Savings and Credit Co-operatives

At the country level, the COLAC financial system has a total of 17 national federations and centrals at various stages of development, as follows: Bolivia, Brazil, Colombia, Costa Rica, Chile, El Salvador, Dominican Republic, Mexico, Nicaragua, Netherlands Antilles, Panama, Paraguay, Peru, Uruguay, Honduras, Guatemala and Ecuador.

All the COLAC affiliated national organisations are making major efforts to become primary co-operative financial organisations. With technical assistance from COLAC, several federations and centrals such as those of Guatemala, Bolivia, Colombia, Panama, and El Salvador have made significant progress in becoming recognised as effective financial intermediaries by government development banks and international development agencies.

Three National Federations, El Salvador, Bolivia and Colombia have been formally qualified to discount credit co-operative loan notes against special discount funds established in central banks for the purpose of stimulating food productions activities of small farmers and rural agro-industries.

To supplement borrowing from domestic sources or when loan funds are not available domestically, federations seek financing from their regional financial organisation: COLAC

To develop their equity base in order to have greater access to external financial resources, national federations and centrals have established a variety of capitalisation systems geared to mobilise anything from 3 to 10% of their credit co-operative membership savings and deposits. Emphasis is

*This paper was distributed but not presented owing to lack of time.

TABLE 1—Annual Lending Activities Period 1972 to 31/3/79
(Expressed in US Dollars)

DESCRIPTION	1972	1973	1974	1975	1976	1977	1978
Number of Loans made	2	5	2	—	7	12	10
Total Amount Authorized	280,000	583,741	2,412,282	—	1,860,000	7,505,000	3,280,280
Total Amount Disbursed during year	280,000	583,741	738,636	—	1,330,343	3,314,042	2,850,656

presently being placed on the establishment of liquidity reserve systems that require all member credit co-operatives to invest at least 5% of membership savings and deposits in the form of equity capital investments in their national federations and centrals. The basic idea is to give the national organisations a better equity portion to leverage external borrowing by a factor of at least 5 to 1.

Federations and Centrals are also deploying a variety of financial systems and instruments designed to allow the movement rather than the established banking system to manage its own liquidity. Examples of these are: Centralised checking accounts for member co-operatives, (b) time deposits, (c) investment certificates, etc. The emphasis by federations and centrals on developing their finance function does not exclude the organisation and maintenance of other services needed by affiliated savings and credit co-operatives such as technical assistance, auditing, legal assistance, life savings and loans insurance, printing services, etc. In fact several federations whose credit co-operatives are heavily involved in agriculture production credit activities have in recent years organised farm supplies and marketing services for farmer co-operative members.

From the lending side of their operations, National Federations and Centrals provide loans to member organisations to meet their short-term liquidity needs to finance agriculture production credit projects of co-operative members. Some federations lend for improvement of co-operative members' homes and some have engaged in the financing of small-scale housing development. However, these housing loan activities are generally small (\$100,000 to \$300,000) in scale due to the large financial resources needed.

Some national federations such as those of Bolivia, Honduras and Guatemala have already engaged in lending to other co-

operative organisations, following the Canadian pattern.

By the end of 30th June, 1980, COLAC expects to have reached a loan portfolio of approximately US \$20,000,000. With additional external borrowing and increased equity investments by member organisations, COLAC expects to have reached an outstanding portfolio of approximately US \$25 million by the end of June 1981.

Institutional Development of COLAC's Member Organisations

Over the past 3 years, COLAC has been involved in an intensive institutional development programme with its member organisations to help them become effective and financially viable for their affiliated savings and credit co-operatives.

A second thrust of COLAC's technical assistance programme has been directed towards helping its member national co-operative credit organisations to design and implement production credit programmes through their affiliated rural credit co-operatives. These production credit programmes are designed to achieve a greater level of productivity on the part of the credit union member and increase his net income. The emphasis of these production credit programmes thus far has been concentrated on the production of basic grains, cash crops, livestock raising and to a lesser extent, the processing of these primary agriculture products.

To assist its member organisations in their long-range growth and development, COLAC initiated two years ago a special technical assistance activity to develop their long-range programme planning capabilities. Despite the relative newness of this technical assistance activity, its impact and the growth of the operation and services in COLAC's member organisations are already very visible.

COLAC's technical assistance capability was considerably enhanced as a result of a

4-year \$1 million technical assistance programme agreed to with the Inter-American Development Bank in 1976 and a 3-year technical assistance contract with U.S. Agency for International Development. Through this programme, COLAC has been able to place and maintain resident technicians in Dominican Republic, Colombia, Bolivia, Costa Rica and until recently, Nicaragua, to assist the national federations to develop their co-operative financing facilities and production credit programmes.

COLAC—A Specialised Regional Financial Intermediary Institution

At the Latin American regional level, COLAC performs the role of a specialised co-operative regional financial intermediary and technical assistance organisation. To its member organisations, COLAC can at times be the primary lending source and, at other times, it is viewed as a lender of last resort depending on the availability of capital resources from domestic sources, the urgency of the loan demand and loan terms and conditions. In essence, it can be stated that COLAC performs the role of a regional co-operative development bank and at the same time a lender of last resort to its member organisations.

In the area of mobilising financial resources from international sources, COLAC plays a very important role for the Latin American co-operative movement in that it has been able effectively to obtain loans and capital assistance funds from a number of international development banking agencies, bilateral development assistance programmes and international co-operative organisations that traditionally have been beyond the reach of individual national savings and credit organisations. The presentation of larger scale lending on a regional basis as opposed to small loans to individual national federations appears to have great appeal to the international development agencies as well as the international co-operative institutions with which COLAC has been negotiating capital resources.

The fact that COLAC provides its member federations with technical assistance in such areas as: long-range planning, financial and credit administration and design of agriculture production, credit programmes, management training and other areas is another feature of COLAC that is attractive to the international lending agencies because they do not have the staff resources nor the

institutional network to adequately service loans to a larger number of national federations and individual co-operatives. These institutions prefer to work with a regional organisation such as COLAC, whose keen knowledge of the changing socio-economic monetary and political context of the various Latin American countries and proven experience in operating a specialised regional lending programme guarantees the success of the lending operations.

Although the COLAC co-operative financial system is still quite small in monetary terms when compared with the co-operative credit systems of North America, Europe, Japan, Australia and other countries, yet in terms of application of financial concepts the COLAC system is quite advanced and sophisticated.

COLAC Financial Structure

As a regional financial intermediary organisation, COLAC's financial strategy is to leverage to the maximum extent possible the equity investments made in it by its member organisations. The extent to which COLAC can leverage its equity capital depends in great measure on: (1) its lending track-record; (2) the adequacy of its financial management; (3) the term structure of its loan-debt external borrowings; (4) the financial strength of its member organisation; and (5) the level of risk that lenders are willing to take in their activities with COLAC.

To initiate the regional lending programme COLAC had to convince the international development lending agencies and other lending organisations to accept a debt equity ratio of as high as 20 to 1 with the future promise of an obligatory capitalisation system that would reduce this ratio over a 6 to 7 year period to an 8 to 1 ratio. This proposal was accepted by the major international development agencies, a fact that has allowed COLAC to evolve into a significant regional co-operative financial organisation in Latin America.

A characteristic of COLAC's debt structure that is worthy of mention is the combination of low-cost long-term development loans with shorter and medium-term loans at or close to market rates. This feature of COLAC's financial structure provides COLAC with a greater debt service capability on its short and medium-term loans and reduces the composite costs of capital resources, thus enabling it to generate sufficient margins to cover its loans

TABLE 2—Principal COLAC Financial Indicators
(Period Beginning July 1, 1975 and Ending March 30, 1979)
(Figures expressed in US Dollars)

INDICATOR	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	1974-75 Ending 30/6/75	1975-76 Ending 30/6/76	1976-77 Ending 30/6/77	1977-78 Ending 30/6/78	1978-79 Ending 31/3/79
TOTAL ASSETS ..	1,825,257	2,128,433	4,537,111	6,628,063	12,663,831
Cash and Bank Deposits	34,390	250,362	388,678	784,857	2,482,995
Loans Outstanding ..	1,428,191	1,533,639	3,657,559	5,051,084	8,990,176
Other Assets	362,676	344,432	491,474	792,192	1,220,660
TOTAL LIABILITIES	900,571	762,611	3,068,739	5,116,775	10,974,321
Short Term Liabilities ..	236,127	210,665	334,562	125,649	513,488
Long Term Liabilities ..	664,444	551,946	2,734,177	4,991,126	10,460,833
NET WORTH ..	924,686	1,365,832	1,468,972	1,511,268	2,071,883
Accumulated Operating Surpluses or Losses	26,264	49,352	(147,825)	(276,307)	(382,372)
Total Income	582,187	626,936	418,801	782,445	639,206
Operating Income ..	—	242,589	269,042	459,263	508,802
Budget Support T.A. Programme	395,317	384,347	129,559	323,182	130,404
Total Expenses	557,989	592,416	645,778	910,927	745,271
Financial Costs	40,525	58,902	57,913	144,998	119,030
Operating Costs ..	517,464	532,514	587,865	766,929	626,241
Net result end of Year ..	+ 24,198	+ 35,520	(197,177)	(128,482)	(106,065)

administration costs and a part of the costs involved in providing technical assistance to its member organisations.

Regarding COLAC's present capitalisation system, this comprises two types of equity investment requirements by member organisations: one capitalisation system is based on a statutory requirement that calls for an annual equity investment of \$1,000 by all member organisations regardless of whether they are borrowing or non-borrowing members; the second requires that borrowing members make equity investments in COLAC in amounts equal to 4 per cent of the average quarterly balances of borrowing from COLAC.

While the present COLAC capitalisation systems are indeed a heavy demand on its borrowing member organisations, this capitalisation system was the very basis on which COLAC was able to attract approximately US \$15 million in capital resources on an extremely low equity base.

In the future, the aforementioned capital requirements will probably be adjusted to conform with COLAC's growth plans and with the member organisations' ability to continue to make capital investment in COLAC without seriously affecting their own financial stability and welfare.

Table 2 provides the reader with the principal COLAC financial indicators for the past 4 years.

COLAC Organisational Structure

COLAC has a Board of Directors comprised of one board member from each of the 18 member organisations. The Board meets ordinarily once a year and extraordinarily whenever the need arises. The Board is responsible for approving the operational policies of the Confederation, decides on membership applications, designates the General Manager and the comptroller of the Confederation, approves the annual operating and capital budgets and their corresponding

working plans. The Board of Directors also designates COLAC's Executive Committee that is comprised of 5 members from the Board of Directors, including the president, the first vice-president and the secretary.

COLAC's Executive Committee is responsible to the Board of Directors for reviewing the annual budgets prior to their presentation to the Board, for deciding on requests for disaffiliation, establishing interest lending rates, deciding on COLAC's credit and personnel policies and deciding on a number of other matters related to annual supporting dues, management reporting system, etc. Administratively, the operations of the Confederation are under the overall responsibility of COLAC's General Manager.

At the present moment there are two functional Divisions that carry out the day-to-day operations: the Finance and the Technical Assistance Divisions. The Finance Division handles financial and credit administration functions, long-range financial programmes, administration of contracts and agreements with international agencies. The Technical Assistance Division operates COLAC's institutional development programmes directed to its member organisations, federation management evaluations, technical assistance in the formulation of 5-year development plans and assistance in the formulation of loan requests to COLAC and project funding proposals.

In addition to the above operation units, COLAC has the following support units: (a) Resource mobilisation; (b) Information and Publications; and (c) General Administrative Services.

An Internal Loan Committee comprised of the General Manager and the managers of the Financial and Technical Assistance Divisions resolve loan applications submitted by member organisations.

In terms of personnel, the staff of the confederation presently numbers 37 of which 20 are management and technical personnel and 17 are administrative support staff members.

COLAC's Regional Lending Programme

COLAC lending philosophy at the moment is basically that of a development financial institution. Given the present stage of development of many of its members national federations and centrals and its intimate knowledge of their operations COLAC is willing to take greater risks in its lending activities than would a straightforward commercial lending institution.

To offset the higher risks it takes in its lending activities and to assist its member organisations in the design and implementation of special agriculture production programmes and the formulation of loan projects, COLAC has seen it necessary to organise an effective technical assistance programme to develop the desired level of financial and credit administration capabilities in its member federations and centrals. This technical assistance programme is designed so that loan funds obtained from COLAC will be adequately managed.

Another feature of COLAC's credit programme that is worthy of mention is the emphasis placed on financing projects that are production oriented. COLAC's present credit policies call for 70 per cent of COLAC portfolio to be invested in production type projects. The underlying rationale behind this policy is twofold: (1) external financial resources brought into the COLAC System should be used for production purposes rather than lending activities that are consumption-oriented and which contribute to increased inflation; (2) to provide opportunities to credit co-operative members to increase their annual net incomes and their ability to save.

In terms of the size of the loans that COLAC makes, these have gradually increased as COLAC has been able to obtain greater amounts of financial resources. At the present moment COLAC is considering co-operative financing projects up to \$2 million. As COLAC's financial resources increase, its ability to respond to loan projects of greater magnitude will also increase.

Another important feature of COLAC's lending policies is a measure to diversify the risks in its loan portfolio by limiting the amount of funds that can be invested in one particular country. At present it can make loans in one particular country up to 20 per cent of its loan portfolio.

With regard to currency devaluation risks, these risks are assumed by the borrowing organisations. COLAC provides guidance to borrowers in suggesting ways to protect against possible monetary devaluation, such as: (a) the establishing of a special charge on loans to member co-operatives for the creation of a monetary devaluation reserve fund; (b) the accelerated payment of hard currency loans when monetary devaluations are imminent; and (c) delay in disbursement of loan funds until actual monetary devaluations occur.

Presented by

Floreal GORINI

General Manager

Instituto Movilizador de Fondos Cooperativos (Argentina)

THE LATIN-AMERICAN BACKGROUND

As expressed by the theme of this 5th Conference, widespread changes are taking place in the world today in the economic, social and political fields as a result of continued scientific and technological advances.

Changes and progress on the economic level have given rise to an unprecedented increase in the amalgamation of large enterprises. Recent studies estimate that some 300 multinational and transnational corporations control one-third of transactions in the market-economy sector. One of the characteristics of this process of amalgamation has been the enforced creation of a new international division of labour, in which the multinationals in particular have tended to transfer pollutive and labour-intensive industries to peripheral zones.

This process has also given rise to common markets which, today, are losing their original significance as they too become part of a fresh international division of labour.

However the process has been overtaken by different crises which have occurred since the end of the sixties: the 1971 dollar inconvertibility declaration, the 1973 oil crisis and the 1974-5 business recession, brought to light not only a serious cyclic recession—which many thought had passed—but also demonstrated how closely this was linked with a monetary, raw materials and energy crisis.

As has been pointed out by the UN study on multinationals, the enormous corporations also seek a division of labour within their own branches, in the structure of their enterprises, i.e. they seek their own internal rationalisation. But this process is seldom consistent with national interests, even the interests of the corporations' own countries, because they prefer to invest where conditions are more profitable, causing subsequent social and economic problems such as unemployment and competition between the large developed countries which generate crises in whole branches of production.

Technical and scientific progress has undoubtedly brought great benefits to mankind, but defects in the economic structure have generated serious problems such as

shortages in energy, raw materials and food, environmental pollution and the destruction of nature, unused production capacity in enterprises still technically efficient, unemployment, inflation, etc. Increasing automation, with the use of robots, paradoxically threatens to aggravate the situation.

Latin America

If the above gives rise to serious problems in the advanced countries, it reaches the borders of irrationality in the case of the more backward countries such as in Latin America: governments ruled by privileged minority interests, accede to the demands of international organisations and multinationals, and contract for a division of labour with no reciprocal benefits from advanced countries which follow protectionist policies, leaving whole branches of production in ruins and regional economies paralysed.

The Executive Secretary of the Economic Commission for Latin America, M. Enrique V. Iglesias, has written a paper entitled *Latin America on the Doorstep of the Eighties* (published in the *ECLA Review*, December 1979) in which he points out that the continent has had considerable growth but has become more vulnerable with increasing interdependence. He says: “. . . increasing interdependence among world nations—a characteristic sign of the present times—means that nobody can escape from the effects of these changes, and certainly our region has experienced their impact particularly strongly. Following the period of extraordinary prosperity and security in face of the future which began some thirty years ago, we have now entered a dangerous period in which feelings of instability and anxiety about the future prevail generally.”

Like other analysts, Iglesias sensibly rejects the idea that everything can be explained by the rise in oil prices in 1973. He recalls the financial/monetary disorders at the end of the sixties which came to light in 1971 with Nixon's declaration. Even at that time it was possible to diagnose the embryonic symptoms of the present inflation, and a decrease in

growth rates was expected. Therefore the "oil trauma" was only the detonator. (It must be remembered that several studies showed that, in real terms, oil prices had decreased by almost half between 1950 and 1973.) It was part of what we now call "historical shortsightedness" about raw materials and the deterioration in trading conditions.

There has certainly been growth in the Latin American economy, as expressed in the following figures: the gross continental product was US \$149,105 million in 1960, while in 1979 it was US \$429,495 million; the per capita figures for the same period were US \$739 million and US \$1,270 million. That is to say that during the 20-year period, the regional collective product almost trebled, exports increased and diversified, and the economy was better managed.

Yet this material progress was unable to resolve the more serious and acute of Latin America's problems: unemployment, housing shortages, inflation, and especially the unjust distribution of wealth.

A recent ECLA study which analysed the situation in six countries containing 70 per cent of Latin America's population and the same percentage of the gross product, points out that although the per capita income increased by 26 per cent in those countries during the 1960-70 period, only 10 per cent of that increase benefited those who were below the poverty line in 1960, while 60 per cent of the increase was absorbed by the wealthier 20 per cent of the population. Thus, in absolute terms, 40 per cent of the population classed as poor in 1960, had raised their per capita income by US \$20 by 1970.

In 1970, about 40 per cent of the population of Latin America (or 110 million individuals) suffered extremes of poverty, and almost half that number could be regarded as indigent. Therefore it is evident that, in addition to accelerating the rhythm of development in order to narrow the gap with the developed countries, a better distribution of income becomes imperative. This means that, from the point of view of national interests, it is necessary to achieve well-balanced development to ensure the benefits of progress for all social groups and all regions in each country.

As ECLA states, it will be necessary to diversify production, develop new markets, encourage regional trade and common markets, and lay down a code of behaviour for transnational enterprises in accordance with the needs of the region. This will require a certain amount of state planning, often

involving the co-operative movement which will require supportive legislation to facilitate its development, as well as governmental financial support.

But joint action within the region is not enough: it will also need the collaboration of the industrial countries, which send 40 per cent of their exports to the Third World. This is why Latin Americans are interested in the future and in a new international economic order to examine the problems of basic products, external financing, protectionism by industrial centres, and relations with the transnational enterprises.

Attention should be paid to restructuring the means of production in relation to the world economy, but without damage to the small- and medium-sized sectors: these could attain optimum size, equipment and rationalisation through creating co-operatives and encouraging their integration, to enable them successfully to face the competition of the large corporations.

If we accept the idea that the basis of all development is education, this must be one of the first tasks, and it will need the joint participation of State and co-operatives.

The Future—the Role of Co-operatives

It seems to us that the main problem for the present and the near future is to combine rapid technical and scientific progress with well-balanced national development, to meet the interests of the majority of the population and not of narrow local groups linked to the international financial ambit.

It is evident that one of the methods of achieving this is through co-operative development. This is not just a utopian ideal, when we bear in mind how co-operative activities have grown in Latin America notwithstanding the restrictions and handicaps they face, often as a result of State action. For example, in Argentina in 1977 there were 432 credit co-operatives and eight co-operative banks with a total of 460 local banks attended by 460,000 members; total capital was US \$38 million, combined deposits US \$320 million and outstanding loans US \$325 million; this business represented 5.5 per cent of the total financial activity of the country.

Three years later, in September 1980, after the transformation of most credit co-operatives into co-operative banks, Argentina has 81 co-operative banks, 97 credit co-operatives, operating with 825 local banks used by 520,000 members; with capital US \$427 million, deposits of US \$3,418 million, and outstanding loans of US \$3,247 mil-

lion, representing 8 per cent of the country's financial activity. This growth has been accompanied by the integration at national level of the different branches of the co-operative movement, forming a suitable basis for operations in order to become one of the pillars of the equitable, dynamic and self-determined development needed by our countries.

However, one of the obstacles to greater co-operative development is the difficulty of assembling sufficient capital to enable co-operatives to undertake wider activities. We believe that the way out of this difficulty is to obtain the help of co-operative movements in the developed countries, which could at their own level provide technical and financial assistance for projects by our countries' co-operative movements.

We think that one of the goals of this conference, called to meet the challenge presented to the co-operative system by the changes taking place in the world, should be to find ways of developing integration at the international level as found in some European co-operative organisations.

We believe that co-operators, as expressed by the recent ICA Congress, are interested in supporting a development strategy to create a new International Economic Order which will bring about greater social participation and a just distribution of the fruits of labour and of technological and scientific progress. Co-operative integration at international level and mutual assistance are one of the means of achieving this objective and the only way to ensure a just and peaceful world.

Europe

Presented by

J. TEICHERT

Secretary General

Association of Co-operative Savings and Credit Institutions of the EEC

There is one aspect common to all Europe's co-operative credit institutions, and that is that they were energised into being at a time when people lived in abject poverty and the majority are now one hundred years old. Basically, they could be said to have taken root in rural areas to help the farming communities while those originating in towns and cities aimed to support craftsmen and small business people. In both cases, however, the central concern lay in cushioning members against malpractices and usury by providing loan capital on acceptable terms.

Meanwhile, economic realities underwent a transformation. Small and medium-sized companies grew up in most villages in Europe which now constitute a proportion of the customer base in co-operative banks. Agriculture's share is on the decline. The distinction between the rural and urban world is becoming steadily more blurred, a convergence that can best be illustrated by the growing number of workers, wage-earners and civil servants who have applied for membership in our co-operatives.

Co-operative credit institutions are built up as two or three-tier structures depending

on the size of the country concerned. In big countries, the pattern consists of local banks at the grass-roots, followed by regional banks and capped by an apex institution that functions on a nationwide basis. On the other hand, those in small countries operate simply through local banks and an apex institution. In most of the bigger countries, co-operative banking federations have been set up whose role consists in counselling and monitoring the commercial activities of the banks and defending their interests with the Authorities and the Government. The federation also accepts responsibility for staff training and the provision of other services.

At the national federation level, all co-operative credit institutions have pooled their interests inside the European Economic Community by forming the "Association of Co-operative Savings and Credit Institutions of the EEC". As far as its purpose is concerned, this organisation differs from any other internationally in that its terms of reference extend beyond the fostering of contacts and discussion. The European Community threads together ten countries in Europe with a view to gradually establish-

ing a common economic area. Evaluated as a long-term project, this implies harmonising banking and tax legislation, customs regulations, etc. This in turn will necessitate a co-ordinated set of regulations to cover national provisions in the field of banking. In this alignment process, the Association's dominant function lies in defending co-operative banking interests with the department under whose jurisdiction harmonisation falls. In all of this, what must be safeguarded are the basic principles and distinguishing features that hallmark co-operative banking, such as members' joint and several liability and their involvement in the banks' management. The crucial issue is to preserve the identity of the banks as private financial institutions in which shareholder participation is voluntary and free from Government interference. Those are the conditions under which co-operative-type banking can play its role to the full in a pluralist society based on economic freedom.

Another of the organisations' functions is briefing members on the progress being made by co-operatives in each country, sponsoring exchange schemes for executives and cross-fertilising information on various sectors.

At what stage of development do co-operative credit institutions in Europe find themselves today? Our banks in every country in Europe have been able to report consistently increasing growth over the past ten years. There are now over 58,000 co-operative banks in operation whose combined membership totals an estimated 31 million. Moreover, they are the largest single providers of loan capital for agriculture, small and medium-sized industries and private individuals. Recognition must also be given to the fact that two-thirds of Europe's wage-earners are employed in small- and medium-scale ventures. A proportion of the wage-earning population are members of co-operatives, a segment that is seen to be reflecting a steady rate of growth. In the case of this latter category, co-operative banks take their deposits and are the finance houses through which they acquire accommodation. A further feature of our banks is that lending facilities are granted for the purchase of furniture, television sets, cars and other consumer durables.

The fact that European economies are seen to be moving towards greater integration and strengthening their commercial ties with countries outside Europe, has meant

that small- and medium-sized concerns are becoming steadily more involved in direct import and export deals and in so doing are bypassing the large corporations. As a consequence of this development, we were obliged to offer our customers the appropriate range of services in order to retain them and not lose them to the big commercial banks. Indeed, this was the consideration that prompted a number of co-operative banks in Europe to set up representative offices and subsidiaries in several parts of the globe.

A significant number of Europe's co-operative banks have pooled their interests and opened banks that operate worldwide in order to finance foreign trade, this form of collaborative effort being identified as the most satisfactory for co-operative type banking.

The first joint venture pioneered by co-operatives came in 1973 with the establishment of the London-based "London and Continental Bankers Ltd." whose net assets in 1980 totalled US\$1.1 billion, and who managed to raise US\$1.1 bn for LCB shareholders on the Eurodollar market. The "Bank Europaischer Genossenschaftsbanken", founded in 1975, is predominantly involved in international financing, monetary dealings and trading in securities, and at the end of 1980 was known to have produced a balance sheet total of SwF. 505 million.

In 1976, six co-operative banks coalesced to open the UNICO Banking Group headquartered in Amsterdam which today can boast of subsidiaries in New York, Hong Kong, the Cayman Islands, Chicago, Rio de Janeiro and Curacao. As a group, its key function consists in offering a counselling service to its partners on sharetaking in consortiums. By the end of 1979, the Group collectively was understood to be managing some 14 loans. Turnover in bond and share trading totalled US\$71.4 million and the volume of documentary credit was valued at US\$1.4 million.

European co-operative banks are convinced that effective co-operation is the only avenue that will be conducive to their attaining an adequate level of development in order to be able to compete with the other commercial banks and defend their members' interests. The structure on which co-operatives are based is unique at the present time and therefore ought to enable them to play a more dynamic role both socially and politically in the coming years.

International

Presented by

J. NICHOLSON

President

World Council of Credit Unions

Much has transpired in the World Council spectrum since the meetings in Rio de Janeiro three years ago. It is always a meaningful and enjoyable experience to be in a position to document significant progress in an organisation's growth. Several important changes have transpired which are worth noting.

Involvement

In 1977, the World Council was granted consultative status in the United Nations. This afforded the World Council the opportunity to present a statement, "The Role of Savings and Credit Institutions in a new International Development Strategy", at a special session of the UN General Assembly addressing economic issues (see below). Without its official status, WOCCU would have been denied the chance to demonstrate the value and the necessity of credit co-operatives in any economic and social development strategy.

In addition, during the past three years, the World Council has been actively involved in various projects administered or sponsored by UNESCO, FAO, and the United Nations Development Programme. One of the most significant acts of the World Council, was the co-sponsorship of the interlending study conducted by the Committee for the Promotion of Aid to Co-operatives (COPAC). This latter involvement has only just begun to bear fruit and, while tentative and exploratory, will eventually lead to exceptional investments and interlending programmes being conducted on a regular basis. Without question, this will be of great benefit to credit union movements of Third World Nations seeking to strengthen central financial systems.

It will be of further interest that the World Council of Credit Unions has been involved in a planning process which will not only increase WOCCU's ability to serve the needs of its affiliates but will serve to amplify WOCCU's role as the international voice of the credit union movement and credit union philosophy. The planning exercise, which began at the WOCCU Triennial Meeting in

Sydney, Australia, in May, 1979 will continue until the meeting to be held in Toronto, Canada in 1982.

Statistically, the three-year period (1977-1980) provides an insight into various forces working within the credit union movement and providing its direction.

While no more countries have been admitted to the various regional organisations, there are developments in several national movements which indicate that new memberships will be forthcoming. In Asia, there are moves towards organisation of national associations of credit unions in Singapore, Malaysia, Sri Lanka, and Bangladesh. In the South Pacific, several island nations and territories are presently developing a co-operative confederacy. Several African states have started league development, including The Gambia, Chad and Rwanda. And in the Caribbean, progress is being made to assist several islands to organise and maintain credit union operations. It is anticipated that **within** the next three years, there will be as many as 10 new WOCCU affiliates and two new confederations.

In many nations, for the sake of either efficiency or salvation, many smaller credit unions are joining forces and creating common bonds to continue to serve members. Thus a seeming stability in active units actually reflects an internal dynamics which is difficult if not impossible to document were it not for field reports. While WOCCU does not openly endorse blanket mergers, for fear of the loss of autonomy by credit unions integral to individual community development, there are occasions when the survival of credit union services makes such marriages of management and memberships essential.

Membership:

1977	50.5 million
1978	56.2 million
1979	60.1 million

This is generally regarded as the most significant figure relative to credit union development. It is a tangible reflection of growth patterns, unaffected by amalgamations or by inflation. The 20 per cent growth

ratio in three years is valuable in its context of promotion of co-operative thrift and credit among WOCCU affiliates. Within those 67 nations and 44,000 credit unions, the word is reaching members of the communities and generating excellent responses.

Shares, Loans, Assets

Shares:

1977	US \$64.3 billion	
1978	US \$73.3	„
1979	US \$80.7	„

Loans:

1977	US \$54.4	„
1978	US \$67.3	„
1979	US \$73.5	„

Assets:

1977	US \$72.7	„
1978	US \$85.2	„
1979	US \$92.7	„

Because of the inflationary spirals which have caught up every national economy, it is difficult to assess the actual worth or real increases of WOCCU affiliates' assets, loans and shares. Shares may have grown 31 per cent, loans 37 per cent and assets 27 per cent while the currencies have been grossly devalued. However, each of the figures' advancements can in no fashion indicate a static environment or a down-curve. WOCCU believes these figures represent a condition of worldwide credit union economic constancy.

Shares are still being saved, loans granted and collected, and assets assembled. Productive, providential and consumer loans are being granted with regular frequency, and member satisfaction and education continue.

The affiliates of the World Council have not slowed in their attempts to bring accessible credit and savings security to as many people who wish to study, to be committed to, and be willing to serve the credit union idea.

Recommendations contained in the WOCCU Statement to the UN

The World Council of Credit Unions, serving almost 50,000 savings and Credit Co-operatives, encourages the United Nations to increase its reliance upon the co-operative sector in its economic development strategies, especially in the developing regions of the world. Transformation of economies through co-operative development, which offers real hope for a more equitable order, is a slow, evolutionary process that simultaneously develops people and builds institutions.

The International Co-operative Alliance, of which the World Council of Credit Unions is a member, has put forward a number of recommendations for consideration by the Delegates to this 11th Special Session:

1. As part of the United Nations development strategy for the 1980s, the International Co-operative Alliance recommends that the United Nations sponsor a series of meetings to familiarise governments and people with the benefits of co-operative enterprise; and that the United Nations regional economic commissions sponsor regional conferences on co-operative enterprise within the coming year.
2. Following the completion of these regional conferences, the International Co-operative Alliance recommends that a world conference on co-operative development be assembled, with a programme for action to stimulate further growth of co-operative enterprise as part of the New International Economic Order.
3. To implement the above, and to serve as a focal point for co-operative development within the United Nations and its specialised agencies, the International Co-operative Alliance recommends that the Secretary General of the United Nations establish an Office of Co-operative Development in an appropriate division of the Secretariat of the United Nations Capital Development Programme.

In addition to the above recommendations, the World Council of Credit Unions recommends that the UN General Assembly, through the Economic and Social Council, acquire knowledge of the experience and usage of co-operative financial institutions in national development. This will assist the United Nations in identifying co-operative institutions and systems that can be an integral part of economic development action plans.

The World Council of Credit Unions, on behalf of sixty million credit union members in 69 countries, is pleased to be associated with the United Nations as a non-Governmental Organisation in consultative status with the Economic and Social Council and the Food and Agriculture Organisation. We stand ready to assist and support efforts of mutual concern.

Presented by

W. SCHIFFGEN

General Secretary

International Raiffeisen Union (IRU)

"To show their respect and gratitude towards Friedrich Wilhelm Raiffeisen", the International Raiffeisen Union was founded by the co-operative organisations of 10 European countries on 30 March 1968, the 150th anniversary of his birth. In July of the same year, it was solemnly proclaimed on the occasion of the Raiffeisen World Congress, in the presence of more than 5,000 members of co-operative societies from 71 countries. During the past 13 years, other co-operative organisations practising Raiffeisen's ideas all over the world, have joined the International Raiffeisen Union, which today has 48 co-operative organisations as full members and 13 sponsoring members in a total of 32 countries.

The International Raiffeisen Union is a voluntary association of national co-operative organisations whose aim is to work for Raiffeisen's co-operative ideas. Natural persons and legal entities in sympathy with these ideas can join the Union as sponsoring members. National co-operative organisations should see in the International Raiffeisen Union, a place of meeting and joint aspirations, an opportunity for the exchange of views and experiences, and a source of solidarity.

The International Raiffeisen Union considers that a constant exchange of views and experiences between its member organisations is an important means of achieving its objectives. To this end, the IRU Secretariat in Bonn (FRG) has created a documentation centre, where all necessary information can be found concerning the various organisations, and the size and activities of the Raiffeisen movements in the various member-countries. RAIFFEISEN-INFORMATION, published twice a year, serves the same purpose of mutual exchange of experience between the member organisations.

The International Raiffeisen Union coordinates its activities with those of other international organisations and institutions. In this respect we have an agreement with the Food and Agriculture Organisation of the UN, which has assigned liaison status to the IRU.

Among its other activities, the International Raiffeisen Union contributes to

various forms of development assistance, such as the sponsoring of a seminar for Turkish co-operative cadres in Ankara, and a promotional seminar for the directors of credit co-operatives in Santander (Spain). The IRU also wishes to take an active part in international conferences, seminars and symposiums, to provide a channel for the recruitment of experts for co-operative promotion programmes, and to act in an advisory capacity on such projects.

The International Raiffeisen Union has considerable technical know-how at its disposal, but only limited financial means. Its members all over the world have the object of service, not of making profits, so also have limited financial means. The International Raiffeisen Union recognises these limitations and has drawn up its programme of activities within them, while still remaining true to its main objectives.

Some notes on the Raiffeisen Movement in the FRG

Germany was of course the birthplace of Friedrich Wilhelm Raiffeisen in 1838 and the place where he began his credit co-operatives.

Right from the beginning the activities of the Raiffeisen credit co-operatives were linked with those of the agricultural commodity and marketing co-operatives. Thus a type of co-operative was born which has proved highly successful, and is still of the utmost importance for the Raiffeisen movement in promoting co-operative institutions in Third World countries, that is, a multi-purpose co-operative combining banking with marketing business.

A three-level structure—local, regional and national—was found essential for the development of the primary co-operatives; it means that local credit co-operatives can be financed by the regional level Central Co-operative Banks, and these in turn by the National Central Bank, the German Co-operative Bank in Frankfurt, which not only finances all co-operative operations in the Federal Republic—consumers, housing, industry and agriculture—but is also active as an international commercial bank and represented in several places around the world.

In the marketing section, which includes all agricultural products "from wine to swine", a similar structure exists. On the whole, it is this link-up system which gave the rural and small-scale industrial co-operatives in Germany such a strong position in the economy.

In 1972 the Raiffeisen (rural) and the Schulze-Delitzsch (urban) co-operative organisations merged, and they are now under a common roof, the German Co-operative and Raiffeisen Association, located in Bonn.

Today there are 4,500 local credit co-operatives, 80% of which are still multi-purpose, with 19,500 branch offices, and having—together with the central banks—

a total balance of DM 350 billion. Long-term loans amount to DM 90 billion, and short-term credit to farmers, artisans and the rural and urban population amount to DM 70 billion.

So far as the marketing section is concerned 54% of the agricultural market is handled by 8,000 marketing co-operatives.

Full autonomy of all co-operative units is regarded as of the utmost importance. Auditing is carried out by the co-operative unions.

Raiffeisen told us that we should help ourselves; we think that, today, he would have added: "and help others that they may also be able to help themselves".

2. Thrift and Credit Co-operatives confronted with the Needs of the Underprivileged

Presented by

S. G. MADIMAN

Senior Officer, Agricultural Banking & Credit Group

FAO

CREDIT CO-OPERATIVES FOR THE UNDER-PRIVILEGED: POTENTIAL AND STRATEGIES*

1. Historical Time-Frame

Much of the loose talk in international fora about the so-called failure of co-operatives is often a result of either ignorance or deliberate ideological predilection. Whatever the cause, there is in many developing countries an unfortunate trend towards curtailing the role ascribed to co-operatives in development strategies. Co-operatives are on the defensive—if not on the retreat. The participants in this Conference should consider whether the time has not come for making this Conference a turning point and putting co-operatives on the front line and in the vanguard of economic development. Ignorance must be dispelled through the dissemination of facts. Ideological attacks must be repelled through concrete political and group action. It is for consideration

whether this should be the main task before the Conference.

The FAO-sponsored World Conference on Agrarian Reform and Rural Development (Rome, July 1979) gave the prime place to co-operatives by its emphasis on popular participation in rural development. But popular participation will remain a meaningless slogan unless co-operators shed their diffidence and adopt a more aggressive long-term strategy and seek the involvement of the rural poor in co-operative as well as economic development; otherwise the rural poor will be victims of the absolutist ideologies oriented towards chauvinism or quasi-religious bigotry.

This Conference could consider making a frank and honest appraisal of the limitations and inadequacies of co-operatives and should

*The views expressed in this paper are not necessarily those of FAO.

Table 1

Rural Socio-Economic Structure in a Densely Populated Country with Inadequate Rate of Industrialisation

<i>Decile groups classified according to size of annual income</i>	<i>Group</i>	<i>Extent of difficulties experienced by co-operatives in servicing this group</i>
Top decile (10%)	Big 10%	Easy Requires little effort; problems internal to the co-operative structure need solution
Highest three deciles (30%)	Large } 30%	
Next four deciles (40%)	Medium 40%	Requires reorientation of functioning, reformulation of policies, procedures and working rules
Bottom three deciles (30%)	Small (sub-marginal)	Support from state and central bank essential Requires structural re-organisation; strenuous efforts needed; some problems external to the co-operative system need solution Very difficult—needs innovative efforts—external constraints require state measures Virtually impossible without changes in production structure and supporting services structure
(a) 8th decile	Presently sub-marginal, but potentially viable (10%)	
(b) 9th decile	Presently sub-marginal but can be made viable with additional employment opportunities in non-agricultural rural sector (10%)	
(c) 10th decile	Non-viable—sub-marginal (10%)	

boldly come out to provide a broad conceptual frame to assist developing countries in evolving a long-term strategy for co-operative development. Some of the issues involved are listed in this paper.

2. Limitations

When co-operatives fail, one has to admit the failure and honestly find the reasons for it. In many developing countries, co-operatives have failed in the areas dominated by landlord-moneylenders; they have admirably succeeded in the peasant proprietorship areas. The failure in the earlier-mentioned

areas is a result of adverse *tenure and production structures*: there is no point in ascribing the failure of co-operatives to bad management or inadequate training facilities.

Co-operatives have failed in areas where the *supporting services structure* and the complementary rural institutional infrastructure (input supply, marketing, local government, extension machinery) are dominated by the rural rich—e.g. in many Latin American countries, where less than five per cent of the families own more than 70 per cent of the land. This has happened in spite of highly subsidised central bank redis-

counting facilities. It is not the subsidised interest rates but the entire rural institutional structure which is the cause of co-operative failure.

Vacillation in government policies regarding terms of trade for agriculture, abrupt changes in policies regarding subsidies and exports, and excessive domination over co-operatives by government bureaucrats, have also been important factors responsible for the inadequacies of co-operatives in many African and Near Eastern countries.

State financial policies and central bank credit policies have been in some countries more favourable to financial agencies which actually compete with the co-operatives. In many countries, these policies are often regressive on marketing and processing co-operatives, whose success is a pre-condition for the progress of credit co-operatives. Thus in some countries where credit co-operatives have made remarkable progress in deposit mobilisation, they are faced with the problem of profitable utilisation of deposit resources, and are forced to lend to low-priority urban sector enterprises rather than high-priority rural development activities.

Changes in government policies regarding the size, functioning, jurisdiction and nature of vertical and horizontal integration of co-operatives, particularly when introduced without prior and adequate consultation, often adversely affect the performance of co-operatives. Also, it is not rare for co-operatives suddenly to find themselves landed with tasks, responsibilities and functions that they are either unable to undertake or are not adequately prepared for undertaking, in terms of personnel, finance and organisational structure. Further, the method of uniform and inflexible national blueprints is often inappropriate for co-operative development which is only possible in the context of decentralisation and flexible implementation to suit local conditions.

Broadly speaking, co-operatives are potentially capable of serving the needs of the big and medium cultivators without radical changes in structure, organisation and functions. Such of the small cultivators as are viable can also be served in the normal way. But a great deal of innovation and adaptation becomes necessary if the co-operatives have to tackle the problem of sub-marginal farmers; sub-marginal farmers can be divided into three categories:

(a) Presently sub-marginal but potentially viable;

(b) Presently sub-marginal but can be made viable provided alternative employment opportunities are provided in the rural sector;

(c) Sub-marginal and non-viable and cannot possibly be served by co-operatives except with radical transformation of the entire society.

A hypothetical example will serve to illustrate the broad dimensions of the problem in a country without excessive concentration of land ownership (as in Latin America) and with a reasonable degree of monetisation and commercialisation of the economy (unlike some areas of Africa). (See *Table 1 previous page*).

In countries where after decades of co-operative effort even the well-to-do farmers are outside the co-operative fold, there is a *prima facie* case for ascribing the reasons for the failure to the structure, organisation or functioning of the co-operatives themselves. In countries where co-operatives have already been able to meet to a substantial extent the credit needs of the large and medium farmers, the need is obviously for innovating new types of development strategies.

At international level, there is a general consensus that co-operative potential is much greater than the achievements of co-operatives so far, even within the pervasive influence of external limitations discussed before. To be able to formulate an effective long-term strategy for co-operative development, each country must, however, define these potentialities in concrete terms and in a manner suitable for local conditions. In this paper, which deals with global-level issues, it is only possible to outline the broad contours of the relevant aspects.

3. Strategy: Some Issues

In terms of potentialities, given the external limitations, co-operatives should be able to meet most of the production credit needs of large and medium farmers and a substantial portion of the needs of those sub-marginal farmers who are potentially viable. If proper structural and organisational changes are made in the co-operative structure, they should be able to meet even a part of the credit needs of those sub-marginal farmers who can become viable with additional employment facilities in the non-agricultural rural sector. If attempts at removing internal limitations are synchronised with those at removing external constraints, co-operatives should be able to provide a viable alternative

Table 2
Schematic Description of Measures for Removing Constraints

<i>Dimension</i>	<i>Types of measures</i>	<i>Objectives</i>
Monetary	Interest rates on deposits, loans and rediscounts	To attract savings and reduce dependence on the state exchequer
Banking	Central bank support and its commitment to promote co-operatives	Financial assistance and financial discipline
Management	Creation of a cadre of trained personnel	For efficient management of banks and effective deployment of funds and proper supervision over utilisation of funds
Structural	Vertical integration within the co-operative structure Horizontal integration within the co-operative structure Procedures and rules: reorientation	To improve linkages between apex and primary level institutions To achieve balanced growth and economies of scale To ensure equity and efficiency
Institutional	Relationship between the state and co-operatives Relationship between co-operatives and individuals	} To ensure popular participation

to the institution of a laissez-faire economy.

Removal of existing constraints involves simultaneous measures in five separate but inter-related dimensions. These are shown schematically in Table 2.

4. Undesirable Approaches

Co-operatives may need to consider rejecting those approaches which have proved to be not so fruitful in the past, before considering innovations. An illustrative list of these approaches is attempted below.

(a) *Trickle-down approach to co-operative development*: the view that once co-operatives gather strength by serving big farmers they will eventually be able to serve the underprivileged has been found to be unrealistic.

(b) *Meeting the basic needs of the poor*: the approach involving concentration of efforts in defined areas through a project approach at developing a credit delivery system to the rural poor, has also been found to be unfruitful.

(c) *Monetary school approach*: policies narrowly aimed at increasing interest rate

levels to attract savings have not proved effective; neither a credit delivery system nor savings mobilisation *per se* can be goals for co-operative development.

(d) *Banking approach*: policies narrowly aimed at pumping in subsidised credit through concessionary rediscount facilities from the central bank or through the state exchequer or, for that matter, attempts at delivering credit through commercial bank offices and then through primary co-operative units at the village level, have also proved to be ineffective.

(e) *Management approach*: programmes narrowly aimed at increasing the management efficiency of co-operatives or those implicitly based on handing over co-operative management to charismatic leaders, with excessive emphasis on training aspects, have also failed.

(f) *Structural reorganisation*: measures narrowly aimed at reorganising the co-operative unit either at the superstructure-apex level or, conversely, at revitalising the primary societies by merely tinkering with the

size, functions and jurisdiction of the primary units, have also not been successful.

(g) *Bottoms-up approach*, or programmes based on a simplistic concept of “popular participation”, with implied thrust against any sort of state support to co-operatives, have achieved very little results in many countries.

(h) *Processing co-operatives as the leading edge*: measures aimed at developing processing co-operatives through emphasis on marketing and processing have only benefited the big and the middle group; benefits to the rural poor have been minimal.

(i) *Credit co-operatives as the leading edge for co-operative development*: the uneven achievements of the “integrated schemes for rural credit” and their variations, clearly indicate that credit co-operatives by themselves cannot achieve the objective of organising the rural poor into a purposive system.

A critical review of efforts in different parts of the world reveals that none of these approaches singly have achieved the expected results.

5. Institutional Approach to Co-operative Development

The main goal of the institutional approach, if adopted, would have to be to:

(a) facilitate organisation of the underprivileged into a purposive system;

(b) increase the *bargaining power* of the poor in their (market) *transactions* with other sections of the economy;

(c) provide “security of expectation” for the underprivileged so as to encourage them to invest their abundant labour and limited financial resources in more productive enterprises;

(d) ensure that co-operatives are “going concerns”—i.e. financially viable—through a judicious interplay of institutional checks and balances;

(e) accelerate the transformation of the social structure into a more just institutional pattern in which: (i) the emphasis is on redistribution of opportunities rather than on redistribution of product or income; (ii) there is “willing participation” of individuals in collective action; (iii) the working rules are honoured by the individual participants; (iv) the strategic rules are enforced by the state in an impartial but just manner, with minimum use of “coercive power” but wider recourse to directive or regulatory authority, specifically aimed at widening the field of discretionary action for the individual within the framework of public purpose.

The institutional approach, as defined above and as evolved in practice by eminent thinkers and social innovators (e.g. Professor J. R. Commons of USA and Professor D. R. Gadgil of India), does provide an alternative to the equilibrium or laissez-faire approach on the one hand and dialectical materialism on the other. How far, and to what extent, the institutional approach is relevant to a given situation in a specific country is a matter for the co-operatives of that country to decide. Such an approach would definitely imply a careful and detailed review of legal, judicial and executive institutions connected with co-operatives. Furthermore, the dichotomy between the funds made available by the central bank, and the technical services provided by semi-autonomous state units, would have to be effectively removed so as to present a single flexible package of facilities and services for ensuring the organisation of the rural poor.

In developing countries, with pluralistic types of political structure and a mixed type of economy, the time is fast approaching when a decision regarding the type of approach is a precondition for preventing the country from going beyond the point of no return. Procrastination, drift, vacillation or preoccupation with peripheral details on the part of the co-operative leaders is hardly rational in such a situation.

Presented by

D. S. RAJ

Regional Director,
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THE ROLE AND ACTIVITIES OF THRIFT AND CREDIT CO-OPERATIVES IN PROVIDING EMPLOYMENT*

If we go back to the origins of thrift and credit co-operatives which were founded in general to help the underprivileged sectors, we will find that their main objective was not the direct or indirect creation of employment for their members. Their promoters' initial aim was to combat usury. The first association organised by Raiffeisen in 1854 was for the purpose of lending money to peasants to enable them to buy cattle on credit at a time when, in a country ravaged by famine, they were obliged to pay exorbitant rates of interest. Likewise it was the suffering caused by usurers in Quebec which, in 1900, gave Desjardins the idea of founding the first co-operative thrift and credit organisation in North America, the famous *Caisse Populaire de Lévis*. Identical reasons led the British authorities to make an initial attempt in India in 1884, under the government of Lord Ripon, to organise a so-called co-operative credit system. This project failed but was taken up again in 1895.

In many countries thrift and credit co-operatives¹ have been in existence for more than a century. This period is sufficiently long to enable us to judge whether, in addition to their original objectives, they have proved effective in the direct or indirect creation of employment, in particular for the most underprivileged sectors which need it.

Direct Contribution to Employment

It is not possible really to answer this question in the affirmative. As with many other aspects of co-operative activity, there is a frustrating lack of statistics on the subject. But the data available give a general idea of the role of thrift and credit co-operatives in the direct creation of employment.

For example, in June 1978 the total staff of the 143,624 Indian co-operative credit establishments at all levels for which data were available, amounted to 201,931; in France in the same year, the group formed by the 37

people's banks employed in their 1,740 agencies, their Syndicate Chamber and their Central Bank, a total of 23,600 persons; the French *Crédit Mutuel* (3,071 local banks, 20 regional federations and federal banks, a national confederation and a central bank) employed 13,300; the *Crédit Agricole* employed 64,000 persons, but this figure also included other than thrift and credit functions; the 45 thrift and credit co-operatives in the State of Rio Grande do Sul in Brazil employed 97 persons in 1979; and in Curacao 27 persons served 13 of the 32 credit unions existing in 1980, but all but one worked in the same union.

These figures are significant. Although their implications are limited, the general averages illustrate that any one thrift and credit co-operative considered as a "business undertaking" provides only a very small number of jobs, except for the higher level organisations. This fact is not peculiar to co-operative establishments²: until the 1960s it also applied elsewhere, but there has since been an evolutionary change. Thus it is estimated that, in France, the total number of employees in the financial sector (banks, insurance, stock exchanges, and financial advisory institutions of all kinds) has doubled in 20 years as a result of the very considerable increase in the total number of cheques and policies in circulation. In other countries, developing and developed, this increase has been still greater. But if this trend continues, the number of jobs provided by this sector will not necessarily also increase, since it occurs precisely in those countries which are increasingly turning to electronic data-processing: such for instance is the case with the Curacao credit unions already mentioned. In any event it is obvious that, with few exceptions, such employment as may be offered by thrift and credit co-operatives which develop and multiply their activities will not be available to the most underprivileged sector.

*Paper prepared by R. Louis, ILO, Geneva.

¹ We are talking here of thrift and credit co-operatives as such; many multi-purpose co-operatives have a thrift and credit section, which represent a different case.

² The current practice of entrusting the management of small thrift and credit co-operatives to a voluntary administrator – in true co-operative spirit – naturally limits the jobs available, even part-time, but to use paid staff would increase the cost of their services to their members.

Indirect Contribution to Employment

We also lack data regarding the role played by thrift and credit co-operatives in the indirect creation of jobs through credit granted to other undertakings, whether co-operative or not. This is a subject on which financial establishments in general have little to say, but it is to be hoped that co-operatives, with their special nature and different objectives, will lift the "veil of secrecy" and take the measures necessary to inform themselves and others on this specific contribution they make to the economy. Be that as it may, the situation varies considerably, depending on the stage reached by a country's economy, the level of education of its people and the development plans of its government, as well as other factors.

Omitting the case of thrift and credit co-operatives which act mainly as channels for governmental or other types of credit, they can be divided into two types as far as indirect provision of employment is concerned.

1. The first is illustrated by the Desjardins Co-operative movement of Quebec, one of the few in recent years to give precise details from which it is possible to form some idea of the role played by its affiliated banks in the indirect creation of employment. Thus we know from a special issue of *Ensemble* (published by the Quebec Co-operative Council) which appeared on 3rd October 1980, that as at 31st December 1979 the firms associated with its investment company had created 8,737 full-time jobs, of which 7,689 were within the 48 municipalities of Quebec Province. An earlier issue of the same publication (dated 25th April 1980) also indicated that the 1,060,000 loans outstanding at 31st December 1979, amounting to a total of 7.5 billion Canadian dollars, were distributed as follows:

- housing credit (purchase or restoration)
.....4.4. billion 58%
- advances to individuals or families for family expenses: education, funding of debts, savings and purchase of cars or other consumer goods
.....2.0 billion 26.6%
- assistance to agricultural, commercial, industrial or co-operative undertakings
.....0.966 billion 13 % app.

Total deposits received were 8.9 billion, repre-

senting 88% of the Balance Sheet liabilities, and total capital amounted to 545 million (5.3% of the Balance Sheet).

While these figures do not occur in the same proportions in other thrift and credit movements belonging to this first type, this distribution of support funds in favour of building and consumption³, because it corresponds to requests from members, cannot lead even indirectly to the creation of many jobs for the underprivileged sectors even though it may induce a few, often outside the co-operative movement. The authorities of the Desjardins Movement make every effort to increase the percentage of credit granted by their banks to business concerns (especially in agriculture).

This model can also be found in developing countries. Thus in COLOMBIA the loans granted by all co-operatives to their members totalled close on 2,682 million pesos in 1977⁴, of which thrift and credit co-operatives had granted 1,747 million pesos (65.15% of the total), mainly to meet consumption and housing expenses. The same source also stresses that to these figures should be added loans made by housing co-operatives which, although classified separately, are in reality thrift and credit co-operatives, although their activities cover a smaller field (8 million pesos lent in 1977). In LIBERIA in 1979 there were 26 credit unions, of which 3 were in liquidation and 7 inactive. The activities of the others – not confined solely to towns and industrial centres – comprised essentially the financing of purchases (mainly in bulk) of food products (rice, dairy products, etc.) and building materials.

2. On the other hand, in RWANDA at the end of December 1976, half the number of loans granted by the 11 people's banks then operating concerned the private housing sector, but these only represented 23% of the total amount of loans, the rest being divided as follows: finance for the acquisition of vehicles and fitting out of business premises, mainly for shopkeepers (32%); storing and marketing of agricultural products (30% of which 17% for coffee); improvement of agricultural production (9%); and promotion of handicrafts (6%). There are other examples of thrift and credit co-operatives which distribute their loans differently from the first model, although here also the "fallout" in the form of net creation of jobs remains

³ The share of the CPD Banks was 25% of consumption loans and 28% of housing loans granted for the whole of Quebec.

⁴ Survey of Co-operation and other socio-economic and social-interest undertakings in Colombia, Bogota, 1979.

slight. It becomes greater when the co-operative is created for the purpose of investing the savings of members in the creation of enterprises to provide them with jobs, as was the case with the Roma Valley credit union in LESOTHO, which would however have been unlikely to succeed without the technical and financial assistance provided by OXFAM.

The second model is still much less widespread than the first. It moreover presupposes the removal of certain constraints and the fulfilment of various conditions. In the less developed countries, the known examples have almost all had outside assistance.

Is this to say that thrift and credit co-operatives are limited to these two types? Should they not attempt to find other models, without nevertheless lessening their efforts to provide more loans for small undertakings which could be created with their assistance, not only financial but also in the form of education and training, for management in particular (simplified in the early stages), while being fully aware that the creation of new enterprises, and consequently of jobs, can only be the result of a long drawn-out process?

What can Thrift and Credit Co-operatives do?

We should first of all stress that the employment problems of the under-privileged differ considerably, depending on whether they live in rural areas or in urban concentrations, slum encampments, etc.

In the first case, it is becoming clear that credit has been one of the most important factors in reducing the number of jobs in agriculture, as well as in several other branches of the primary sector also represented in rural areas (quarrying, for example). The fact is that the cost of acquiring and utilising the new equipment and other inputs invented and distributed during the past few decades, is such that producers – either as individuals or groups – cannot procure them without having recourse to credit. The modernisation/entry-on-the-market/productivity sequence which, particularly in agriculture, results in a decrease in jobs and consequent acceleration of the rural exodus, is well known. Numerous studies reveal that in many developing countries the utilisation of advanced technology, particularly in agriculture, not only brings little advantage to the lower sectors of the population but may even increase their indebtedness to such an extent that their real income is reduced – which may partially explain the continued increase in unpaid debts.

Perhaps the basic problem is to find out

whether, and how, thrift and credit could assist the most underprivileged to avoid further loss of jobs, however inadequate or unsatisfying, and a continued decrease in real incomes. Returning to the earliest years of thrift and credit co-operatives, the peasants helped by the Raiffeisen association had jobs; the purchase of cattle did not create jobs for them but could prevent them from leaving or losing their jobs. Henry W. Wolff who, around 1895, was engaged in introducing thrift and credit co-operatives into Ireland and England and who, in June 1900, presented Lord George Hamilton, British Secretary of State at the time, with the first petition leading to the promulgation of co-operative legislation for India, stressed some years later that one of its essential effects had been to “loosen the grip of the vice” on co-operative members, at least half of whom had been saved from dis-possession by usurers of their land, and hence of their jobs.

To aim at reducing the loss of jobs in rural zones may appear less spectacular than creating new jobs (which does not mean that this aspect should be ignored), but it would be another method by which thrift and credit co-operatives could satisfy the needs of the underprivileged. But the “how” is not easy to define. Greater support by thrift and credit co-operatives in the financing of food crops, of the activities of labour co-operatives, or of small rural councils or other structures with limited budgets, could provide an initial answer. The systematic co-ordination of such operations with those of other institutions and organisations, and with programmes such as the World Food Programme, would be another. Also helpful would doubtless be the working out of means for the more efficient collection of the hidden savings of the poorest populations, which have been shown by certain field studies to be considerably larger than is generally believed by those “at the top”, and certainly larger than the amounts handed in to existing organisations with more or less complex modes of operation. For example, in one Central African region so severely affected by drought that it became necessary to call upon outside aid for the purchase of food, a micro-project succeeded in getting widows with families, considered to be the poorest in their community and who were practically living on the charity of their neighbours, to save between them in one year a sum equal to US \$12; the following year they each saved up to US \$20. There is no point here in discussing what interest rates should be offered as an

inducement to increase savings, since this is completely irrelevant in such cases.

The "classic economic formulae" will no more provide solutions for the underprivileged in the urban zones than for the rural underprivileged. At the beginning of this year, Mr. A. Roux, then Deputy Minister for Co-operatives in Quebec, stressed this fact, wondering how to proceed so that "men and women may free themselves from attitudes based on consumption models".

There is no doubt that in order to face up to the employment problem in urban zones, the members of thrift and credit co-operatives in the more highly developed countries will have to effectively change their habits and certain of their acquired attitudes. They are very unlikely to be able to contribute to this enormous task, unless they can apply the principle

of solidarity. As Roy F. Bergengren, then Executive Secretary, Credit Union National Extension Bureau (Boston, Mass., USA) wrote in an article on "Credit Co-operation as Adapted to the Needs of the Worker", which appeared in the May 1927 issue of the *International Labour Review*: "Success is in every case the result of hard work. In the Credit Union most of this work is done unselfishly. It is necessary to find some substitute for the compelling motive which brings as a reward to the private lender a high return on his money. The successful Credit Unionist must be touched with the passion for service; he must realise that his organisation has in it something of the principle of the brotherhood of man – that it is a 'co-operative' organisation built on a foundation of the strength of unity for a common purpose."

Presented by

Bruno CATALANO (Italy)

Secretary

International Committee of Workers' Productive and Artisanal Societies (ICA)

THE FINANCING OF INDUSTRIAL CO-OPERATIVES

1. Introduction

"Co-operatives of production workers and craftsmen are the best instrument for transforming relationships between workers and their place of employment and opening the way to a new industrial revolution." With these words the sadly missed Professor Laidlaw underlined the importance of co-operation in production and work in his report on *Co-operatives in the Year 2000* presented at the recent 27th Congress of the ICA in Moscow. They must be seen as one of the main elements in the establishment of a new pattern of co-operation in the next 20 years.

This statement may seem utopian, but it is firmly based in reality, and it is a view shared by many economists and scholars all over the world. The World Conference on *Development and Industrial Co-operatives* organised by the ICA in Rome in 1978 stated in its official report that the general crisis at international level and the subsequent search for a New Economic Order would need to make use of the principle of participation and greater responsibility on the part of workers—in other words, indus-

trial co-operation—in order to improve standards of living and create an awareness among the common people of economic matters of national interest.

At the same Conference it was stressed again and again that one of the principal elements of weakness in any organic development of artisanal and industrial co-operatives was in the matter of financial support. If this is true for countries with strong economies, it is even more so for the weaker economies, the so-called developing countries.

The international co-operative movement can contribute to the attainment of a New Economic Order only if it is able to understand the great potential resources—not only ideological—which it possesses, and to use them to best effect in a different fashion from the one that has prevailed up to now. The financial means, the very extensive ramifications and unique character of co-operative ideology and its large-scale presence in the agricultural world, if put together and coordinated, would place the Co-operative Movement in the position of the world's greatest generator of 'fresh energy' and the material economy. At the recent ICA

Congress, I insisted on the need, which cannot be postponed, for our international co-operative organisation to undergo a radical change of direction. It needs to play an increasingly dynamic organisational role—understood also in the economic sense: for it to take up a static position and rest on its history will not only mummify the Alliance but condemn the whole co-operative movement to a perpetually marginal and subordinate role, incapable of making any incisive impact on the evolution which is going on, and involving a genuine risk of degeneration which will separate us from the pure co-operative ideal and move us towards either capitalism or state collectivism.

Co-operation in savings and credit, and co-operation by productive workers, including artisans and industry, are two genuine co-operative elements which could contribute to making the necessary change.

2. The Evolution of the Economic Pattern

It is beyond dispute that the state of great difficulty in which the world economy finds itself at present—and this includes both capitalist and socialist economies—means that there must be radical changes in the present economic pattern. Among the various propositions put forward, we must pay particular attention to the one recently propounded by J. K. Galbraith. In the world there are two different forms of stimulus for productive energy; one is the market and the other is organisation. Galbraith maintains that the present difficulties are caused by a massive and rapid movement from a market economy to an organised economy, in co-ordinating the forces of economic life. And this has happened to a great extent in the socialist as well as in the capitalist area.

Galbraith produces innumerable examples, and these support a hypothesis which is distinctly plausible (one has only to think of the way in which OPEC, as an organisation, has replaced the market in one of the vital areas of the world's economy). Co-operation as a whole has always found difficulty in taking a leading role in a market economy, while the multiplicity of its forms and structures could give it a vital role in an economy which sees organisation as its focal point. The market and organisation, understood as guiding forces in economic life, are not mutually exclusive, but inter-relate to some extent. The first stimulates firms purely in terms of economic turnover (i.e. profit) while the second obliges firms to submit to

other institutional rules and to seek advantages which are more political and less directly economic. This is also better suited to our own co-operative pattern, which is theoretically more inclined to seek the general advantage rather than mere economic profit.

This is why we must prepare ourselves adequately to give co-operation a chance to play a leading role in the New World Economic Order; without going any further into the study of economics, we should recognise the value of the theory which has been expounded.

3. Thrift and Credit Co-operation: its role in perspective

Whether or not it is possible to conceive of a New Economic Order, it is in any case certain that co-operation has ample means available to meet the challenge which are at the moment unused. The combined resources of the co-operative banking, insurance and friendly societies of the world are incomparably higher than those of any capitalist multinational concern. But today they are used according to the rules and standards of traditional finance, following 'cautious' patterns which often display a lack of imagination.

Some modification of this pattern, which leads thrift and credit co-operation to isolate itself from the rest of the co-operative movement and adapt itself to market economic patterns, could represent that qualitative leap ahead which would provide the impetus for a renewal of the co-operative movement at world level. The original ideology of thrift and credit co-operation also makes it possible—as long as it is adhered to—to come close to the individual, to the worker, and to be understood and grasped easily by him, unlike the traditional banking systems which are often abstruse and have complex mechanisms difficult for ordinary, simple folk to understand.

A link and a common policy between credit co-operation, insurance, and agricultural production and labour could be the basis for making our movement into an organisation which could gain a great deal, according to Galbraith's thinking.

4. Financial Support and Industrial Co-operation

Production co-operatives and work co-operatives in general, around which individual craftsmanship and industry both develop, often lack sufficient financial support even in

the industrialised countries. Both handcraft and industrial co-operatives demand investment, at different levels of intensity; they both need working capital, which can seldom be adequately supplied by members through independent self-financing, above all in the opening stages of the undertaking. This is because the members of these co-operatives—artisans or industrial workers—do not possess enough capital to finance modern industrial technology.

The search for external funds arises partly from an ideal which seeks to place capital at the service of production rather than the reverse. The possible sources of such funds (apart from normal banking channels) are:

- exclusively State-controlled;
- co-operative;
- mixed—in which the State has only a partial share, for example by granting assistance for reduced rates of interest.

The first case restricts the independence of the co-operative, with the risk of rejection by existing and potential members due to the image of a co-operative which is being used as an accessory instrument by the official administration, and in any case as an 'assisted' co-operative under the tutelage of the State.

The second case has increasingly widespread application, both through finance companies forming part of the co-operative movement and through co-operative banking systems. In Italy the development of the small craftsman is supported by an internal system of financial aid which lends money at specially favourable rates, against limited guarantees, for the development of investment in small crafts. In 1979 this system, called 'Artigiancassa' financed 54,095 operations in favour of artisans to a total of US \$735,616,460; during the first six months of 1980 similar operations were financed to a total of US \$394,796,546—the whole at an average rate of interest of 6.5 per cent which is much less than the market rate (presently 25 per cent).

There is also a system of co-operative Rural and Artisanal Credit Funds which is now playing an ever growing role, both through its own Central Institute (ICCREA) and directly, in supplying the financial needs—especially at the outset—of the many industrial co-operatives arising out of the transformation of private industries in crisis, which is happening very frequently now in Italy. Up to the present it does not seem that

these interventions have adversely affected our co-operative system, and this has encouraged an increase in this form of participation. The loans granted by the Rural and Artisanal Credit Funds in 1979 were 4,508 for a total of US \$61,707,346 and during the first six months of 1980 they were 2,332 for a total of US \$34,861,689. The average rates of interest are normally 8 to 10 points below those found on the market. ICCREA in 1980 itself carried out operations of nearly US \$4 million: it does not overlap the activities of the individual Rural Funds but intervenes on request of the individual bank which remains the main operator.

Generally speaking the Rural Funds and other co-operative credit institutions cover nearly 30 per cent of the volume of credit operations to the 'artisanal' movement in Italy. This probably goes for other industrialised countries such as France, Holland, Canada, Belgium, Germany, where co-operative credit is more developed.

The third case has the advantage of involving the State on a partial basis only, and hence not imposing limitations on the independence of the co-operatives which make use of it. The Special Credit Section for Co-operatives in the Banca Nazionale del Lavoro in Italy acts on this principle, and provides funds for co-operatives at rates between 8 and 9 points lower than the market rates—the difference being paid by the State.

The connection between industrial co-operatives and credit co-operatives in the industrialised countries still too often has a sporadic character, without any definite plan of action. In our opinion this is due to three factors:

- (a) lack of any convincing vision of inter-cooperative strength, and of the consequent advantages which would come to the parties concerned from action in terms of an overall organisation;
- (b) the practical impossibility on the part of artisanal and industrial co-operatives of providing the traditional type of guarantees for the banking system;
- (c) 'caution' on the part of credit co-operatives which aim more at investment in the private sector than in the co-operative system, following a 'lesser risk' philosophy which the private sector guarantees.

It seems clear that these reservations become greater if we transfer the problem to the case of the developing countries.

5. Prospects in the Developing Countries

All the studies and analyses of recent years have confirmed that the industrial development of the emergent countries must pass through the development of co-operative forms of production and work. If these assumptions are accepted, we can add that a pattern of co-operation can best develop in the improvement of small crafts, in minor manufacturing industries with low technological content, and in the development of agro-industrial patterns in the rural areas. But this type of co-operation needs financial support, and surely it is preferable that the co-operative movement itself, through its own credit sector, should examine the possibilities of involvement.

The advantages of such measures cannot be counted in terms of time, nor in terms of normal surplus value according to capitalist standards. They must be seen in the general context of the co-operative movement as a whole and here the return can be considerable, above all in a new economic order which will see the gradual substitution of the market by a planned economy in the determining of economic variables.

The advantage which could be derived by the co-operative credit system from a greater share in co-operative activities at world level can be imagined; the opportunity to play a leading role would increase, international financial systems would have to take account of the presence of an organisation which could make a very significant contribution. Even with such possibilities, however, credit co-operation would need some sort of guarantees to deal effectively with this type of role. And one indispensable guarantee is the existence of a genuine co-operative movement, organised and healthy, in the developing countries.

The possibility of giving a real value to small crafts in countries which have a rich heritage in this sphere, and the encouragement of co-operative forms of industrial development, in a first low-technology stage, is an economic advantage not to be despised; and connected with the obvious opportunity for commercial assistance in the sale of these products both in the country and abroad, it has its own importance.

The industrialisation of agriculture, which is a primary resource in many of these countries, can be achieved through agro-industrial co-operatives, and a widespread network of rural funds can give it the indispensable financial support needed, which

finds its return in the generally improved standard of living in the whole area concerned, to which an increase in credit and savings always corresponds.

In summing up, we can say:

- it will never be possible to talk about development in the emergent countries without progress being made in agricultural and industrial structures;
- we will never be able to speak of real development of such economic structures without keeping co-operative patterns in mind, as they are indispensable instruments of progress both in agriculture and in small crafts and industry;
- it will not be possible to achieve a concrete co-operative project in these countries without effective assistance and without sufficient financial encouragement, particularly in the initial stages.

In order to give the co-operative organisation real strength and enable it to make its mark on the economies under the existing system, this support will perhaps have to be sought at least partially from governments and private organisations, and channelled to the co-operative itself through its own specialist sector.

6. Some Proposals

If these assumptions are correct, co-operation must pass through a stage, first of study and analysis, then of application. This conference could set up a restricted study commission, with the participation of those responsible for the sectors concerned, and this commission could examine projects by which credit and savings co-operatives would support small craft and industrial co-operatives, above all in the developing countries, and make suggestions for patterns of intervention based on economic, not charitable, principles. The co-operative banking system could make allocations to a special fund from part of the profit from the year's trading. This fund, managed by a committee of five or six members chosen from among the best known presidents of the banking and insurance co-operative system of the countries in which credit co-operatives are most highly developed, would be committed to four or five typical projects, designated by the commission in developing countries giving real possibilities for under takings in craft or industrial co-operative sectors to succeed. These last conditions would

depend on technical and administrative assistance and a political determination on the part of the governments concerned to support the co-operatives even if the government itself were left out of the projects. This is not because of any preconceived rejection of the power of the state, but merely because of the already well-established conviction that the co-operative formula is like quick-silver—only let the official powers lay a finger on it, and it vanishes.

The operation and evaluation of these projects may lead to varying results:

- (a) that there are not sufficient guarantees for the co-operative banking and insurance system to carry on with such action—in which case the project must be deemed a failure;
- (b) that the economic and political return on these and similar undertakings is of little interest to the co-operative system in general and the credit and savings movement in particular, even if the results have been partly positive;
- (c) that the undertakings have produced positive results and that hence an extension of these activities can be planned, which will lead to a closely integrated system, with links between credit co-operatives and industrial and credit co-operatives.

Accordingly, after a suitable period of time, appropriate decisions can be made on the basis of direct experience in the light of these results.

Presented by

R. P. B. Davies, Deputy Director, ICA, and
Secretary, ICA Housing Committee

THE ROLE OF THRIFT AND CREDIT CO-OPERATIVES IN URBAN DEVELOPMENT*

Every day, more alarming figures appear on the housing problem, which is above all a problem in the countries of the Third World. Meanwhile, the figures have reached a dimension which, being beyond comprehension, is of mere statistical value: the world-wide shortage of 250 million housing units is a fact that is registered rather than realised.

7. Conclusions

The massive development of workers' co-operatives in the next 20 years may well represent the most significant factor in a new industrial revolution. This belief is confirmed by all the debates and studies of recent years.

This development must take place in large measure in the emergent countries, and in favour of the least privileged social classes.

Artisanal, service and industrial co-operatives are the most democratic means of solving at one and the same time the problem of employment and the problem of social efficiency, in favour of a new social order.

When the extreme poverty of the people who will be involved in these forms of co-operatives is taken into account, it is clear that they will not be able to take effect without external financial support which is adequate to enable them to start up.

The Co-operative Movement has always stated that its aims are to sustain the poorest classes, and to fight against all forms of poverty. If what we say really corresponds to the truth, we must make a strong effort to seek to use that totality of financial means, productive capacity and extensive ramifications which co-operatives possess, and incorporate them in an integrated organisation. This is one of the last opportunities available to the international co-operative movement to give itself a new image, and above all to exercise a different contractual power. And many of the men who must make that effort are here, in this room.

According to other figures, in Asia alone an estimated 300 million housing units are lacking or need restoration to make them habitable.

What can be done? Do we need new strategies? Do we need new ideas and new approaches? Do we need more means of a financial or material nature? Do we need a

* Paper prepared for the ICA Housing Committee by Dr. D. Baldeaux, German Development Assistance Association for Social Housing (DESWOS), FRG. The views expressed are the author's and not necessarily those of DESWOS or the ICA Housing Committee.

new scale of priorities, the housing problem at its top?

With a positive response to all these questions, surely more houses would be built. However, it is doubtful whether building more houses would essentially contribute towards solving the housing problem. Every new strategy runs the risk of petering out as long as housing is not seen in a different context, i.e. in the overall context of development.

THE DEVELOPMENT APPROACH— NOT THE SECTORAL APPROACH

The first step is to get away from sectoral, i.e. quantitative, approaches to the housing deficit, which are supposed to solve the problems merely by making available more houses through public and private supporting agencies. It is a common opinion that housing is a basic need. However, it is felt more important to satisfy other basic needs such as nutrition. Of course, to the hungry a slice of bread is more important than is a home, but the following should be noted: a slice of bread *given away* to a hungry person does not bring him development; he is dependent on being given another slice of bread the next day. Any more than a home *given* to him as an alternative or in addition to the slice of bread can bring him development or the ability of self-development.

From this the second step can be deduced: get away from charity which is supposed to solve the problem by making available even more goods essential for satisfying basic needs. This approach contains a hand-out conception that hinders rather than promotes development because it establishes dependence on the part of the taker.

In contrast, a strategy set up in order to satisfy basic needs must enable the target groups themselves to satisfy their basic needs. In relation to slum dwellers and squatters and the most underprivileged populations, any factor preventing them from satisfying their basic needs through their own resources must be eliminated. Therefore it is essential that for these groups a framework be set up giving them access to land, water, infrastructure, health services, housing units, land titles etc. In other words, these groups must have at hand the instruments they require in order to satisfy their basic needs through their own resources, their own initiative and in accordance with their own conception and their own ability.

This step implies that *a priori* there is no

room left for a sectoral approach, i.e. an approach directed towards satisfying one basic need only. A sectoral development is more likely to run the risk of falling back to its starting point. If a purely housing programme is implemented without taking into consideration other basic needs, before long the newly erected houses will be back to the standard of slum and squatter dwellings. While it is quite feasible that, through decreasing costs and a suitable financial model, housing construction is within the reach of low income groups, it is doubtful whether the people involved will be prepared to carry out the necessary maintenance work or, in the case of core houses, to expand their homes, where land titles are not clarified, there are no prospects of permanent employment in the region, the health services remain catastrophic, technical infrastructure is lacking, etc. Although the housing situation of the poor would be improved, no contribution would be made towards a development conceived as the possibility to satisfy basic needs through one's own resources.

The objection to a sectoral approach does not mean that satisfaction of all basic needs must be attempted simultaneously. Such action prohibits itself, since it would overstrain both parties, the underprivileged as well as the public and private supporting agencies; materially, financially and organisationally.

Priorities must be set. However, the sequence does not depend on commonly accepted priorities or decisions made on high principles, but rather on the slum and squatter dwellers. The dehumanising living conditions of group X in the squatter Y may be the result of legal insecurity due to the unclarified situation of the land tenure: under these circumstances it may be sufficient to allocate a plot of land with a legal title to the inhabitants in order to mobilise the manpower and savings of the poor for self-help housing construction. In a different squatter, or with a different group in the same squatter, the reasons for the dehumanising living conditions may be found in the fact that the group lacks income of any kind: here the priority will surely be to create employment—probably in connection with housing construction. In another case the inhabitants may have an income, but since this income is derived from the informal sector and irregular, they cannot participate in credit programmes granting customary rates of interests and security: here a suitable measure would be a

financing model accepting the ways and means of the group's earnings.

The examples given may leave the impression that development is simple: once a priority problem has been identified, all that follows is the appropriate measure. In reality, the situation in a slum or squatter area is very complex, the problems and needs are manifold and closely associated.

The slums do have their positive side. The ideal concept of social integration is seen in the slums and shanties where physical distance is at a minimum. If the housing unit is very small, without windows for ventilation, doors at the entrance are kept open. Psychologically such a practice assists people in the community to enter a house without hesitation, and neighbours are therefore in and out of the houses or meet frequently at the entrances to housing units.

Privacy is at a minimum and social interaction is at its height in such conditions. One can see the ideal concept of community integration in slums which cut across ethnic, age and regional differences. Close group interaction would also mean frequent conflicts. However these conflicts do not create disunity but revive group bonds. Co-operative and community housing schemes should have as their aim the consolidation and strengthening of the existing cohesion and social integration instead of creating the type of housing design which promotes urban middle-class attitudes.

INVOLVING THRIFT AND CREDIT CO-OPERATIVES

An understanding of the above is a vital prerequisite if thrift and credit co-operatives are to engage themselves in activities for the most under-privileged populations: we avoid saying, *in the field of low cost housing*, because this would amount to a sectoral approach. Provided thrift and credit co-operatives are prepared to follow a strategy which is directed towards the articulated needs of the target group, they will certainly be a suitable development instrument, even though much more is required than a technical apparatus for accepting savings and granting loans. What is expected is a comprehensive offer to the target group: an intensive response to their needs and conceptions as well as a full assistance and consultancy service for the implementation of those needs and conceptions.

A report prepared for a DESWOS *Work-*

shop on integrated co-operatives for satisfying a basic need of shelter in slum and squatter areas, concerned with the aims, initial stages and operation of a credit co-operative in a squat, shows the way thrift and credit co-operatives must go in their activities for the most underprivileged populations.

A Squatter Project

In order to obtain an exact knowledge of the target group a socio-economic survey was made, first of all to establish basic terms of reference and secondly, on the basis of such terms of reference, to determine the points of entry for the development strategy.

The questionnaire sought the following information:

- Personal data;
- Length of stay in the area;
- Educational attainments;
- Respondent's contribution to family income;
- Source of income;
- Reasons for lack of income;
- Work experience;
- Attitude towards business;
- Inventory of skills;
- Attitude to training;
- Knowledge of the nature of co-operatives;
- Interest/willingness to join a co-operative.

Another important aspect of the survey was the identification of respondents engaged in self-employed activities which did not require much capital. They were as follows: laundry services; ironing services; vending; sales agents; embroidery; sewing; crocheting; masonry; construction; painting; plumbing; tinsmiths; driving; handicrafts.

As regards self-employed activities requiring capital, the following types of occupation were looked into as regards nature and employment potential:

- (a) trading enterprises: storekeeping and vending food products;
- (b) service enterprises: dress shops, tailoring shops and beauty shops.

The findings of the survey cannot be stated in detail here but are given in condensed form:

(1) The residents, in general, were a positive target group for the enterprise development and employment generation

programmes and the credit and financing component.

(2) The residents were interested in setting up businesses, whether in the income or non-income earning groups.

(3) Few had ever finished formal courses, and those who had, had mostly done vocational courses, except for a few respondents who had managed to finish academic/college courses.

(4) Most residents had meagre earnings due to failure to find jobs.

(5) The common skills of the residents were very limited.

(6) A credit mechanism was greatly needed by these residents.

(7) The lack of capital was the residents' primary constraint in setting up their own businesses.

(8) Other forms of co-operative, apart from a credit union, were also highly acceptable to the people but the latter was the one most needed.

(9) There was need for the development of new skills.

A more detailed study of the credit needs was conducted and brought out the following significant findings:

(1) The residents were all agreed that a credit union was the most appropriate channel of funds to finance their needs.

(2) The positive consensus was understandable in the light of the findings that credit was required in the area to ensure financial viability of projects.

(3) Management resources were available in the squatter dwelling for the operations of the credit union.

(4) Funding support was available.

(5) The credit union could serve as the source of financing for existing enterprises, as well as other enterprises to be set up.

(6) A credit union could also be the best financial mechanism to provide loans to meet the basic needs of the residents, such as those related to housing, education, emergencies, etc.

Strategies

Based on the above findings, the Project Team formulated the following strategies:

(a) development of courses in subjects that would satisfy the perceived needs of the residents, such as: entrepreneurial training; basic supervisory training; achievement motivation.

(b) evolving operational activities in which the residents could improve their living conditions in terms of: (i) enterprise development; (ii) employment; and (iii) credit extension facilities.

(c) introduction of selected trainees to other basic skills while at the same time upgrading the level of proficiency in the existing skills.

(d) preparation and development of a project feasibility study on the establishment of a credit union.

Some of the important features as well as the rationale of the strategies were as follows:

A credit union was decided upon as the most appropriate mechanism for serving the credit and financing needs of the target group. Not only did the survey results corroborate this but experience also suggested it. Many, if not most, credit programmes for low income groups had resulted in a high rate of arrears and defaults. One reason for this was the tendency of borrowers to view the loans as dole-outs and, therefore, not necessary to be paid back. A community-based credit union would discourage this tendency since the money loaned out would come from the credit union and the community and not the government. At the same time there would be community pressure to be good members and borrowers.

On the other hand, it was also recognised that organising a viable credit union in a low income community would be intensive and risky and would require innovation. The credit union was also viewed as the mechanism that would continue to achieve the objectives of the project even after the project terminated. With these considerations, it was evident that efforts would concentrate on the development of the credit union and related activities, especially the development of its key officers.

The study of credit needs also indicated that loans should cater for productive and providential purposes.

Organisation of the Credit Union

Vital to the establishment of any co-operative venture is understanding the concept of co-operatives, and the campaign for membership. In organising the community credit union, the first move was to arrange meetings to explain the concept of the credit union. A manual was issued as a basic document. At least four meetings were held, but attendance was meagre with an average

audience of 20, in spite of being held on Sunday afternoons and preceded by two-weeks' notice through the squat bulletin boards, councilmen and contacts; an officer from the Bureau of Co-operative Development was present at the meetings to reinforce the campaign.

Because of the numerous meetings being called by the various agencies responsible for the other components, the residents simply could not tell which meetings were more important than others. Trickle attendance at meetings would not support a co-operative so a core group was selected from among those who showed concern and interest. As a strategy, the squat captains' co-operation was sought by involving them in the selection of the core group. Although the elderly Project Team gave preference to the younger residents due to their enthusiasm, idealism, energy and timetable, the core group represented proportionally four-fifths of the squatters and were given a three-day residential co-operative leadership training. The key element in the realisation of the credit union was the popular participation of the community through the core group who served as the liaison between the community and the Project Team.

The core group was tasked with the membership campaign. Its first act was to recruit interested residents to undertake the first pre-membership education programme (PMEP). After three batches of pre-membership education participants had graduated, a general assembly was organised to elect the officers of the credit union. It was not surprising that most of the core group members were elected as officers of the credit co-operative. A total of 111 members attended out of 159 residents who had qualified by attending the PMEP.

During the assembly, the members were again informed of the goals and objectives which should be observed in the operations of the co-operative. The officers' roles were explained. The concepts of Co-operation and credit union operation were discussed with the officers to lend the project sustained enthusiasm and interest.

The Credit Union structure provided for rigid internal controls. For the first two years, external consultancy services were provided for the Committees and the Board of Directors. The Board of Directors provided management support and policy direction; the credit committee attended to the processing and applications for loans and the

keeping of records; the Education Committee was responsible for the PMEP training and keeping members up to date on co-operative rulings and policies—it also had responsibility for planning and implementing promotion and activities of the Credit Union. The Supervisory Committee served as the auditor of the co-operative: it was responsible for internal control and the installation of an adequate and effective accounting system.

Co-operative activity

It was assumed that a change in the attitudes of the beneficiaries would be a prerequisite for attaining the dual objectives of the project, i.e. enterprise and employment generation, and the credit and financing component. The attitudes to be inculcated were self-reliance, a desire to improve one's status and the need for co-operation.

The first objective was to devise a credit and financing structure comprehensive enough to allow optimum development of the marginal area concerned by providing the residents with financial arrangements without depriving them of the responsibility of participating actively in their own development. Thus, despite the arrangements for extending financial aid, all measures were taken to prevent developing among the residents the spirit of unproductive dependency and parasitism.

The credit institution

The survey had aimed at determining the appropriate form of credit and financial structure that could be created in the squat, and results confirmed the need to create a credit union as the channel for funds and aid to the residents. Survey results had also shown that one of the basic sources of credit was relatives, other sources were usurers, neighbours, profiteers, money shops, in spite of the presence of 50 banks within a five kilometre radius of the area, i.e. 38 commercial banks, two thrift banks, nine savings and mortgage banks and one rural bank. A basic finding, however, was that banking institutions and other formal sources of loans generally would not grant consumption loans and it was too cumbersome for both parties to negotiate business loans which were relatively small in amount.

Controls were instituted to ensure that funds were disbursed in accordance with the purposes of the project. The Supervisory Committee came up with specific measures

for the evaluation and monitoring of the activities and operations of the credit scheme. The account books of the credit union were open to regular checking by each member.

Policies were outlined in the loan manual prepared by the project team. In observing such policies; flexibility was encouraged, especially in the interpretation of policy, depending upon decisions made in specific situations. The officers of the credit union served as the focal point as far as implementation of policies was concerned.

Initial operations of the credit co-operative

An initial three-month period was used to test the practicality of the procedures and the feasibility of policies. Officers and committee members were asked to comment on flaws in the loan manual. Likewise, members were asked to see if procedures were realistic.

In March 1979, the fifth pre-membership seminar concluded with 143 graduates, thus qualifying a total of 372 members. One of the basic requirements of a co-operative under current law was to have a minimum membership of 250.

At the fourth month, the loan manual was revised to incorporate reasonable changes based on the experience of the trial period. At this time the registration requirements of the credit union were fully completed. Thus, in April 1979 a general assembly was called to ratify the policies and procedures of the co-operative.

Under the current law of the country concerned, a co-operative venture may operate while still in the pre-coop stage as long as it is supervised by the Bureau of Co-operative Development for a minimum of two years. In May 1979 a certification of pre-cooperative status was issued authorising operation for two years, after which fully-fledged co-operative status would be awarded. There was a minimum equity requirement, and minimum membership of 250.

The co-operative officers were advised to open a bank account for the safekeeping of funds. In the first year of operation, the signatories were the President, the Treasurer and a designated Project Officer: when transactions were found ready for direct administration by the officers themselves, the signatories were only the President and the Treasurer. This took effect at the start of the second year of operations. During this period, the officers checked their records at random, counterchecked through interviews with members on how policies were implemented.

Monitoring organisational operations

Close monitoring of the credit union operations, particularly the lending activities, required more on-the-job training for the officers. They were encouraged to repeatedly re-read the loan manual. Those on the Credit Committee were asked to observe and pay closer attention to the purposes of loans and commitments of members.

The mounting interest of the residents in participation and membership of the credit union encouraged the organisers to resume pre-membership education programmes. This time the officers were the resource persons, with minimum support from the Project Team. Five more seminars were then conducted from which 474 graduated. As of March 1980, there was a total of 846 qualified residents who had completed basic co-operative training.

Sources of funds

Originally a seed capital of \$150,000 was proposed to fund the credit union, specifically allocated for housing improvement and productive ventures. But the eventual operations were supported from external funds which were incorporated in the respective budgets of the components for loan purposes. External funding then was:

Housing loan	—	439,500
Productive loans	—	11,000

Like any financing institution's financial stability, the credit union generated the steady build-up of equity through membership contributions. Sources of internal funds were:

(a) Fixed capital—each member was expected to contribute by purchasing shares at 10 per cent but not exceeding 20 per cent of the credit union equity. This amount was non-refundable and formed part of the equity of the organisation.

(b) Membership Fees were collected from those who wished to apply for membership. These could be withdrawn or refunded in case the member resigned or retired.

(c) Deposits in the form of savings and term deposits from members were encouraged. The member benefited from the interest the money earned at prevailing Central Bank rates.

(d) Income was derived from interest on loans, service charges, fees, fines and income from investments. The co-operative programmed retention of a minimum cash balance at a specific level to ensure smooth

Breakdown of Loan Categories

	<i>No. of Borrowers</i>	<i>Amount Granted</i>	%
Productive			
Commercial	115	189,857.00	86.6
Industrial	17	17,980.00	8.2
Agri-business	8	7,820.00	3.6
Service	5	3,500.00	1.6
	145	219,157.00	100.0
Providential			
Housing Construction	91	424,500.00	79.2
Housing Improvements	37	42,170.00	7.9
Educational Loan	46	37,460.00	7.0
Appliance	15	8,930.00	1.7
Emergency	11	8,930.00	1.7
Others	23	13,750.00	1.7
	223	535,805.00	100.0
Total	368	754,962.00	

operations. Distribution of dividends to members was allowed provided this did not impair the credit union's financial stability.

Officers and members of the Credit Union were advised against seeking further external financial assistance to start with; the Credit Union must establish its own financial strength and avoid the "hand-out" mentality resulting from excessive assistance.

The Credit Union—an institution in a marginal settlement

In January 1980, the second general assembly was held to elect a set of officers. The usual political undercurrents existed, but in spite of this, membership swelled to 843 and elections were conducted without untoward incidents. Most of the officers were re-elected.

There are at present 896 members with a total share capital of 137,030.* The following tables were presented to reflect financial status.

Challenges of organising a co-operative

The challenges of this project proved that community participation can be harnessed for long-term beneficial effects.

Some squatter officials wanted to influence the choice of the type of co-operative, to the extent of withholding announcements during

the membership campaign. A consensus among the applicants decided for organisation of a credit union.

Among the significant problems encountered were undercurrents that seemed to corrode the trustworthiness of the officials. There were complaints of inefficiency, particularly when disbursements could not be made on demand. The Board of the credit union then resolved that loans would be issued regularly twice a week to allow for proper processing and to avoid frustrations when cheques could not be obtained. The current problem with some officers was improper record keeping and management.

* * *

A final judgement would certainly be premature. What can be said—and this is already a success—is that with the right concept there is a possibility of motivating the most underprivileged populations to advance their own development. The constantly increasing membership not only proves the need for loans. It likewise proves the people's desire for development, for the improvement of their situation—including the field of housing.

Providing the prerequisites for the fulfilment of this desire is a task that may well be tackled by thrift and credit co-operatives.

*No monetary unit is mentioned, in order to avoid identifying the country and to keep the example general.

Presented by
Werner SCHIFFGEN
International Raiffeisen Union

THE PROMOTION OF CO-OPERATIVE INSTITUTIONS IN THE THIRD WORLD—TRAINING PROGRAMMES

In the early 1960s, the Raiffeisen Association (Fed. Rep. of Germany) was asked by various international and national organisations to look into the possibility of giving medium-level co-operative officials in developing countries the opportunity of short-term attachments in different kinds of co-operative units.

We located co-operatives willing to provide such training experience, but our first trainees pinpointed various difficulties, the main one being the language since they came from English- and French-speaking countries. We provided them with interpreters, but this proved very expensive and we then thought it might be better to bring over a larger group at one time, who could first be taught sufficient German to make interpreters unnecessary. Therefore we decided on a 9-months programme, to be divided as follows:

- 4 months—language training;
- 1 month—theoretical course on the structure and activities of rural co-operatives in the Federal Republic of Germany;
- 3 months—practical training in a local co-operative or a regional centre;
- 1 month—evaluation seminar, to reinforce the practical training and give trainees the opportunity to discuss with German experts its relevance to their own countries.

We also learnt several essentials from our first course, to be incorporated in future programmes. Some of these were:

- the group should not exceed 15 in number;
- a homogeneous level of practical experience was advisable;
- participants in any one seminar should all come from the same country.

In the years following, we ran many seminars based on the above for young co-operative personnel from developing countries.

With two countries—Turkey for 12 years and Iran for 5 years—we have had intensive collaboration. The total number of personnel trained from these two countries so far

amounts to some 5,000. In addition to our ordinary promotion seminars, we started special marketing seminars in Turkey and Iran, covering the marketing of fruit and vegetables, dairy products, livestock, fish, and wine; we also ran seminars on the shared use of agricultural machinery.

We also started to train co-operative auditors. The operation of this programme has been very difficult, as the preconditions for effective and successful training in this subject are obviously that the trainee must already have a good working knowledge of accounting. Here again there were language difficulties: while participants in the promotion seminars only needed a good working knowledge of German, the language needed for auditing was more specialised.

For all our training programmes we have tried to select recruits who will act as 'multipliers' on their return to their own countries.

The Multi-purpose Co-operative

We have tried to concentrate all our training efforts on one co-operative type—the multi-purpose co-operative—because its structure, in our opinion, provides all relevant services to members, especially the poor ones. Banking business, the commodity and marketing section, are under one roof, and the co-operative can fill the critical gap between sowing and harvest by providing member families not only with agricultural inputs but also with essential consumer goods, the accounts for which can be cleared when the harvest has been marketed by the co-operative. Failing such co-operative facilities, the very poor can fall deeply in debt to private traders, to whom they have to pledge the next harvest at a very low price.

We studied such a multi-purpose co-operative structure in Madagascar in 1962, and the experience proved vital in the preparation later on of training seminars for personnel from many developing countries.

Other Aspects

When we look back to the beginning of co-operative activity in Germany, we find a situation in the rural areas similar to those in

developing countries, and this is the reason we feel that our own early experience, with its ups and downs, can be useful to our co-operative colleagues and save them from wasting money and time in unnecessary experimentation. When we have co-operative guests from developing countries, we stress the early stages of co-operative development; then when we accompany them to visit a large modern credit co-operative, this demonstrates what can be achieved within a time span of more than 100 years.

Finally, we have also operated two training programmes for German co-operative experts, for promotional services in developing coun-

tries. We have been very satisfied with the results, and some of these experts are still working successfully abroad.

With regard to the financing of our training activities, the costs have been covered by the Government of the Federal Republic of Germany, while personnel and technical "know how" were provided by our own organisation.

It has been said that the "Raiffeisen model" does not easily adapt to the specific conditions in developing countries. However this usually refers to the single-purpose credit co-operative: the true Raiffeisen type is the multi-purpose co-operative.

Presented by

Yvon DANEAU

Caisses Populaires et d'Economie Desjardins du Quebec, Canada

TOWARDS AN INTERNATIONAL PLAN FOR THE CO-ORDINATED PROMOTION OF THRIFT AND CREDIT CO-OPERATIVES IN DEVELOPING COUNTRIES

I. INVOLVEMENT OF THE CAISSES POPULAIRES ET D'ECONOMIE DESJARDINS IN DEVELOPING COUNTRIES

During the 1960s the Movement began to take part as an institution in co-operative projects in developing countries. However, long before then the *Caisses populaires*, as conceived by their founder Alphonse Desjardins, had spread to several other countries. The involvement of the Desjardins Movement in international co-operative development can be divided into three phases: (1) Spontaneous initiatives (prior to 1960); (2) The commencement of organisation (1960-1970); and (3) The deployment of activities and resources (1970-1980).

1. Spontaneous Initiatives (prior to 1960)

During this initial stage, a large number of Canadian missionaries and technical advisers in Africa, Asia and Latin America, acting independently, spread the idea of people's banks and here and there presided over the setting up of such institutions. The Desjardins Movement was not officially concerned in these various initiatives but sometimes supported them, in particular by providing information and documentation and sometimes even with modest financial contribut-

ions. This type of indirect influence has not totally disappeared even today.

2. The Commencement of Organisation (1960-1970)

In 1963 the Desjardins Movement set up a residential education centre for adults, the Desjardins Co-operative Institute, to provide training services not only for the various Desjardins institutions but also for other public and private bodies engaged in socio-communal development activities. The Desjardins Co-operative Institute also operates an international department providing the following main services: reception of management level staff from developing countries who are concerned with co-operative development, for medium or long period instruction courses; and participation in the selection and training of co-operators for the Canadian Overseas University Service, and of Quebec educators to work in Africa.

In 1968 an assessment of its international activities showed that the Desjardins Co-operative Institute had made contact with five French-speaking education centres in Africa: the *Institut Africain pour le Développement économique et social* (INADES, Ivory Coast), the *Institut Panafricain pour le Développement* (IPD, Cameroon), the *Centre*

d'Etudes Economiques et Sociales d'Afrique Occidentale (CESAO, Upper Volta), the *Ecole Nationale d'Economie Appliquée* (ENEA, Senegal), and the *Ecole Nationale de la Coopération* (ENC, Tunisia). The Desjardins Institute then determined to work for the strengthening of such national training institutions rather than developing its own programmes on Canadian soil where its co-operative promotion and training activities might yield less lasting results.

3. Deployment of Activities and Resources (1970-1980)

As a result of the Institute's activities and following upon requests from developing countries as well as from the *Compagnie Internationale de Développement Rural* (CIDR, France), the Desjardins Movement in 1970 set up a specialised institution, the *Compagnie Internationale de Développement Régionale* (CIDR, Canada) – which later became the *Société de Développement International Desjardins* (SDID). This organisation has been involved in the creation of thrift and credit co-operatives in Upper Volta, Cameroon and Zaire, as well as in a programme of collaboration with the Latin-American Confederation of Thrift and Credit Co-operatives (COLAC), especially in connection with the training and technical assistance services offered by COLAC to its seventeen affiliated national federations.

The SDID has also participated in rural development projects, notably in Upper Volta, Zaire and Ruanda, and has carried out research and evaluation work of all sorts in Africa and Latin America.

These various activities received considerable financial support from the Canadian International Development Agency (CIDA), which recently set up a Department for co-operative development projects within its NGO Division.

II. CONCLUSIONS DRAWN FROM THESE ACTIVITIES

Many lessons can be learned from these two decades of growing involvement in the developing countries. Two of the most important, which are bound to influence future activities, are the need to develop human resources and the need for co-ordination at international level.

1. The Need to Develop Human Resources

The Desjardins Co-operative Institute and the Desjardins Society for International Development (SDID) have both given pre-

ference to an approach which attempts to make the organisations in developing countries with which we deal, autonomous and responsible for their own development. Thus we are concerned with transferring technology and technical training, rather than human, financial and material resources. During the next few years, while further developing our technical and development expertise, strong emphasis will be placed on strengthening educational processes and supporting the development of human resources.

2. The Need for Co-ordination at International Level

Many co-operative projects are now being organised by the "Northern countries" in the developing countries. It is thus becoming increasingly important to develop collaboration mechanisms between the large thrift and credit co-operative movements of the USA and Europe now engaged in development projects in Africa, Asia and Latin America.

III. THE MAIN AREAS OF INTERNATIONAL COLLABORATION

Without claiming to be exhaustive, the following sections propose certain areas in which concerted action could be fruitful. We consider particularly important: greater solidarity in the defence of co-operative principles; improved collaboration in devising strategies and mechanisms; and the advantage of agreements concerning the services we offer to various international organisations.

1. Affirmation of Co-operative Specificity

The particular context of developing countries and the emergence of a New International Economic Order make it necessary for us to review the co-operative position and to concretise in appropriate form the essential principles underlying the co-operative character of the institutions we are helping to set up in developing countries. Will we be capable – between us – of transmitting a coherent and unified message on this subject?

Furthermore the defence of co-operative specificity involves representation with public authorities in order to safeguard the autonomy of these newborn institutions, to protect their democratic character and instigate the revision and/or setting up of appropriate legislation. In this respect, should we not pool our expertise and co-ordinate our approaches?

2. A Joint Strategy for the Development of Human Resources

There appears to be an increasingly large

consensus for supporting indigenous institutions and training programmes rather than sending large numbers of high level co-operators to developing countries for long periods. Moreover, sending co-operators to developing countries raises serious problems of selection, preparation, supervision and re-deployment on their return to their own countries. Why not co-ordinate our efforts to optimise the management of all available human resources engaged in co-operative development?

3. Pooling of Operational Instruments

Our activities in developing countries have led us to export, adapt and/or create a number of tools for facilitating day-to-day operations: accounting systems, educational equipment, etc. Would not pooling of these instruments prove more economical, not forgetting the advantages of such a pooling system for our own institutions?

4. Requests for Services

We are being increasingly approached by international organisations (UNDP, World Bank, ICA, etc.) to provide services in development projects. It may happen that we are unable to satisfy such requests due to lack of available resources, or on the other hand we may not be informed about projects for which we could have provided adequate support. Could we not pool these various requests, as well as our respective banks of human resources?

* * *

It may appear ambitious to want to initiate or intensify exchanges in all the above areas simultaneously. It may however be realistic and expedient to agree on one or two areas in which we would be prepared to co-ordinate our efforts on a short-term basis.

3. The International Inter-Cooperative Loan Programme

Presented by

Robert HEWLETT
Executive Secretary
COPAC

AN INTRODUCTION

Perhaps the first thing that needs to be said is that the international inter-cooperative loan programme is not a programme, or at least is not yet a programme. It is rather a set of practical proposals* designed to overcome the obvious difficulties in the way of setting up such a programme. It has certainly contributed to a fuller understanding of the main issues, and has stimulated discussion in co-operative circles. We hope that something that can be called a programme will eventually emerge, but only the parties directly concerned in the lending-borrowing process—and in particular the co-operative credit institutions of the developed countries—can bring that about.

The strengthening of agricultural co-operative financing arrangements internationally has been a recurrent theme for many years or even decades. ICA submitted a proposal in this sense to the FAO Conference in 1961, and the ILO General Conference in 1966 called on member states

to consider promoting an international co-operative banking system. This idea was also contained in a report by the Secretary-General of the United Nations endorsed by ECOSOC in 1974. Unfortunately none of these ideas came to fruition.

The inter-cooperative loan programme—as we may continue to call it, for convenience's sake—is somewhat less ambitious than the establishment of an international co-operative banking system but still, as experience has shown, by no means easy to achieve. COPAC became involved in this matter in 1974 when the World Council of Credit Unions (a member of COPAC) suggested that a thorough study should be made of the problems likely to be met with and of practical measures to overcome or minimise them. The content of the study and practical arrangements for having it carried out were

*Proposals for a Co-operative Interlending Programme, a Report by George St. Siegens and Per Steina, COPAC, Rome, July 1979. Available in English and French.

discussed with the International Liaison Committee on Co-operative Thrift and Credit, and grants were obtained from CIDA and MISEREOR to cover the cost of employing high-level specialists in the area of co-operatives, credit and international banking. I would like here to recognise the active collaboration of the International Liaison Committee in this important phase of the work, while pointing out that the report as published represents the views of its authors and is not necessarily endorsed in every particular by either COPAC or ILC.

The report starts from the proposition that there can be no substantial and lasting improvement in the food situation of the developing countries as a whole without increased productivity of small farmers, most of whom are able to do little more than meet their own minimum food requirements. It discusses the role of credit in enabling small farmers to increase their output and concludes that credit, in combination with complementary services such as agricultural extension, reliable supply of inputs, adequate land tenure regulations, and several others, is usually essential. The consultants do not however confine themselves to a consideration of short-term or seasonal credit. In para. 2.11 they state: "We understand that the originators of the interlending proposals had this type of credit (short-term or seasonal) in mind as being likely to have the most immediate impact on food production. We believe, however, that other types of credit should not be excluded. Apart from the fact that in many countries there is no real shortage of funds for short-term credit, a loan to a co-operative of mainly small farmers for the construction of a storehouse, a cattle dip or a simple processing plant may do just as much to stimulate increased output as individual credits. Moreover this type of loan is cheaper to administer, easier to supervise and more likely to be reimbursed than a series of individual loans for the same total amount. It might therefore be more attractive to the potential sources of funds in the developed countries." The report also explains why credit or multi-purpose co-operatives are often the best vehicle for bringing credit in appropriate forms to the small farmer.

The other starting point of the study is ideological in character. It is the conviction of many co-operators in the richer countries that the considerable financial resources of

their co-operative movements—and particularly of the co-operative banks, mutual credit societies and credit unions—should be deployed more actively in support of small farmers' co-operatives engaged in food production in the developing world.

These two premises—the importance of stepping up food production by the small farmers and the obligations of inter-cooperative solidarity—are widely accepted. A third assumption made at the time the study was launched appears now, in the light of experience, rather more debatable. It was claimed that a growing number of small-farmer co-operatives in the developing world had reached, or would quickly reach, a level of economic stability which would permit them to seek foreign loans on commercial terms and, having obtained them, to use them productively and repay them on schedule. In the introduction to their study the authors have the following to say: "The interlending proposals have been defined by their sponsors as a basically normal banking operation which may contain, in specific cases, a small concessional or grant component, and it addresses itself therefore to those who, with limited technical assistance, can present themselves as valid partners vis-à-vis the lending institutions. It has always been clear that, of the countless millions of small farmers and their co-operatives, only a minority can at present meet this condition. The inter-lending programme cannot therefore be in any way a mass programme; its merit is rather as an innovative scheme benefiting farmers who have already shown initiative and determination in helping themselves through co-operatives and similar associations. It aims at a partnership between equals rather than the ambiguous donor-recipient relationship, because it is by accepting well-defined responsibilities that the farmers of developing countries will best realise their full potential as co-operators and within the wider community. Outright assistance meanwhile continues to be a necessity for those whose efforts, for many different reasons, have not yet achieved the desired results" (para. 1.04). Elsewhere it is stated that "the inter-lending programme is intended to develop in the borderland between technical aid/development assistance and a commercially based credit system" (para. 4.08).

This reference to "the borderland between technical aid/development assistance and a commercially based credit system" deserves

a moment's reflection. It seems to indicate a certain hesitation between a normal commercial relationship between lender and borrower and the kind of relationship summed up in the words "donor" and "recipient". Strictly speaking, a loan programme must be based on contractual obligations binding on both parties; otherwise it is a grant programme in disguise. And it is evident that bankers, whether co-operative or private, are not concerned with grants. The fact that the inter-cooperative loan programme is a kind of hybrid, neither hard-headed business nor disinterested assistance, does not necessarily disqualify it but perhaps accounts for the reticence so far shown by co-operative lending institutions generally.

The difficulties that would have to be overcome in order to set up an inter-cooperative loan programme, as distinct from a few isolated loans, are so well known in co-operative and banking circles as to need no detailed analysis here. The risk that the borrowing co-operative may not be prosperous enough to repay the loan is only one aspect of the problem, though an important one. There are also the risks inherent in political and monetary instability of the country of which the borrowing co-operative is a part. On the borrower's side the main obstacle is the interest rate, particularly in the current state of money markets. This is an obstacle both at the level of the first borrower — normally a government agency or a central bank—and at the level of the end borrower, the farmer or his co-operative.

Over the past few years, concurrently with the study and since its publication, COPAC's members and secretariat have been on the alert to find co-operative projects suitable for consideration within the terms of the proposed inter-cooperative loan programme, and having some chance of being acceptable to potential lenders. The fact that the results of these efforts are meagre does not authorise us to say that such projects do not exist, but it does indicate that they are fewer than was originally thought. And in order to find them it would be necessary to dispose of far larger resources, human and financial, than are available to COPAC. In particular, a continuous presence in a number of developing countries would be required.

COPAC has been instrumental in bringing to the attention of co-operative banks in Europe opportunities for loans to co-operative projects in India, Honduras and Malaysia. These opportunities are currently under study

by the banks concerned. For India and Malaysia, government guarantees would be forthcoming and perhaps also in Honduras.

In preparation for this Conference we have tried to find out what may be going on outside COPAC's immediate purview. One piece of information, which I cannot personally document but which comes from a qualified and reliable source, is to the effect that "non-cooperative lending institutions, national as well as international, government and non-governmental, are doing a great deal of business with third world co-operatives". It is probable that this business is concentrated in a limited number of politically and economically more stable countries, and perhaps does not directly benefit the smaller farmers in those countries. Nevertheless it may indicate that co-operative sources of finance in the developed countries are missing some opportunities for making relatively risk-free loans to third world co-operatives.

There are, of course, technical assistance activities carried out by co-operative banks and mutual credit societies, sometimes involving small loans or grants. There is the COLAC scheme for small farmer credit in a number of Latin American countries, financed by loans from IDB, for which part of the funds have been contributed by Credit Union National Association (USA). This is in fact the only existing inter-cooperative loan programme that we know of. Welcome though it is, one could wish that the co-operative element in the loan were substantially larger. Finally—and this is encouraging as far as it goes—there is an uncomfortable awareness among the co-operative financial institutions of the richer countries that they have not yet found a way to bring their full strength to bear on the problems of their counterparts in the third world, and various approaches are being examined that might help to improve the situation.

One approach which was studied in detail by the consultants was the establishment of a guarantee fund. Various formulae are discussed in paras. 4.17 to 4.38 of their report, and the consultants express the view that the "formalisation of a guarantee mechanism is important to the growth of the inter-lending programme". While there is no reason to disagree with this judgement it must also be said that a guarantee fund does not eliminate risk but merely ensures that any losses are distributed among a number of participating institutions. Since these would presumably be, with few exceptions, the same institutions as

grant the loans, the setting up of a guarantee fund might have most significance as a tangible sign of real commitment on the part of a group of co-operative financial institutions.

So far there has been no indication of willingness to undertake a commitment of this kind. Instead the reaction has been to suggest a cautious start with two or three carefully chosen pilot projects, involving relatively small loans and offering if possible some solid guarantee. If COPAC's experience of the difficulty of finding such projects is shared by others, then the caution is obviously justified.

The presentations which follow, and the general discussion, should make it possible to draw some conclusions from the various studies and practical experiences in the area of co-operative inter-lending. Without anticipating those conclusions I may perhaps be allowed to indicate briefly some of the major questions which the discussion might seek to clarify:

- Is there a moral obligation on established co-operatives in developed countries to aid the growth of those in developing countries?
- If so, how can such aid be given most effectively by thrift and credit co-operatives?

If the general feeling is that the proposed inter-cooperative loan programme, as outlined in the Siegens/Steina report, deserves active support, it would be useful to focus on practical measures for achieving the desired

result. The following questions, among others, need an answer:

- How can opportunities for loans or technical assistance to third world co-operatives be brought to the notice of co-operative financial institutions in developed countries?
- Are co-operative financial institutions prepared to go out in search of business in developing countries, rather than waiting for it to come to them?
- Do lending procedures need to be simplified and perhaps standardised to make them less deterrent to potential borrowers?
- Could co-operative lending be usefully linked with efforts to increase inter-cooperative trade, particularly through ICA's Economic Sub-Committee and its trade promotion bureau in Paris?
- Can some form of guarantee fund be set up to facilitate loans?
- What possibilities exist for obtaining loan guarantees from governments in developed countries?
- What can be learned from the COLAC inter-cooperative loan programme, which has been functioning satisfactorily for several years?

It would be too much to expect that these questions can be adequately discussed and answered in the short time available this afternoon but we may at least make some progress towards a clearer understanding of what we can realistically hope to achieve and how best to achieve it.

Presented by

A. A. BAILEY

World Council of Credit Unions (WOCCU)

FINANCING AGRICULTURE AND SMALL-SCALE ENTERPRISES IN THE RURAL AREAS OF DEVELOPING COUNTRIES*

Twenty-five years ago CUNA International, the forerunner of the World Council of Credit Unions, launched a technical assistance programme to assist the organisation and development of credit unions; initially concentrating on the Caribbean and Latin American areas, it eventually expanded to other countries and regions throughout the world requesting such technical assistance. With the

co-operation of many institutions and agencies interested in economic development of the developing countries, this programme has now reached over 70 countries.

The programme in Latin America, in par-

*Full details of WOCCU's International Interlending Programme were given in the paper presented at the 3rd International Conference on Co-operative Thrift and Credit (London, 1974) by M. Robertson, ICUS (USA).

ticalar, achieved significant success by having accumulated savings among credit union members in both urban and rural areas. Savings in Latin American credit unions now amount to US\$373 million in approximately 2,100 credit unions, with a total membership of two million. Most importantly, however, the rural credit unions differed significantly from consumer credit-oriented credit unions of the United States. In Latin America, the need of members in credit unions in the rural areas was for production-related activities.

In 1961, the United States Agency for International Development (AID) made the important decision to support technical assistance efforts for the organisation and development of co-operatives, savings and loan associations, and credit unions to those countries requesting it. With the assistance of CUNA/AID and other agencies, 18 countries in Latin America have developed their own indigenous, autonomous, national credit union networks and national federations. In 1970, national credit union federations throughout Latin America formed the Latin American Confederation of Credit Unions—COLAC. This confederation has set out, as its first priority, to make production credit available to rural areas of Latin America.

The amount of external financing from international sources that has been made to Latin American federations primarily for production credit programmes, through the efforts of COLAC, has been approximately US\$25 million which has been distributed as shown in the following tables.

* * *

In addition to programmes of interlending between developed and developing countries, the World Council is also pursuing interlending between developed countries for members of credit union confederations. Already in the credit union international programme there has also been interlending between credit union organisations in the USA and Canada. We are confident that if we unite the co-operative thrift and credit organisations around the world into one cohesive membership force and work with the international agencies currently engaged in international interlending transactions, we will eventually be able to develop international interlending instruments and credit facilities to serve the co-operative movement on a broader base than at present.

The preparation of all national organisations for full and unfettered participation in such an international programme, in some instances will take a few years and in others more than a decade.

But as the membership of co-operative credit unions expands and as technical assistance increases the effective use of external credit, they will begin the process of providing for themselves and kindred organisations, the facilities and negotiable instruments needed to provide a safe, sound, economic and convenient means for members to obtain credit around the world.

* * *

1. FINANCIAL RESOURCES

In order to comply with the demand for credit COLAC increased its obligations in eight million dollars during 1979-1980, registering an increase in availability of 31 % in comparison with the year before.

NET INCREASE OF COLAC's FINANCIAL RESOURCES 1977-1980
(in US dollars)

	1976/1977	1977/1978	1978/1979	1979/1980	Balance 6/30/80
TOTAL	2,520,941	2,242,753	6,172,430	8,071,623	20,710,598
Loans received for credit	2,228,624	2,026,113	5,782,206	7,556,489	18,317,321
Shares		50,000	32,500	39,953	122,453
Capitalisation paid for					
loans granted	151,333	149,854	357,724	475,181	1,270,824
Donations	140,984	16,786	0	0	1,000,000

2. CREDIT OPERATIONS

Table 2 shows the change in the portfolio since May 13, 1972, date on which COLAC started its credit operations, with the first US\$280,000 loan to the Honduran Federation of Credit Unions (FACACH).

Eight years later, June 30, 1980, it had already approved seventy-five loans in the total amount of 27.7 million dollars, from which 19.4 were disbursed to the different Federations that benefited from this service.

AMOUNT OF LOANS GRANTED BY COLAC TO ITS MEMBERS 1971/72 TO 1979/80 (in U.S. Dollars)

	Approved	Disbursed
TOTAL	27,713,786	19,940,809
1971/72	280,000	280,000
1972/73	55,200	55,200
1973/74	250,000	250,000
1974/75	1,017,177	1,017,177
1975/76	350,000	350,000
1976/77	5,076,667	5,076,667
1977/78	3,170,387	3,170,387
1978/79	3,621,000	2,566,000
1979/80	13,893,355	6,644,378

3. LOAN AMOUNTS APPROVED AND DISBURSED BY COLAC TO ITS MEMBERS MAY 1972 TO JUNE 30, 1980 (in U.S. Dollars)

	AMOUNT		Balance to collect 6/30/80
	Approved	Disbursed	
TOTAL	27,713,786	19,409,809	15,955,325
FENACRE—Boliyia	4,317,142	3,629,165	2,955,730
UCONAL—Colombia	1,000,000	1,000,000	873,713
FEDECREDITO—Costa Rica ..	1,028,541	1,028,541	796,241
FECRECOOP—Chile	100,000	0	0
FECOAC—Ecuador	5,660,840	2,563,840	2,256,967
FEDECACES—El Salvador ..	1,616,000	1,116,000	847,455
FENACOAC—Guatemala	1,500,000	1,500,000	1,000,000
FACACH—Honduras	2,718,636	1,718,636	844,151
C.M.C.P.—Mexico	800,000	0	0
FECACNIC—Nicaragua	1,110,000	1,110,000	1,108,750
FEDPA—Panama	1,000,000	1,000,000	1,000,000
CREDICOOP—Paraguay	366,667	366,667	0
C.C.C.—Peru	1,500,000	1,550,000	1,550,000
FEDOCOOP—Rep. Dominicana	3,595,960	2,476,960	2,372,318
FUCAC—Uruguay	1,350,000	350,000	350,000

Figures include re-utilisation of payments

Table 3 shows that 51% of the credits disbursed by COLAC were placed in Central America and the Caribbean and 49% in South America.

From the beginning of its operations twelve federations and one associated member have received the benefits of these credits.

**4. LOANS GUARANTEED BY COLAC TO THE FEDERATIONS AND
ASSOCIATED MEMBERS MAY 1972 TO JUNE 30, 1980**
(in U.S. Dollars)

Purpose	Number of Loans	AMOUNT		Balance 6/30/80
		Approved	Disbursed	
TOTAL	75	27,713,786	19,409,809	15,955,325
Activities on agriculture and cattle production	50	20,588,765	14,001,788	12,904,635
Marketing of same	3	566,667	566,667	0
Purchase of farm supplies	3	633,741	633,741	0
Fishing	1	800,000	800,000	590,826
Purchase of vehicles	4	2,137,000	920,000	920,000
Others	14	2,987,613	2,487,613	1,539,864

Figures include re-utilisation of payments

In order to accomplish one of the Confederation's objectives, to provide economic assistance with loans for the development and expansion of the credit union movement, Table 4 shows that on June 30, 1980 fifty loans have been disbursed in the amount of 14 million dollars. 72% of such payments were used to foment agriculture and cattle industries.

**5. AMOUNT OF LOANS GUARANTEED BY COLAC TO ITS MEMBERS
THROUGH FINANCING MAY, 1972 TO JUNE 30, 1980**
(in U.S. Dollars)

FINANCIAL RESOURCES	Approved	Disbursed
TOTAL	27,713,786	19,409,809
IDB	16,172,530	10,939,552
AID	3,397,600	2,443,600
IAF	1,055,193	1,055,193
CUNA Mutual	892,634	892,634
U.S. Central	1,728,667	1,728,667
OPIC/U.S. Central	2,137,000	920,000
Own resources	2,330,162	1,430,163

Figures include re-utilisation of payments

Table 5 shows COLAC's present situation on financial resources, indicating that most of the funds originated from the Inter-American Development Bank. These funds have served to provide loans in the different currencies of the member organisations for the equivalent amount of 16 million dollars, or 58% of the total amount approved.

The rest of the portfolio is in hard-currency, with most of the funds originating from the Agency for International Development (AID) in an amount of 3.4 million dollars.

The balance of 8.3 million dollars are, in order, funds originating from OPIC and US Central with one loan to the credit unions affiliated to the National Federation of Credit Unions of Ecuador for the purchase of vehicles for passengers. Also donations of the Inter-American Foundation, CUNA Mutual and funds that the Confederation has allocated for credit services through capitalisation made by its members.

Presented by

D. GRETHE

International Co-operative Bank (INGEBA)

THE NEED FOR NATIONAL CO-OPERATIVE DEVELOPMENT BANKS

There are large sums of money and capital available on the international finance market seeking investment, while on the other hand capital is needed, especially in developing countries, for the financing of new projects, including co-operative projects. However, still lacking in many Third World countries, from the point of view of potential lenders, are adequate preparation of projects, credit channels, and project control.

I believe therefore that, alongside the existing governmental national development banks, it is time to found co-operative national development banks which would also be recognised as international partners, and should—in my view—handle the following tasks:

1. They should identify suitable projects which promote the economic and social development of co-operatives and individuals, within the economic planning framework of their countries.

2. They should then join in the preparation of the project, as follows:

- (a) In *industrial* projects, verifying whether e.g. the necessary raw materials are available locally in the required quantities; or in *agricultural* projects, whether e.g. the soil is suitable for the proposed cultivation;
- (b) Verifying the existence of the necessary infrastructure;
- (c) Ensuring that only necessary and suitable investments will be made at a reasonable price;
- (d) Drawing up an investment plan, containing exact costs and how they are to be financed;
- (e) Ascertaining whether the goods to be produced can find a market at a reasonable price;
- (f) Drawing up a budget showing future expenditure and probable returns, for at least the next five years;
- (g) Ensuring that all legal requirements for the project have been met;
- (h) Setting out to what extent the project will affect the economic and social development of the people.

3. Only after the Consultancy Department of the Co-operative Development Bank has looked into these questions and given positive answers, should the Credit Department examine the borrower's standing, balance sheets, income accounts and possible securities, before handling the refinancing of the project. When refinancing abroad, attention should be paid to any foreign exchange permits required.

4. Later on, the Co-operative Development Bank should share in the supervision of the project preparation, and also be available in an advisory capacity for a certain period of time.

Such an institute must of course have adequate capital funds of its own at its disposal in order to be internationally recognised as a partner. Its success would also depend to a great extent on the high degree of training, and commitment of its management and employees. In the interests of current and further development, young employees would need continuous first-rate training and the opportunity of a period abroad.

A Co-operative Development Bank must, in my opinion, work closely with the government, and promote contacts with home and foreign credit institutions.

Collaboration with the Central Co-operative Bank

To raise the necessary funds from outside sources, local savings and credit banks should, if possible, be joined together in a national Central Co-operative Bank, which would then undertake the necessary financial adjustment. Co-operatives and their members should of course be urged to leave the income they do not immediately require with the co-operative savings and credit banks. Furthermore, it should be ensured that agricultural and production co-operatives undertake payment transactions with suppliers through co-operative savings and credit banks, insofar as is usual in the country concerned. In this way larger amounts can successfully be retained within the sector.

The Central Co-operative Bank could then give the Co-operative Development Bank credit to finance costs within the country.

Collaboration with Government and other Organisations

The governments of many countries make low-interest funds available for the development of certain projects. It is surely also the task of a Co-operative Development Bank to press its government for an appropriate share of such low-interest credit for financing co-operative projects. Larger institutions are more likely than smaller regional co-operatives to be recognised as partners by governments.

Furthermore, collaboration with other banks within the country should be promoted. If they are large enough, the Central Co-operative Bank and the Co-operative Development Bank will be acknowledged by the big banks in the country concerned as equal partners.

A national Co-operative Development Bank must also establish contact with foreign banks and, in co-operation with its government, with foreign government offices and the World Bank.

The Raising of Foreign Capital

I would first like to make some critical comments on this subject:

1. I am basically of the opinion that costs within the country should not be financed by taking up credit in foreign currencies. If a country must use more than 30% of its profits from exports for its debt services (capital repayment and interest), it will certainly not be considered a viable borrower according to international criteria. Therefore from an economic point of view, care must be exercised, when taking up foreign monies, to retain the required credit margin abroad to cover necessary imports.

2. Taking up credit in a foreign currency is often connected with a considerable exchange

rate risk. Especially with long-term credit, the risk can hardly be predictable, and is often very difficult or impossible to cover.

3. The possibilities for taking up credit abroad are moreover limited by the fact that the business banks in industrialised countries already have considerable foreign assets. Owing to the recent increase in political and economic risks, they will not wish to extend their international involvement.

Nevertheless it would still be possible, even today, for important Co-operative Development Banks to receive credit in foreign currency.

However we should not overestimate the possibilities of co-operatives in industrialised countries. Measured against the credit requirements of co-operatives in developing countries, their possibilities are relatively limited.

On the other hand, I believe it possible that important Co-operative Development Banks could receive credit from the World Bank and its member organisations. Governmental support for such application for credit would certainly be a point in its favour with the World Bank.

I also believe that some national institutions in industrialised countries, mostly government-owned, would if necessary place further credit at the disposal of the larger Co-operative Development Banks. Some time ago I had talks with the Bank for Reconstruction and Development in Frankfurt on this matter, and gained the impression that this German governmental institution was positively disposed towards co-operatives, but since large co-operative projects have rarely been presented for financing in a suitable form, the funds available were mostly directed to development banks in the developing countries.

The ICA Banking Committee decided at its last meeting to place further funds, limited at first, at the disposal of developing countries for the promotion of agricultural co-operatives. The bank which I represent, the International Co-operative Bank Ltd., (INGEBA) has been entrusted with the examination of applications.

The INGEBA's capital in Basle, in the sum of 140 million Swiss francs, is held by 55 co-operative and commonweal enterprises from twenty different countries. Today the Bank has a balance sheet total of SFr. 1,600 millions. INGEBA refinances itself mainly on the Euromarkets. It manages all types of international banking transactions for its shareholders as well as for other co-operatives, and also serves private clients and societies.

We shall do our best, in collaboration with the ICA Banking Committee, to employ the available funds to the best advantage in various agricultural projects.

4. Co-operatives as Banking Institutions

Argentina

Presented by

Jacobo LAKS

Instituto Movilizador de Fondos Cooperativos (IMFC), Argentina

THE NEW CO-OPERATIVE BANKS IN THE ARGENTINE REPUBLIC

I. THE INTEGRATION OF THE CO-OPERATIVE BANKS

By a legal disposition promulgated after a considerable, and successful, fight by co-operators with support from important sectors of national life, seventy-seven new Co-operative Banks commenced operation in 1977, the result of the amalgamation of almost 300 of the earlier co-operative credit unions. This massive beginning took place in an economic situation characterised by acute inflation within a framework of recession, a falling gross national product, considerable transfer of resources from production to speculation, and the indiscriminate opening wide of the economy to the world market: all this in a complex and competitive financial market with no control over interest rates, and with a defined policy liable to favour banking concentration.

1. Democratic Organisation of Institutional and Operational Aspects

The process of amalgamation was hastened by the high level of minimum capital required to be held by financial bodies in accordance with official regulations (\$10 million for the area of greatest demand and at decreasing levels for the less developed areas). The climate of involvement of thousands of co-operators—we should not forget that the initial scheme, later modified, for reorganisation of the banking system had included a specific ruling prohibiting any form of co-operative banking organisation—continued then in the form of a widespread debate to set up an integration model which, while continuing the democratic and participative character of the old credit unions, would permit the centralisation necessary for an efficient level of operation. The co-operative credit unions, historically autonomous and

with local characteristics, voluntarily grouped themselves into larger bodies, thus becoming subsidiaries of the integrating Banks, according to their special affinities, geographical location, the integrating organisation's total capital, etc.

The IMFC submitted a model statute which was adopted by the majority of the Banks, and whose characteristics can be summarised as follows:

- (a) The district members' assemblies elect a representative body, which in turn elects the Administrative Board of the Bank. Ordinarily each district corresponds to the area of jurisdiction of the original credit union.
- (b) The members of the Administrative Board carry out the general management of the Bank, but also carry specific responsibility for the management of the subsidiary or district which elected them. To fulfil this latter function they designate a members' committee (which generally coincides with the list of delegates elected in their respective districts) to assist them in their work.
- (c) Concerning the operational aspect, the collection of deposits and the placing of loans can only take place through the subsidiaries.

The resources collected by a subsidiary can only be diverted to other areas after the needs of the subsidiary itself have been met.

The Bank's Head Office does not perform collection or credit operations, but deals only with the co-ordination of accountancy, administrative and information procedures, and with technical support for the operations of the branches and for those operations which by their

nature must be carried out centrally, such as external trade, agencies, inter-banking loans, etc.

While a satisfactory equilibrium can be established so far as distribution of power is concerned, the greatest problems derive from a certain risk of creating a complex centralised administration, which will remove the directors, and still more the members, from effective control over the management. Hence the efforts to increase the directors' knowledge of banking techniques, and to create adequate information and participation structures, while making every effort to convince the paid officials that effective member participation in the direction of the Bank is not only fundamental to co-operative doctrine but is at the same time an important element in the growth and competitiveness of the Bank.

2. Administration

The administration of the old credit unions, essentially simple, experienced a substantial change when they became banks.

This was due in the first place to their taking on all the traditional banking operations, and secondly to their larger coverage, with the management of branches (in some cases more than 60) which made more demands on the administrative organisation. In addition the change had to be made quickly, with very little time for preparation, and bearing in mind all the defects and virtues of their previous structure. Furthermore, the officials had been accustomed to administering totally autonomous bodies, with personal powers of decision, with direct and almost familiar dealings with members and directors, with the non-delegated management of a small staff, simple forms of internal accounting, lack of personnel at intermediate level, etc., so they had necessarily to change in the new situation.

The challenge to the movement was to retain the positive aspects—direct communication with members, simple procedures, regular information to directors, the appreciation of the personal and moral characteristics of members, the co-operative spirit of personnel at all levels—with the necessarily centralised management of the considerably larger staff needed to provide different services of great technical complexity, in a financial and economic situation far more serious than any in the previous history of the country.

(a) The administrative organisation model adopted by the majority of the new co-operative banks, at least the larger ones, aspired to attain the highest technical

level possible under existing circumstances, while maintaining and even increasing the special characteristics of Co-operation—to be good banks and good co-operatives at the same time. They adopted organisational models of non-cooperative banks which they considered efficient, raised the technical level of the previous officials, replacing them when this was not possible, and also employed the best experts on the market if the necessary skills were not available within the institutions.

(b) The officials and specialists of the Co-operative Banks regularly consulted specialist national and foreign literature, and made serious efforts to combine all the various elements in order to systematise their own experience and that of others in the matter of administration. At this point of the process, when the first stage can be said to have been completed, it would be extremely valuable to receive suitable technical assistance from the co-operative banks of other countries, to enable a better evaluation to be made of the present position as a step to further progress.

II. THE ROLE OF THE IMFC IN THE DEVELOPMENT OF THE CO-OPERATIVE BANKS

A distinctive characteristic of the Argentine co-operative financial system is the function of its secondary body (a co-operative whose members are co-operatives). It should be borne in mind that the IMFC, which has been in existence for more than 20 years, was responsible for promoting the formation of the greater part of the credit unions which have served as the basis for the present co-operative banks, and led and directed the successful fight which culminated in the constitution of the new Banks.

This fact has determined the important role assigned by the Co-operative Banks to the IMFC in carrying out the task of institutional representation, development of new and better services, diffusion and protection of the co-operative principles, promotion of co-operative education, etc.

1. Some of the Centralised Services available to the Co-operative Banks through the IMFC

(1) A national computer service (software and hardware); installation of subsidiary centres throughout the country with

plans for an operational network to cover the whole national territory.

- (2) Although the banking legislation provides for a form of assistance to organisations in difficulties, the conditions involved have resulted in the IMFC co-ordinating specifically co-operative inter-banking financial assistance to those eligible to receive it.
- (3) The banks dispose of a communications network—telex and teleprinters—inter-connected and administered by the IMFC.
- (4) A credit card has recently been put on the market, centrally administered, which as a first stage is operated by more than a third of the Co-operative Bank members.
- (5) On request, specialised auditing and technical advice is provided (direct, through circulars, publications etc.) to affiliated Banks.
- (6) Through a specialist body (*Idelcoop Fundación Educacional*), technical and co-operative training courses are provided, and a wide range of training

facilities is available for members and the general public.

- (7) Material is published on co-operative and general subjects. A fortnightly periodical *ACCION* has a circulation of 100,000 copies, which is sent direct by post to the homes of Co-operative Bank members.
- (8) Travel and leisure activities are encouraged for Co-operative Bank members, with the construction of hostels and holiday camps.

2. Representation of the Co-operative Banks

The Co-operative Banks maintain relations with the public authorities which regulate and control the activities of co-operative societies. The IMFC has the task of protecting the interests of the co-operative movement.

In the same way, the IMFC participates in local and national co-operative organisations.

It has been the concern of the Banks and of the directors of the IMFC to actively develop democracy in the conduct of the Institute and to ensure the direct participation of the Banks concerned, in the administration of those services which they use.

Our Institute is responsible for representation of its member organisations internationally, with other co-operative organisations, in the search for integration at world level in order to carry out successfully the development of co-operative activity in our country, through the interchange of experience and the provision of financial technical assistance. It was in pursuance of this objective that we joined the International Liaison Committee and participated in the 4th and 5th International Conferences on Co-operative Thrift and Credit.

Canada

Presented by

George MAY

Chief Executive Officer

Canadian Co-operative Credit Society (CCCS)

“What we might hope for, is a structure that will provide a suitable home for the complex, partly competitive, partly co-operative enormously diverse animal that is man.”

That statement might well paraphrase the view of Dr G. Fauquet, former head of the Co-operative Department of the International Labour Organisation, who was one of the first to articulate for us within the co-operative movement, the distinguishing factors which emerged between the public sector, the capitalist sector and the co-operative sector.

When he attempted to do this, he took on a very complex and difficult task. We—as participants in this 5th International Conference on Co-operative Thrift and Credit—also have a complex and difficult task in defining various types of co-operatives as banking institutions. The organisations that are represented here are themselves enormously complex and different in structure,

organisation and services provided. Yet, these organisational differences are accompanied by great similarities in philosophic orientation and a common historical foundation. Each of the organisations making presentations during this Session is unique and the Canadian Co-operative Credit Society, as part of the Co-operative Thrift and Credit movement in Canada, has its uniqueness, as well.

Canadian Thrift and Credit Organisations

To begin with, it would be fair to state that we do not have a single Thrift and Credit entity as such, but rather a Thrift and Credit Co-operative System that is part of a broader co-operative sector. In Canada, a network of some 2,000 credit unions and caisses populaires as well as their provincial centrals are integrated into a national system which blends local autonomy with joint planning and co-operative action. In Quebec—one of the larger and more populous provinces of Canada—the Desjardins Caisses Populaires movement described in Mr Yvon Daneau's presentation is the major consumer financial institution. In total, the credit unions and caisses populaires throughout Canada represented by our respective organisations account for some 3,700 outlets which provide financial services to more than nine and one-half million Canadians. This system is characterised by:

- Local credit unions and caisses populaires which provide financial services to individual members from whom their Boards of Directors are elected;
- Provincial centrals which provide services to local credit unions and caisses populaires and consolidate financial services;
- A national organisation, the Canadian Co-operative Credit Society, which pools liquidity and provides integrated financial services to both the financial co-operative sector and the general co-operative sector.

Local Credit Unions and Caisses Populaires

Credit unions/caisses populaires are owned and controlled by their customers who are also their members. They exist primarily for the purpose of meeting the financial needs of these members. Membership in a credit union/caisse populaire is based on a common bond of association such as residence in a particular community or parish, employment in a certain business, occupation or industry, or participation in other groupings.

Credit unions vary greatly in size from small community facilities to large multi-branch organisations. On a system-wide basis, the combined total assets of Canadian credit unions and caisses populaires were more than \$30 billion (Canadian) at year-end 1980. At present exchange rates, this is equivalent to approximately 50 billion Deutsche Marks or 25 billion US Dollars.

Credit unions and caisses populaires are financial institutions which exist for one essential purpose—to provide savings, loans and other financial services to their member owners. They accept various forms of deposits and issue personal loans, residential mortgages, small business loans and commercial credit. In recent years many local credit unions have extended their services beyond savings and loans to include such services as personal chequing, money orders, travellers cheques, special savings plans. Insurance and trust co-operatives also have extended complementary financial services to credit union members.

Separate provincial deposit insurance corporations guarantee or insure the savings held in the local credit unions and caisses populaires to a similar and, in many provinces, greater extent than the coverage extended to other financial institutions in Canada by the Canada Deposit Insurance Corporation. In addition to deposit protection, bonding and other forms of insurance provide coverage on an organisational basis.

Provincial Organisations

Local credit unions/caisses populaires must meet statutory reserve requirements established by their provincial governments. In general, reserves are deposited with the provincial credit union centrals.

Provincial centrals, in addition, accept surplus funds on deposit from credit unions and caisses populaires and use them to effect loans to other credit unions and member co-operatives within their province. Also, the second-level provincial central provides the local credit union/caisse populaire with support services including education/training programmes, data processing services, advice on operations and research.

National Organisation

At the third, national level of the Canadian thrift and credit system is the Canadian Co-operative Credit Society which provides financial services not only to the credit union system but also to other types of

producer, consumer and marketing co-operatives. CCCS is owned and directed by its shareholder members. Membership is open to credit union centrals and major regional co-operative organisations.

At year-end 1980, CCCS had ten central credit union shareholders; and ten additional Canadian financial co-operative shareholders, including our co-operative insurance companies, leasing companies and trust company. In addition, 20 consumer, marketing and producer co-operatives operating in Canada, are shareholders. Its membership includes five international financial co-operatives as shareholders, namely Deutsche Genossenschaftsbank, Confederación Latinoamericana de Cooperativas de Ahorro y Crédito, United States Central Credit Union, the Co-operative Bank of Manchester, and Genossenschaftliche Zentralbank AG.

CCCS has four main areas of responsibility to both credit union and co-operative organisations:

- Providing liquidity for the credit union system. As of year end 1980, CCCS has total equity, reserves and deposits of more than \$500 million (Canadian.) These pooled movement funds helped the Society to provide a total of \$350 million in guaranteed lines of credit to its member provincial centrals;
- Providing loans to member organisations;
- Providing access to external capital in support of both credit union and co-operative development. As of year end 1980, \$300 million had been raised by the sale of unsecured notes and syndicated credits in both the domestic market and the Euro-market;
- Providing other responsive financial services according to the expressed needs of shareholder/members, for example, leasing programmes.

CCCS developmental activities on behalf of the credit union system include:

- National co-ordination of new products and financial services for the local credit unions/caisses populaires;
- Liaison with the Federal Government concerning legislation affecting credit unions;
- National co-ordination and integration of the credit union movement into our present paper-based and future electronic payment systems;
- Provision of co-ordinated support

services in the area of public relations, marketing, education and research;

- Participation in the evolution of International Co-operative Financial systems.

The relatively new financial role of CCCS within the co-operative sector provides mutual benefits for thrift and credit co-operatives and producer, consumer and marketing organisations in the overall Canadian co-operative sector. This helps to meet the financial needs of co-operatives, helps ensure the effective use of surplus credit union funds and supports the emergence of our sector as a viable alternative to private and public sectors.

Training

Most local credit unions/caisses populaires engage in member educational programmes, since effective use of services and the development of leadership abilities is dependent on the acquisition of appropriate knowledge. Education at the second and third levels of our thrift and credit co-operative movement is important and, in fact, is gaining in depth as the movement matures. This is demonstrated by the increasing use of audio-visual, electronic and other modern educational tools.

Philosophical Orientation

The credit union/co-operative movement in Canada, as well as the general co-operative movement, abides in general terms with the six basic co-operative principles adopted by the International Co-operative Alliance.

The one member/one vote principle applies at the local credit union/caisse populaire level. At the second level, there is proportional voting by the local credit union/caisse populaire to the provincial central credit union which is related to its membership base. The latter applies to the provincial or second level as well as to the national level and our organisation, the Canadian Co-operative Credit Society. The principle of member control, among others, therefore applies at all levels.

In the broadest sense, the credit union/caisse populaire movement—as well as the general Canadian co-operative sector—is evolving within the framework of the 'co-operative sector' concept which assumes that co-operatives are basically different from both capitalist and public enterprise and afford a 'middle ground' between them. The difference lies in the fact that ownership, control and use of the particular enterprise

involves the same group of people, which represents the unique feature of co-operative enterprise. I believe it would be accurate to state that most Canadian co-operative leaders would agree that the ideal economy embraces efforts by public, co-operative and private sectors in varying proportions. In such a mixed economy, co-operatives operate in co-existence with other forms of business enterprise, compete with them and sometimes even engage in joint ventures with them in order to achieve stated objectives.

For Canadian co-operative decision makers, one might reasonably identify that they have a system of beliefs and meanings about co-operatives that does not primarily revolve around profit maximisation or optimisation but provides services to their prime beneficiaries, the members, although this belief is held by some more so than others. To the extent that earnings generated are returned to the members in the form of patronage refunds, profits in the investor-owned corporation sense do not exist.

We, in the Canadian co-operative movement, believe that money generated within the co-operative should be returned to the members or put into a reserve for future benefit to those members. Other groups in the economy should be helped, but only helped to get started. Once started, they should maintain their own capital requirements and establish their autonomous organisations. This belief system reduces the expansionist views of management and produces an economy with less growth drive but a greater drive to serve members' needs. The same belief system also guides our international development. We believe that the Government's role is to create an environment in which groups can form co-operatives, and to provide an infrastructure for the functioning of the economy. Our provincial and federal governments have come to realise the present and potential contribution of co-operatives to Canadian society. As a result, our sector has benefited from favourable legislative developments in the financial service area as well as from minimal intrusion by government.

The general environment and philosophic orientation of the Thrift and Credit movement in Canada includes a recognition of the fact that we are part of a 'mixed economy'. In the Canadian environment, the term 'mixed economy' has achieved general acceptance as differentiating the private sector from the state sector, and actually represents a 'dual

economy'. It is a term that has achieved acceptance also as a description of the institutional conditions that now prevail, without exception, among the developed economic systems of the West, and suggests merely that Free Market Economic Systems now co-exist with large planned Government sectors.

However we are now learning that, today, this mixture is by no means benign and stable. The changed composition of the GNP between private and public demand, now appears to be the surface manifestation of a profound social tide driven by a powerful dynamism that is reshaping Canadian economic history. The mixed or dual economy is not inert but is instead a witches' brew of intensely interactive principles of social organisation. It seems to me, what is at work in the public and private sectors of the Canadian environment is a genuine collision between ethics and economics, or between ethical principles and market principles.

This is not the first collision in our history. Long ago, the victory of a religious ethic over the mechanics of self-interest, produced an 'age of faith' in which a religious ethic dominated much of the economic activity. The industrial revolution unseated the religious ethic and provided for the rise of capitalism. Out of the victory of self-interest came Adam Smith, an economic man. Today, a new ethic, born in democracy and nurtured by an uncertain and equivocal revolution in the social and life sciences, is now taking on Adam Smith. This has significant implications for the Canadian co-operative credit sector and perhaps others.

What Canadian co-operatives must recognise is that democracy and the free market no longer have the simple collaborative relationship that prevailed in the earlier days when they represented mutually supportive reactions against the power of religion, monarchy and historically entrenched classes; they are now very uncomfortable bedfellows and the marriage is, and doubtless will continue to be, a stormy one.

The democratic ethic includes principles of equality in distribution as well as orientation to consumption, is unimpressed with incentives and is concerned with the 'average man' and his perfectability. The free market, on the other hand, is basically accumulative, organised on dominance and leadership and is a machine driven by incentive and reward. It is the antithesis of equality.

Democracy seeks a more equal distribution of income for the well-being of the majority, while capitalism depends on an unequal distribution for saving, investment and growth or, if we borrow from Charles Darwin, the survival of the fittest (and richest).

The rather obvious collision of ethics—which might be described as a conflict between democracy and economics within a free market—provides a unique opportunity for the co-operative sector to develop institutions that will preserve a vigorous competitive arena while accommodating technology and seeking social justice. It also provides an opportunity to develop a *structure that will provide a suitable home for the complex, partly competitive, partly co-operative and enormously diverse animal that is man*. Its strengthened participation in the dual economy can result in a truly mixed economy.

The Co-operative movement can be a creditable alternative to the private and state sectors. We, as Canadians, are gaining new insights into the real value of an integrated co-operative movement, perhaps brought together around one thrift and credit system for the entire co-operative sector.

From the figures I quoted earlier, I think you would agree that over the past 20 years, Co-operatives, Caisses Populaires, Credit Unions in Canada have been successful. For the first time, co-operatives in Canada are beginning to attract the attention of people in Government, business and finance, in a serious way, without a patronising air. In a sense, we can say that the Thrift and Credit Co-operative movement in Canada has arrived and that the movement is beginning to constitute a new and equal alternative to investor-owned and government enterprises.

But all of this could be very misleading since, in relation to the whole economy, co-operatives in Canada are not so important as some of us may think, and in some vital areas their significance is questioned. One of our leaders described the Canadian co-operative movement as somewhat like an old quilt or patchwork blanket: thick and well-padded here and there, but thin and even threadbare in other spots. This description should not discourage the Canadian co-operative movement, but rather challenge it.

Interdependence of the Co-operative Sector

While we have, in the Canadian co-operative movement, various systems for the different co-operative sectors—including

thrift and credit, consumer, marketing and producer co-operatives—they are becoming more integrated by support services and structure. The thrift and credit system of Canada is clearly becoming a stronger and, we might say, more 'muscular' financial arm of the general co-operative sector.

Within the thrift and credit category, organisational integration is being directed to increasing security for the individual member-depositors and to providing of more efficient financial services to the user-members.

The thrift and credit sector of Canada is affiliated at the international level to the World Council of Credit Unions, and to the International Co-operative Alliance, through the Co-operative Union of Canada. It is also a shareholder of the International Co-operative Bank. It has bilateral relations of a commercial nature with various other national thrift and credit co-operatives. It does not look at overseas markets from a colonial perspective. Rather, it views primary contacts for the foreseeable future as being accomplished through other national thrift and credit co-operatives, to assist them in raising capital for those young and emerging economies which it attempts to serve.

Through our thrift and credit system, we are a strong, viable and expanding banking institution. While our chartered banking system controls a large proportion of our economy, we have assumed and continue to assume an increasing role. This increased role is occurring not only in the area of convenient thrift and credit services, but also in co-ordinated activity in various areas of our economy, such as energy resource development, the establishment of international links with other co-operative financial institutions and generally in a greater contact with the co-operative sector.

If I might return to my earlier analogy, the leaders of Canadian credit union and other co-operative organisations today, more than ever before, are working together to ensure that the 'bare spots' in our 'quilt' are re-woven and that together we can 'blanket' Canadian society more effectively, to retain our 'warmth' as both human-oriented and business enterprises. We hold a great affection for our thrift and credit movement as a co-operative banking institution—not for what it was, though it has always been great—not for what it is, though of this we are deeply proud—but for what it can, and through the efforts of all co-operators, someday will be.

Prepared by

Confédération des Caisses Populaires et d'Economie Desjardins du Québec*

THE NEW DESJARDINS CENTRAL BANK OF QUEBEC

The New Banking Law

The Quebec Caisse Centrale Desjardins (Desjardins Central Bank) was created by a law ratified by the Quebec National Assembly on 22nd June 1979. The project had been discussed for several years, but took on a further dimension following the Canadian Government's decision to set up a Canadian Payments Association.

In August 1976, the Canadian Finance Minister filed a White Paper on banking legislation, in which were set out the main lines along which it was proposed to amend the Law on Banks. This same document also announced the setting up of a public organisation which was to rule on systems of payments and compensations to Canada, with the proposed title of "Canadian Payments Association". The plan proposed that all institutions accepting transferable deposits by cheque or orders to pay would under certain conditions be able to become members of this association. The Canadian system of payments and compensations had previously operated under the exclusive jurisdiction of the Association of Canadian Bankers.

After this White Paper was deposited, the Confederation of Desjardins People's and Savings Banks submitted a memorandum in October 1976, indicating to the government that the Desjardins People's and Savings Banks movement was in favour of the creation of the Canadian Payments Association and that the people's and economy banks wished to participate therein; they would not however consent to being subject to the obligation of maintaining statutory reserves with the Bank of Canada, as is the case for chartered banks. Furthermore, the memorandum pointed out that the thrift and credit banks were, in Quebec as in each of the other Canadian provinces, under the rule of the provincial legislations and it was their intention to remain so, thus refusing to be subject to a twofold jurisdiction.

Subsequently, the proposals of the draft law were amended in the sense indicated by us and, in September 1978, we submitted a second memorandum which, like the first, was submitted to and discussed with the Canadian Senate Committee on Banks and Trade, as well as with the Committee on

Finances, Trade and Economic Questions of the House of Commons. Our second memorandum recorded our agreement with the main lines of the new draft law, but contained an objection to us that it would be necessary to create a specific organisation which would secure our relations with this Association and, with the other participating financial institutions.

Therefore taking into consideration the functional character of the draft law on the Canadian Payments Association and our intention to become a full participant therein, it appeared to us that it would be necessary to create a specific organisation which would secure our relations with this Association and, with the other participating financial institutions.

The Desjardins Central Bank of Quebec

To attain this objective, steps were taken with the Quebec Government with a view to obtaining a special law creating this body which should enable us not only to have access to the Canadian Payments Association but also to receive deposits from the Quebec and Canadian governments and to have access to the monetary and financial markets.

In practice, this new institution, the Desjardins Central Bank of Quebec will become responsible for the payment of compensation with respect to other financial institutions. For more than 20 years now, this operation has been carried out in our name by the Provincial Bank of Canada which has become the National Bank of Canada, with which we have an agreement, the terms and conditions of which have evolved with time and in accordance with needs. The basic principle has always remained the same, so that it was the National Bank which represented the Desjardins People's Banks with the Association of Canadian Bankers, as also with the Bank of Canada, insofar as cash supplies were concerned.

It is intended that, in order to carry out this role, the new institution will maintain an account direct with the Bank of Canada for the payment of compensation and provisioning in cash of the federations, for the purpose of supplying the local people's banks.

Governmental Accounts

A second important objective is that of

*This paper was distributed but not presented owing to lack of time.

being able to receive governmental accounts with a view to achieving a better balanced management in the movement of our funds, for example, the payment of family allowances or social security old age pension cheques, a large volume of which are cashed by the banks every year.

In 1978, the People's Banks paid nearly 15,000,000 of these drafts, to an overall value of \$3,000,000,000. The campaign for the sale of Canadian savings certificates produces still more marked effects, to be seen in a net exit of funds of several tens of millions of dollars over a very short period. The obtaining of compensatory deposits by the Canadian government appears to us to be a reasonable gesture on the part of this latter with regard to the people's banks, for services rendered.

The same reasoning can be applied towards the government of Quebec province.

Monetary and Financial Markets

Concerning direct operations on the monetary and financial markets, it seems to us that this new instrument will likewise be able to avoid the use of intermediaries and will permit full participation in the issues of bonds or debentures offered by certain Quebec co-operative organisations, such as the *Coopérative Fédérée, Pêcheurs Unis, the Fédération des Magasins Co-op*, etc. . .

Organisation

According to its constitutive law, the Desjardins Central Bank of Quebec can be defined as the financial instrument of the Desjardins People's and Savings Banks Movement as a whole. It is indeed directly controlled by the Board of Directors of the Confederation, the members of which constitute the general assembly. Its Board of Management, consisting of 15 persons, is consequently selected from among the directors of the Confederation.

At the financial level, since the Quebec Central Bank has been entrusted with administering the portfolio of primary liquidity of the totality of the people's and economy banks affiliated to the various federations making up the Confederation, it will, within the coming months, assemble a copious portfolio in the form of company capital subscribed and paid up by the federations in the name of their affiliated banks. The decisions taken up to the present indicate that this basic portfolio will amount to around 400 million dollars by the middle of the year 1982.

To this basic capital will be added, in funds finally available, the operational accounts of

the federations and institutions of the movement, and the accounts of other members as well as the accounts of government or other bodies.

Participation in the Canadian Payments Association

As the new banking law has now been in force since 1st December, 1980, the Canadian Payments Association is legally in existence as from that date. Provisions have been made for the structuring of this association and for the exercising of the jurisdiction it will have during the year 1981.

The Quebec *Caisse Centrale Desjardins* will become a member of this association in its capacity of financial agent, with the responsibility of guaranteeing to the other participants of the Canadian payments system the transactions drawn on the People's and Savings Banks, and of carrying out with them the daily compensation payments.

As to the transactions on monetary and financial markets outside Canada, these should normally be started up in the course of the year, and there are grounds for presuming that they can be carried out in a privileged way through the banks and other central co-operative organisations of the various countries with which it will be possible to establish relations.

Conclusion

Summing up, in pursuance of the objectives assigned to the Quebec Desjardins Central Bank, i.e.:

1. the creation and management of a liquidity fund for the settlement of payment instruments and for other purposes connected with compensation and with our participation in the Canadian Payments Association;
2. the constitution of a reservoir of capital, mainly for the purpose of providing for concerted action by its members in the loan and investment fields;
3. to represent its members with financial, administrative and business organisations when any financial question or operation is to be dealt with; and
4. to take part in financial syndicates for the acquisition or sale of public or private loan certificates,

the Central Bank will constitute an important element for the support and continuity in development of the Desjardins People's and Economy banks and for the quality of the services these latter will provide for their local communities and for the Quebec community in general.

France

Presented by

Louis OGER

President

Fédération du Crédit Mutuel, France

First a few figures: in 1981 the *Crédit Mutuel* in France has:

- over 64 billion francs in deposits, as against 7.95 billion in 1970;
- over 38 billion francs in loans, as against 5.4 billion in 1970;
- 3,082 local branches, organised in 31 regional federations;
- 40,000 elected voluntary officials;
- 15,000 salaried personnel, as against 2,440 in 1967.

The *Crédit Mutuel* is today the sixth largest French bank.

This growth, which has propelled us sharply from the shadows into the bright sunlight—as our national chairman Mr Theo Braun poetically expresses it—probably accounts for the internal and external problems which we are currently experiencing.

Relations with the Government

Although *Crédit Mutuel* began in France around 1880, its legal existence was recognised only some twenty years ago. On 16th October 1958 our banks became full members of the French banking system, through a government order which granted them status as co-operative societies with variable capital (under the Law of 10th September 1947) as well as special legal status as banks (under the Law of 13-14 January 1941, concerning the regulation and organisation of the banking profession).

This legal recognition was the work of the then newly created *Confédération Nationale du Crédit Mutuel*, which gave our banks a national voice and a recognised representative body.

According to the 1958 Order, the National Confederation was granted the status of a public utility undertaking: it holds its power from the government and is responsible for enforcing current regulations. It acts as coordinator of our 21 regional federations.

The Order specified that:

- (1) The Minister of Finance should appoint a government representative to the National Confederation.
- (2) The banks should be subject to audit by

the Department of the Inspector-General of Finance (but this power was delegated by the Department to the Confederation, which in turn delegated it to the regional federations).

- (3) The Minister of Finance may extend to the banks the rulings, duly adapted if necessary, of the National Credit Council, the body which controls the French banking system. It should be remembered that since 1967 a representative of the National Confederation (which is currently its Chairman, Mr Theo Braun) has held a seat on the National Credit Council.

So officially we can claim to be independent of the government, which does not interfere directly with our organisation. Neither is it a case of tutelage, but rather of a delegation of authority. But although we may today assert our freedom vis-a-vis the State, we must face the fact that, with current financial policies, this freedom may be not only relative but precarious. The 1947 law governing co-operative status contains no specific provision for thrift and credit co-operatives, and close examination shows that we have no legal basis within the banking world. This is a very precarious situation which means that our distinctive position, as a mutualist banking institution, is dependent on the goodwill, to say the least, of government authority.

To simplify, the attitude of the State appears to oscillate between two extremes:

- the recognition of our function, under the pressure of facts and of public opinion;
- a more or less overt restriction of our development (through administrative and economic regulations) under the pressure of unfavourable economic factors.

We believe that the banking field can be seen as divided into three sectors: public and nationalised, capitalist, and co-operative. We must now get this idea accepted: the *Crédit Mutuel* aspires to play a key role within a pluralist economy. But that assumes the effective recognition of its specific function as a social bank.

We also know that the constraints under which we work—direct constraints deter-

mined by the public authorities for so-called economic reasons, and indirect constraints due to a very competitive banking sector—are in fact a challenge to our independence: all our senior executives are aware of this challenge, or even threat. They all know that in order to surmount the current difficulties, they must remain strong and united to preserve the independence of the co-operative mutualist institution; otherwise public authority, under the pretext of providing support, will impose its own rule. This is a choice that the organisation has already faced earlier in its history: in 1899 it refused assistance from the State, with its counterpart tutelage.

Deposit Guarantee

Overall, the *Crédit Mutuel*, as a socio-economic organisation, intends to remain true to its vocation of human development:

- by developing its activities as a Bank to serve individuals and families;
- by financing investments of local and regional authorities;
- by providing a complete service for household budget accounts;
- by extending its consultancy activities.

We have reached a stage of development and power at which we might consider intervening in the areas of industry and commerce. Considering today's troubled economic situation, we must proceed very prudently, and first provide our staff with any necessary training.

A number of additional points are receiving our consideration, particularly management and our deposits structure.

The expansion of *Crédit Mutuel* is largely due to one specific item, a savings account book which we call the "Blue Book". Today it would be rash to follow such a one-product policy—impossible, in any case, owing to external strains, which would render us very vulnerable.

There is another priority for *Crédit Mutuel*, our "own funds" policy, since our financial safety and independence depend mainly upon the level of our own funds, which are themselves determined by our profit margin.

We have discussed another possibility of increasing our own funds, which would produce not inconsiderable amounts: share subscriptions by our members. This is a very debatable subject. Several of our federations already follow a systematic subscription policy and the results are proving satisfactory, but a number of questions remain to be solved—the amount of the share, the number to be owned by any one shareholder, etc.

Actually the question of co-operative shares (*parts sociales*) is closely linked with our movement's ethics: the building up of own funds by increasing reserves would free us from the necessity of having a larger registered capital. The organisation should belong to its members, not to the banking enterprise.

The organisation is also concerned with protecting the buying power of deposits. The poor and the weak have always needed someone to protect them. Our organisation intends to be the spokesman of the small savers, who are always the first victims of soaring inflation. In our banks, a member is not a mere borrower or a mere saver: he/she is a partner, a co-operator, and the one must not become the victim of the other.

The Effects of Computerisation

The development of our organisation will depend, as a whole, on rationalisation. New technologies, such as data processing and teleprocessing, will play a vital role.

Data processing looks frightening indeed, in an organisation such as ours where human relations are of high importance, but the banking sector has used computers for more than 20 years. This trend will grow during the coming decade. Some people believe that without increased computerisation, banks could not remain operational.

What are the factors which favour increased computerisation of our activities? First, technology itself, which will make a number of devices available, either for transmission of data (networks) or to automate various office activities (desk-machines); secondly, the increased needs of the banks' clients (their numbers are unlikely to increase, having reached saturation point).

When we reach that stage, there will be a demand for more information, more direct management of accounts, wider access to credit, more rapid services; customers will want to compare the services offered by various banks.

And lastly, a factor closely linked with the structure and internal operation of the bank—the need to increase the productivity of certain activities without increasing operating costs (i.e. staff). The pyramid which at present depicts the staff structure within the bank would thus tend to be inverted: in the long run there would be more executives than employees.

Technological evolution will lead to various changes within the banking organisation itself: traditional banks will survive, but will only

deal with delicate and complex transactions and act as consultants; banking flow will be modified as automatic bank-counters appear in public places (railway stations, public buildings) and even in the home where ordinary transactions will be carried out using a television screen. This could lead eventually to a regrouping of branches as customer proximity will lose its previous importance. Since our main interest is the private client, great care will have to be taken in this field.

Relations between banks will also be affected. This can already be seen in the current research on new payment methods such as magnetic cards, and the possibility of electronic credit cards with built-in microprocessors; use of the latter will necessitate agreement within the banking sector.

Finally, concerning staffing, the new technologies will free a large number of employees. Certain categories of staff may be re-oriented towards more "commercial" duties, but we must be aware that such transfers may not always be possible.

In addition, technological evolution will totally alter our relations with the membership, which is not its least important aspect.

Computerisation in our banks must be an instrument of freedom, for getting rid of tedious tasks, improving management, information and the quality of services. But the computer must not become our gaoler.

Bearing in mind the above, we shall need:

- to control costs, knowing the large sums involved;
- to instal a homogeneous system, with the necessary controls, instead of tinkering with the existing system;
- not to remain isolated insofar as procedure research and implementation is concerned;
- to guard against political risks—the new technologies, if misused, could reinforce certain centralist tendencies.

However, I believe that, faced with this irreversible revolution, co-operatives have their own specific assets:

- (1) an ability to adapt, greater than that of other sectors;
- (2) the care we have traditionally devoted to training our staff, which has provided us with methods and experience which

should enable us to master this new tool faster and more efficiently;

- (3) our philosophy and ethics, which should make us less technocratic in our approach—it would be dangerous to use computerisation purely for its economic benefits and neglect its social and cultural impact.

We still have enough time ahead of us, to adopt an intelligent and clearcut approach.

Preserving the Co-operative Spirit

Today our organisation, like many other co-operatives, is facing what Dr. Laidlaw, in his paper on "Co-operatives in the year 2000", called an ideological crisis.

The size of our business enterprise with its increasingly complex banking techniques on the one hand, and the growing membership on the other, is causing our organisation to lose some of its specific features. However I personally do not believe that this modification of our ideology is so complete and permanent as has been asserted, and as some people fear.

However we must be careful.

- We must strive that the centrifugal force of the business enterprise does not take everything else with it.

The power must remain with the elected representatives, enforced or reinforced if necessary by new structures. Our enterprises must not become diluted forms of capitalism, self-managed by their executives, but must belong to their members through their representatives. This not only respects the original motives for our very existence, but is also the only way of safeguarding our independence from the State, since it is not so easy to take over wealth that belongs to people.

- We must strive to motivate our employees with our specificity, since it is through them that it will reach our members. Such motivation is not easy.

- We must strive to involve our members more deeply, to extend their participation in our democracy.

And what is true today will be even truer tomorrow when new technologies are implemented which may again raise the question of proximity.

I am now through with this long speech. India awaits us, the land of wisdom and mystery.

My aim has not been to present the *Crédit Mutuel* as a perfect model, but rather for purposes of comparison, to clarify our views on problems that we shall all have to face some day, and which I am sure we shall solve with determination. We have an obligation to History, to those who have entrusted us with the leadership of our organisations, and to those to whom we shall bequeath them.

Presented by

Andre CHOMEL

Crédit Coopératif, France

The International Liaison Committee on Co-operative Thrift and Credit submitted to its members several subjects for consideration:

- data processing and deposit guarantees;
- preserving the co-operative spirit through member education;
- relations with the State;
- bilateral relations between Thrift and Credit Co-operatives in different continents;
- collaboration between co-operatives to increase solidarity and guarantee deposits.

Two of these subjects would seem to be essential concerns of *Crédit Coopératif* for they touch closely at one and the same time upon its status and its vocation: they are **Relations with the State** and **Collaboration between Co-operatives**. These questions are also the concern in France of the *Crédit Agricole*, the *Crédit Mutuel* and the *Banques Populaires* as was shown by their last Congress, and find echoes in the discussions of many co-operative movements outside France.

1. THRIFT AND CREDIT CO-OPERATIVES AND THE STATE

There is a paradox between the nature of co-operatives – which is to act out of spontaneity – and the strong links established in both advanced and Third World countries between Thrift and Credit Co-operatives and the State.

Credit Co-operatives came into being on the initiative of groups of individuals in France, Germany and Italy who, in the 19th century gathered together locally to lend each other money. The local co-operative banks sprang spontaneously into being, separate from the regular banking system which dealt only with a privileged minority, to put up a struggle against the usury practised in both rural and urban settings. Born of “need and solidarity”, credit co-operatives originally held a position of independence with respect to the State which at that time affected to be liberal. But modern society has evolved in such a way as to prevent them from continuing to exist in such splendid isolation.

Credit co-operatives have taken on increasing economic importance in most industrialised countries: the French *Crédit Agricole* is today the largest bank in the world.

State intervention in economic and social life has increased. In several Third World countries the State has stimulated or strongly encouraged the creation of co-operative financial bodies, as part and parcel of its development policy. The desire of co-operatives to remain independent vis-a-vis the State must take into account the relations which have inevitably grown up between the two forces.

The Nature of the Relations between Credit Co-operatives and the State

These relations reflect the fact that credit activities are bound by strict rules, and that they are a public service. The activities of thrift and credit co-operatives fit into a *twofold legal framework* that relates at one and the same time to their status as both bank and co-operative.

In all advanced countries the State exercises *close control over banks*. The banking system's creation of credit is a basic tool of economic policy. Thus governments have progressively set up a whole network of controls and regulations to control the monetary system, and closely watch the distribution of credit because of the size of the institutions and the repercussions their failure would have on economic activity. It is of course essential to preserve and protect customers' deposits which could be endangered by high-risk investment. These rules apply to co-operative banks as well as to other banks.

But co-operatives constitute a type of institution which is *different from the classic private institution*. Credit co-operatives intervene in sectors which ordinary banks had given up, and the legislation affecting them relates to their particular mission to further the development of co-operative agriculture, small industry etc.

Because of the very specificity of the sectors with which credit co-operatives deal, the State often relies on them for certain *public services*. They constitute a tool of the State's economic and social policy concerning private in-

dividuals or small and medium-size enterprises, or may be used to facilitate the creation of agricultural or production co-operatives.

As a counterpart to arrangements favouring the collection of its resources, the French *Crédit Mutuel* has incurred the specific obligation of financing local authorities. Concerning small and medium enterprises and handicrafts, the *Banques Populaires* distribute a certain amount of social credit on behalf of the State; they also control mutual guarantee companies, the State assuming trusteeship of the Professional Association of the Banks. (Cf. Papers presented by the *Crédit Mutuel* and the *Banques Populaires*.)

State aid to co-operatives has not always been channelled through co-operative banks. In some cases the State originally entrusted the management of its assistance projects to public bodies, among which the co-operatives were eventually included due to force of circumstances. The French Law of 5th August 1920 ended direct management by the State of aid to agricultural co-operatives, turning them over to a public body, the *Caisse Nationale de Crédit Agricole* (National Bank for Agricultural Credit), which is supported by a co-operative network of local and regional branches of *Crédit Agricole*. It acts as a medium for the distribution of interest bonuses to farmers through the regional banks.

In the **United States** the National Consumers Co-operative Bank set up in 1978 is a public institution to support co-operative development. The government endowed it with a capital of 100 million dollars, which sum should reach 300 million dollars in the near future. The Bank will gradually transform itself into a credit co-operative; the co-operatives will eventually designate all the members of its Board of Directors, when they have bought up the whole of the capital.

In **Quebec** the State has set up a financial body to promote co-operation, the *Société de Développement Coopératif* (SDC), composed of representatives of the co-operative movement (which has a majority vote on its governing bodies) and of government representatives. Its function is to distribute State aid to non-agricultural co-operatives.

In **France** the *Caisse Centrale de Crédit Coopératif* (set up by legal decree of 17th June 1938) is a semi-public body with a special legal status, constituted as a co-operative union whose capital is held by its users who are represented in all its proceedings. The public authorities were concerned to "co-operativise"

the *Caisse* while retaining the State as trustee of its operations; the State would also appoint its Directors. The aim of *Crédit Coopératif* is to contribute to the financing in particular of non-agricultural co-operatives (workers' productive, consumer, retail, low-cost housing, artisanal, etc.) for which it receives resources from public funds (from the Fund for Economic and Social Development – FDES), from private funds (bond issues with state-guaranteed premiums) and from the savings of its clients.

In the same way the French public authorities have, since the beginning of the century, supported the setting up of similar bodies, the Regional Banks for Maritime Credit, to further the development of artisanal maritime co-operatives. The governing bodies of the banks consist of representatives of artisanal fisheries. Representatives of these Banks take part in the work of the International Liaison Committee as members of the Credit Co-operative Union.

In **Great Britain** the executive members of the Co-operative Development Agency are appointed by the government as the Agency is entirely State-funded.

Development of Thrift and Credit Co-operatives

Co-operative banks have gradually become important in most countries for two reasons: first, many of them have developed their activities to such an extent that they now occupy an important place in the banking system; their share of the market in the collection of resources as well as the distribution of credit in the economy is of the order of 30% in France; the Rabobank is the most important bank in the Netherlands. Also, since the older methods of controlling the economy have been abandoned in most countries, the co-operative banks have reached a position where State assistance represents only a minor factor in their development. Certainly, historically speaking, State assistance (in the form of allowances, fiscal advantages) contributed to the widespread development of credit co-operation, but this assistance had its counterpart in specific obligations imposed on credit co-operatives.

Endowment of *Crédit Coopératif* from public funds has diminished considerably in the past few years, and its resources now derive essentially from bond issues and the savings of its members. In addition its field of activity has extended to cover the whole social economy (associations and mutuals as well as co-operatives).

In reality, the effectiveness of the co-operative banks today lies essentially in the principles which guide them – pooling of users' credit and guarantees, democratic management, non-profit making goal – and not on the assistance (often considerably reduced) which they distribute on behalf of the State.

Thus Mr. Costabel stated at the General Assembly of the National Federation of Agricultural Credit held in October 1980, that the Federation's surplus of 900 million francs was due, not to State assistance but to its efficiency and that of its local and regional banks.

The same is happening in some of the developing countries. While in most Third World countries thrift and credit co-operatives do receive State assistance and are subject to strict controls in furthering a development policy, in certain countries co-operative credit institutions, by increased mobilisation of their members' savings, progressively supplement State aid. Relations between thrift and credit co-operatives and the State are, therefore changing considerably in both the industrialised countries and some of the developing countries.

The current situation, especially in France, is a contradictory one and a source of conflict because administrative controls which were designed for institutions in their early stages continue to be imposed on major banks. In fact, older public institutions have become very close to co-operative banks insofar as their functioning is concerned.

Development in the collection of resources, technical proficiency and expertise, and a thorough knowledge of the sectors in which credit co-operatives are active, should make it possible to have purely contractual relations with the State.

Towards greater Independence

This evolution towards greater independence vis-a-vis the State would appear logical but has encountered various obstacles.

The principal one is the administrative tradition, which is particularly strong in France, of failing to relinquish powers held by the State even when the reason for these powers has ceased to exist. The officers of *Crédit Agricole* decry the "anachronistic status" of their National Bank and "the State presence" in its management. The law on which the American co-operative bank was based, on the contrary provided for a development period after which the co-operative

movements would take over the bank's capital and consequently its control.

However, account must also be taken of the position of certain members of the co-operative banks, who fear that a loosening of ties with the State will lose them the management of such State assistance as they still hold, and which is still of incontestable advantage in the economic and social field. State aid irrigates a large part of the economy and assists its development and its adjustment to a constantly changing environment.

It is therefore legitimate that the public authorities should participate particularly in the advancement of co-operatives and, more broadly, of the social economy "since their management criteria and their participation are important elements, on the one hand in maintaining a competitive market, through their fight against concentration of capital and power, and on the other, through the strengthening of the very fibre of the democratic institutions necessary for the safeguarding of freedom and the autonomy of the citizen" (Jean Lacroix) and whose initiative is responsible for creating jobs.

A reform in certain of the State's methods of intervention could lead to the transfer to voluntary autonomous associations, of some of the activities which the State does badly, and thus to the "co-operativisation" of the State.

Recent experience in the installation of a financial mechanism to provide assistance for co-operative development, in the USA, the UK, and the Netherlands, has shown the need for State aid in this field.

Dispensing with doctrinal ideas and the purely legal analysis of various (often complex) situations, it is obvious that it is possible to reconcile the two aims of greater independence for thrift and credit co-operatives, and the maintenance of public aid, within a contractual framework. In this way the co-operative banks would achieve full working autonomy, limited only by the existence of a specific statute relating to their rights as companies, and by the constraints of monetary policies which would apply to them as well as to the whole banking system. By means of agreements with the State, they would find themselves responsible, under very precise conditions, for the management of financial aid on behalf of the State. This reform, which the co-operative movements find desirable, would lead to a new balance of power.

In France an advisory committee has been set up to propose new conditions governing

the relations between *Crédit Agricole* and the State. The contractual solution envisaged must deal in particular with two difficult problems:

- (1) the fact that management of public assistance on behalf of the State is by no means neutral as far as banks are concerned, since it enables them to profit from "call funds" whose "long-range effects" must be assessed and corrected;
- (2) the limits imposed by governments on the activities of co-operative banks as counterpart to the advantages they receive. This is an important part of the debate opened between the State and credit co-operatives. It is obvious that, in France, the power acquired by *Crédit Agricole* has enabled it to extend beyond the field of agriculture and towards the cities; the growth of *Crédit Mutuel* has led it to intervene, more discreetly and by means of its banks, in the industrial and commercial sector,

although its original activities were confined to individuals.

Thrift and credit co-operatives, while remaining autonomous with respect to the State, can distribute public aid under the best possible conditions, due to the following:

- their mutualist character, in which users are involved in the management of the organisation within a framework of participative financial solidarity;
- the professional specialisation of most of them (artisanal, agricultural, social economy, etc.);
- their strong tendency to decentralisation (local and regional banks, or regional departments).

In the general context of the debate on the sometimes meddlesome nature of State interventionism, a concern for efficiency ought to lead the public authorities to endorse a change under which thrift and credit co-operatives have demonstrated their capacity to handle full responsibility.

II. COLLABORATION BETWEEN CO-OPERATIVES FOR INCREASED SOLIDARITY AND THE GUARANTEEING OF DEPOSITS

The General Problems of Thrift and Credit Co-operatives

Primary thrift and credit co-operatives (geographic or professional) must collaborate to avoid difficulties in connection with both credit (distribution and quality of the risks involved) and resources (security and liquidity).

Geographically speaking, the *Crédit Mutuel* banks, limited to a town, a small area, or a homogeneous group, — and the *Crédit Agricole* local banks, are heavily dependent on the regional situation

Professionally speaking, extreme specialisation in one sector (maritime fishing or agriculture, for example) makes the credit co-operative largely vulnerable to the uncertainty of the factors affecting that sector.

On the question of exceptional risks, there are two problems: the impossibility of correctly evaluating an exceptional risk, and the impossibility of a single bank taking on too great a risk.

The remedy to these problems is financial federation.

Thus 3,000 cantonal banks of *Crédit*

Agricole are federated into 94 regional co-operative banks which are the operational cells of the organisation. At the top is the *Crédit Agricole* National Bank which combines the resources and distributes the funds collected in the form of advances to the regional banks and the *Crédit Agricole* National Federation formed by the regional banks.

For the *Banques Populaires*, their Central Bank and their Professional Association carry out the same function with respect to their Regional Banks and Mutual Security Associations (see Report submitted by the *Banques Populaires*).

A strong federal body representing, by virtue of the principle of subsidiarity, the primary banks makes possible a general policy for the whole organisation and the operation of mechanisms indispensable for the guaranteeing of deposits.

The Problem of Risks in connection with Non-Financial Co-operatives

This problem is more specifically the concern of institutions whose job is to help

finance other co-operatives, such as thrift and credit co-operatives totally or partially involved with agriculture, or an institution such as the *Crédit Coopératif* in the non-agricultural sector. The problem has two aspects: collaboration between different types of co-operative, and between the same type of co-operative.

The originality of *Crédit Coopératif* in France lies in its inter-cooperative nature: its members belong to co-operative movements of various professional sectors (workers' productive, consumer, retail, low income housing, maritime, etc.) and, more broadly, to social economy bodies (associations, mutuals, etc.).

The very diversity of its membership permits the *Crédit Coopératif* to divide its risks and thus to protect itself in advance against hazards arising from too great a concentration in a single sector. It also helps to even out the differences in the position of the various sectors. Lastly the *Crédit Coopératif* is in a position to play a predominant role in ensuring financial complementarity within the social economy between those components which have financial reserves available and those which, by the nature of their activities, require capital.

Crédit Agricole on the other hand finances the agricultural co-operatives as a whole (grain, dairy, fruit and vegetables, meat, sugar, wine, etc.); it has also diversified its activities through expansion in the field of agro-alimentary industries, in the whole rural area (notably handicrafts), and in strengthening its international position.

Concerning collaboration between co-operatives of the same type, the co-operative bank must work in close association with the national organisations that regroup co-operatives by sector. *Crédit Coopératif*, by very reason of its status as a credit co-operative, made every effort to devise modes of action in this spirit, which assume two forms: the co-operative framework, and financial assistance.

The co-operative framework derives from the idea that a national federation comprising various types of co-operative must provide a framework that will enable its members to effectively achieve their economic and social goals while respecting their autonomy. Such a framework has two basic components:

- financial auditing: an independent body at federation level regularly and systematically analyses the co-operative's management;

- technical assistance: the federation sets up an assistance section, which includes high-level experts familiar with the technical and financial problems of the co-operative of a given sector and able to help each of its members solve difficult problems or draw up development plans.

These two tools are a concrete illustration of co-operative solidarity, since they emanate from the federation and they are financed by all its members according to their means and not their use of the services. In this way the large prosperous co-operatives can contribute to helping those which are smaller or less prosperous.

The co-operative framework therefore constitutes an important element of co-operative specificity, of which any analysis must take account: it provides for an evaluation of the risk element very different indeed from that of the classical banker, primarily due to the involvement of democratically elected representatives of the prospective borrower's own movement.

But the framework takes its importance from the financial assistance contributed by each movement, which may assume two entirely different forms:

- the contribution of an organisation's own funds;
- the mutual guarantee of medium- and long-term risks.

Some co-operative movements (workers productive, maritime) have set up growth funds which they manage, supplied by members' subscriptions and used to buy participation in co-operatives which need money. Such participation is generally seen as temporary, until either the co-operative is in a position to repay the assistance received, or it fails – in which case the money is lost.

Such participation can also take the form of advances to members.

The use of the foregoing is often indispensable to the co-operative banker since it makes possible a financial plan involving a well-balanced use of capital and borrowing.

The second case involving a mutual guarantee is extensively used in France in various socio-professional categories: the mechanism varies.

Within the co-operative framework, the mutual guarantee is a form of technical assistance. It is only used, therefore, when the risk covered is the result of an operation sanctioned by the federal bodies. This concerns two non-agricultural co-operative sec-

tors which do not have a structure of participation in own funds: (1) social housing; (2) consumer co-operation, which does have a system of internal participation.

In the agricultural and maritime sectors, respectively the *Crédit Agricole* and *Crédit*

Maritime have set up mutual guarantee systems, regionally as well as nationally, which provide for mutualisation of risks between the regional banks. These two organisations also act as advisers to co-operatives.

Solidarity, the basis of all co-operative institutions, has made it possible in the financial field to put into operation efficient means of guaranteeing depositors within the various movements, although solidarity between the movements remains limited.

The specialisation of co-operative credit institutions should be maintained, since it facilitates risk evaluation. But the changes which have led thrift and credit co-operatives to organise federally in order to share risks and diversify resources must continue to evolve, in a context in which banking structures in Europe and throughout the world are becoming concentrated and internationalised.

The complementarity of thrift and credit co-operatives, both on the national level (taking into account the diversity of each of their memberships) and internationally, should encourage closer links between their federal and central organisations.

Presented by

J. P. MIEGE

General Manager

Banque Centrale des Coopératives et des Mutuelles, France

CO-OPERATIVE RISKS AND SOLIDARITY IN CONSUMERS' CO-OPERATIVES IN FRANCE

In France, as in other European countries, the Consumers' Co-operative Movement had its origins in the industrial development taking place at the end of the XIXth century. Since that time thousands of co-operatives, spontaneously created by consumers in industrial and rural regions for the protection of their purchasing power in essential goods, have progressively consolidated so that today they form a Group of 20 large regional societies supported, at the National level, by central organisations: federative, commercial or industrial, and financial.

In an ever-increasingly strong and competitive environment, French Consumers' Co-operatives during the last ten years have entered upon a phase of vigorous development accompanied by modernisation of their older shops and of their wholesale services (warehouses and transport). This expansion phase, which followed a long period of reasonably anxiety-free stability, has had a salutary influence on our Co-operative Movement, which has been able to maintain its share of more than 3% of the French distribution market, a rate which appears to be rather low but which ranks us second among the large

French distribution groups, with a consolidated turnover figure in 1980 of 22 billion francs.

The sales apparatus managed by the regional societies – a total of 6,700 sales points – is very diversified, ranging from small travelling shops serving the countryside to large hypermarkets (40), and comprising supermarkets (330) and department stores (55). In addition COOP-FRANCE carries out, through its commercial centre, considerable production activities, manufacturing more than 150 products under its own brand name in 14 factories.

During this stage of development, the regional co-operatives had to face up to an intensive investment pattern (around 2% of the turnover figure on the average, over several years), for which their traditional financial resources – based on auto-financing and the recruiting of members' savings – did not suffice. At the same time, working margins became smaller, due mainly to competition and the business situation, lowering the societies' financing capacity. Whereas, prior to 1970, net auto-financing covered about 80% of needs, this figure has been reduced to less

than 50% during the last five years. Regional co-operatives have therefore sought the Group's support for the financing they lacked, all the more so as a French Law of 1972, restricting the recruitment of public savings, further reduced the resources they were able to procure from their members.

The support of the central organisations and the solidarity of the Group is made even more essential by the fact that certain regional societies, as well as one central organisation, have not come through their growing phase well and have, for several years, been going through a period of difficulty, illustrated in most cases by a (temporary) negative balance and an unbalanced financial situation.

To provide these organisations with all possible means for recovery, the national authorities of the Co-operative Movement have set up methods and procedures as follows:

- to provide logistic support at the “mastery of risk” and “management for recovery” level;
- to consolidate the financial situation from the standpoint of assistance, and of guarantees to external lenders;
- and, where necessary, to make up deficiencies in vital expansion investments which the society is unable to take on for the moment.

Logistic Support for Management

This is most often provided in the case of insufficiency or weakness of the human structures available in the society, and takes the form of a management and assistance contract concluded between the latter's Board of Directors and the specialised central organisation. Appropriate human resources are provided in the co-operative, in agreement with and under the close control of the National Management Society, along with a procedure generally comprising four successive phases:

- a thorough analysis of the causes that have led to the deterioration;
- the drawing up of a recovery plan;
- the putting into operation of means for this plan;
- the following up and supervision of its execution, with application of corrective measures.

Thus the society is placed under the “management guardianship” of a central organisation, an essential condition before it can receive financial and technical support from the

Group and take advantage of the latter's joint guarantee.

Consolidation of Financial Structures

The benefit of these measures usually originates in the preceding phase for, very often, a regional society in difficulties is obliged to call upon the support of the Co-operative Movement under the pressure of a financial situation that has deteriorated to a point where it is no longer possible to find the means for recovery, or even the continuation of its activities.

Within this context, the *Banque Centrale des Coopératives et des Mutuelles*, the Co-operative Movement's Banking Organisation, plays a determining role: in addition to its usual position as banking leader of each regional society, in which capacity it grants the normal short- and medium-term operating credits, it takes the initiative – within the scope of the recovery plan set up – for certain specific financial arrangements (short-term relay credits or consolidation credits), either with other bankers external to the Society, or with other specialised bodies of the Group. Thus, the lease-credit societies created by the Co-operative Movement can intervene primarily at the real estate and equipment investment level, by either direct leasing or lease-back, when the Co-operatives' level of indebtedness, as compared with its real estate assets and as compared with its own net funds, reaches a maximum threshold.

For the guaranteeing of these leasing operations as well as of the consolidation credits granted by the banks, a national co-operative guarantee body, the *Bureau de Cautionnement Coopératif* (B.C.C.), then intervenes, whose capacity is represented by a large initial capital and by a collective endowment fund built up from the annual contributions of the whole Group. The B.C.C. provides lenders with an undertaking by signature on the debt in capital, or on the satisfactory termination of rents in the case of lease-credit.

In the event of a co-operative society's own funds having been encroached upon through deficient management – fortunately an extreme and very rare case – the intervention of another appropriate body the *Caisse de Garantie des Coopératives de France* (C.G.C.F.), may be necessary. This is carried out in the form of a *participative loan* to the society, a sort of long-term credit which can be assimilated into own funds without conferring the same rights as the registered capital, and remuneration for which is in part charged to the balance of contingent

profits. It can also take the form of a temporary purchase of fixed assets (the co-operative shares of the group for example), for the purpose of reviving the beneficiary's cash position and providing it with fresh borrowing capacity through the improvement of its financial working capital.

The C.G.C.F. is also funded through a system of annual contributions based on the turnover figures of the regional societies and the central organisations. It should be noted that in the present period of high rates, the C.G.C.F. sometimes grants interest allowances on long-term loans to societies in difficulties, so as to reduce the effect of the financial costs on their management expenses.

Staging Relays of Expansion Investments

Apart from the assistance and support system developed by the national co-operative structures, it may happen that a regional society has on its files one or more large investment projects (such as a shopping centre) which it is unable to put into execution because it lacks the technical means or the necessary financial resources.

If the opportunity is a really good one, on account either of the co-operative nature of the site or the expected profitability of the operation, then the Group will take charge of the whole project through a specialised subsidiary, the *Union Coopérative de Supermarchés* (U.C.S.M.), which will carry out the research and implementation, provide the financing and be responsible for management after the opening of the centre, in place of the original society.

In certain cases, a contract between the

U.C.S.M. and the local society will provide for the eventuality and conditions of the subsequent return of the venture, once launched, to the local society, if in the meantime it has become capable of managing such a unit. Five such large shopping centres are today in operation under the U.C.S.M.'s management under this formula. The financial arrangements for such operations call for the same type of intervention as those for the financing of regional societies, involving the Group's banking, guarantee and lease-credit partners, but the risk is shifted to the national level and assumed by the entire Co-operative Movement as shareholder of the U.C.S.M. subsidiary.

This very efficacious structure has been particularly useful for the development of a co-operative presence in urban zones where it was previously lacking.

The manifestation of solidarity and the mastering of collective risks in the French Co-operative Movement, and its unity in face of a hostile environment, are not therefore an empty abstraction. Under the constant stimulus of their policy bodies, in particular the National Congress, the regional co-operatives have gradually come to understand the advantages of collective security, and have provided themselves with the structures and procedures that have made it a reality.

Nevertheless, in a field of such complexity, it would not be possible to ensure the essential co-ordination of the whole structure without a *strong Executive Committee* to give expression to the vitality of this democratically affirmed determination, and a *co-ordinating supervisory body* in which the actual beneficiaries of the system participate.

Presented by

Jean DESVERGNES*

Banques Populaires, France

BANK ?—OR CO-OPERATIVE BANK ?

The satisfaction of our members' needs under the most favourable conditions is clearly the very basis and reason for existence of our co-operatives, as it is for all co-operatives.

The most serious difficulty we encounter is

that of reconciling the technical means of providing this satisfaction, with the purely co-operative requirements of democratic expression by our members and the preservation of the co-operative spirit.

This is particularly true in the case of thrift

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and credit co-operatives, particularly at the present time of rapid economic and technical change.

We believe that the necessary adaptation, the meeting point between the two apparently contradictory requirements of a successful bank and a genuinely co-operative movement, is not something which is natural and almost automatic but rather the result of continuing vigilance and conscious actions.

We believe that it is no more possible to avoid being in the lead as regards development of our banking tools, their reliability and their results, than it is to sacrifice the principles that are the very basis of our co-operative existence.

Co-operative Banking Institutions and Technological Change

It might be thought at first sight that our worries concerning the technical aspects of banking are the same as those of our competitors in the profit-making sector, but this ignores certain facts.

First of all, we certainly wish to provide the best products and the best services for our members, and this requires a banking tool that operates perfectly as well as strict management. But at this technical level we also start off with a certain number of inherent handicaps which may affect our costs.

The first of these handicaps – the most obvious and the least serious – is the actual cost of our co-operative activities: members' meetings, provision of information to members, the operation of elected bodies, etc. – all of which give rise to expenses which do not exist in other types of credit institution. The same applies to the additional expenses due to decentralisation.

The second and more serious handicap is the generally modest level of our client-members: it is obviously more costly to manage ten deposit accounts or loans totalling a certain amount, than to manage the same amount represented by a single deposit or loan.

The above may appear obvious, but it would be dangerous to ignore it when determining policies and the means of implementing them, especially at the present time when a data-processing and telematic technological revolution is under way.

We must provide ourselves, as rapidly and as fully as other institutions, with the new information and communication resources. This requires that we find the necessary compromise between autonomy of our structures and the group cohesion essential for full efficiency – I was going to say profitability.

This is a characteristic example of how technical requirements may have a direct influence on co-operative action in one or other of its fundamental aspects – in this case the federal aspect.

The problem was not born with the arrival of electronic data-processing; it has existed since the founding of the first co-operative. It is simply that the acceleration of technological change – concurrently with the accentuation of mass phenomena – has made it more acute and more immediate.

We must therefore continue the fight – not so much for the co-existence of a perfect banking tool and a genuinely co-operative movement, but rather for a perfect banking tool at the service of the co-operative movement.

Such is the direction of the efforts being waged by the *Groupe des Banques Populaires* for "Co-operative Renewal" and the promotion of its members.

Member Participation

It is not possible to remain abstract in this field, or to confine oneself to pious wishes. Participation is not a natural instinctive attitude for the large majority of our members, and we cannot in the short and medium term force them to take an active part in the life of their bank. Nevertheless it is our duty to give this possibility to those who so wish, and to inform all our members, as fully and clearly as possible, on our policy, its motivations, its difficulties, its methods and its results. There are also of course continued efforts to widen the circle of those who wish to make such matters their concern and to participate.

Bearing this in mind, we must strengthen our participation structures and, if necessary, create new ones. The People's Banks Group has thoroughly studied the question in an attempt to determine how to achieve what it has called "Co-operative Renewal", although aware of the current tendency towards excessive individualism, even egoism – an "each for himself" attitude which runs parallel with a desire for solidarity, reciprocity, and a demand that consideration be given to the ideas of each and all.

Instruction as a means of Better Information

In this connection I have no intention of describing the many experiments carried out, but would like to list a few of the difficulties encountered.

The first principle to become evident is the need for demonstrating and continuously

Israel

Presented by

Gil SHAAL

European Representative

Bank Hapoalim, Israel

A. THE CONCEPTUAL FRAMEWORK

A discussion of the Israeli co-operative financial institutions will need a conceptual explanation and some background notes, to enable a valid comparison with similar institutions in other societies. The Israeli co-operative movement is of a very unique nature. Although it is based on the general principles that guide the international co-operative movement in all other societies—with obviously different political structures—the Israeli movement has developed into a phenomenon with some specific social and economic features. These features have also shaped the rather young society which has emerged in what is known as the State of Israel.

Origins

The development of the co-operative economy in Israel—and, for that matter, of the pre-State economy—differed from that of the European countries, primarily because of the different conditions under which its ideological foundations were formulated. In Israel, co-operation was born in a backward economic environment—with a non-industrial society—rather than in a developed industrial society. Because of this, its primary objective was not to find solutions to the problems of an existing working class; rather, it was to create and develop such a class from its very beginnings. Because of differences in social and economic circumstances there were also considerable differences in the methods of operation between the Israeli and European co-operative movements. Neither the micro-cooperative structure nor the macro-cooperative one, relied on the experience of other countries. This may possibly explain the development in Israel of the co-operative concepts that are linked to basic socialist concepts and which ultimately led to the establishment of this unique movement. In addition, the Israeli co-operative movement differs from those in the less developed countries mainly because of its strong political-ideological motivation, which did not always exist in the movements active in those countries.

Structure and Ideology

The co-operative economy in Israel—also known as the Labour Economy—has a specific structure which has had a tremendous impact on the very structure of the Israeli economy. The co-operative economy, through all its exponents, controls about one-fifth of the country's wealth—in terms of Gross National Product, economic activity and employment. The co-operative movement is part and parcel of the Trade Union movement, represented by the *Histadrut*—Israel's Federation of Labour. The co-operative agricultural societies (represented by the well-known *kibbutz* and *moshav*), the main consumer societies, the large industrial enterprises and the major financial institutions of the co-operative movement, are all organised within the central organisation known as *Hevrat Haovdim*—literally meaning the “Workers Society” or the “Workers Corporation”—which also performs the function of the holding company of all these enterprises. These economic units are either owned by, affiliated to, or administered by *Hevrat Haovdim* which is legally a co-operative association in which every one of the 1,300,000 *Histadrut* members is a partner. Because of its democratic governing procedures—every four years there are general elections for its governing bodies—*Hevrat Haovdim* is one of the most sophisticated co-operatives in the world. Its organisational structure has enabled it to create a very sophisticated controlling machinery over its enterprises, by providing it with adequate checks and balances within the large organisational framework laid down by its ideology adopted more than 60 years ago and adjusted as time went by.

The ideology of this movement has had the most intriguing influence over the development of the co-operative economy in modern Israel. This ideology, which originally envisaged the development of the working class within a co-operative economy, has been able to adjust itself to the most modern developments of society, without infringing upon the basic principles of the philosophy that guided its founders.

Modern Development

The main modern development is possibly the contraction of the number of institutional units which has led to the creation of the large co-operative organisation. Thus, consumers co-operation changed its form; small stores were liquidated to create large regional centres; credit co-operation—one of the impressive achievements of the co-operative movement in the country—was absorbed by Bank Hapoalim which is today the major financial institution of the co-operative movement as a whole, as well as one of the largest banks in the country. To illustrate this development: in 1949 out of the 114 regional institutions in Israel 92 were Co-operative Saving and Loans Associations. In 1980, out of 23 large banking institutions operating in Israel only two Co-operative Saving and Loans Associations have survived. This does not imply that the functions performed by the small credit and loan associations have been neglected or have become redundant within a capitalist economic framework. The real meaning of this development is that the average consumer, a former member of a small co-operative, is acquiring the services needed for his financial activities at a modern financial institution, which is ultimately controlled by a co-operative society democratically governed—of which he is a member—and which delegates authority to experts in the specific field.

B. THE CO-OPERATIVE BANKING INSTITUTIONS

Institutional Inter-relationships

The co-operative financial institutions are obviously the primary supporting bodies of the co-operative movement as a whole. Nevertheless, these institutions also cater for the whole economy, as for that matter the co-operative enterprises obtain financial services from the general banking system of the country as well. Although commercial criteria will always prevail, it is generally accepted that within the co-operative economy there is a positive economic inter-relationship between the various enterprises. Thus, for example, should a consumer society build a new supermarket it is customary that it will first approach the co-operative construction company, seek financial backing from the co-operative mortgage bank, order its equipment from a co-operative enterprise and insure it with the co-operative insurance company. It is assumed that preferential deals are made among the enterprises themselves

and that they will require the services of the non-cooperative sector only as a second choice. At the end, the consumer, namely the member of the ultimate co-operative unit, must benefit from this system.

The illustration is obviously simplistic and theoretical. In a free economy—as in Israel—deals are made on a practical commercial basis, but at the same time, by virtue of the structure of the co-operative system such arrangements are very common.

In Israel's pluralistic economy the role of the co-operative financial institutions—banks, insurance companies, pension and provident funds, investment companies, etc.—in the overall economic activity is very much dependent on the principle of competition. The very existence, the success and profitability of the co-operative financial sector, lies in its capacity to compete with the other sectors in the economy. It has to be efficient, it has to be innovative and it has to perform a social role which is not normally catered for by its 'non-ideological' competitors. The main exponent of this financial activity is *Bank Hapoalim*.

Bank Hapoalim

Bank Hapoalim—which literally means the 'Workers' Bank'—was established in 1921, immediately after the foundation of the Histadrut, with as its objective "to assist, strengthen and aid financially and otherwise all the areas of work, the institutions, associations and groups of workers of all types who have organised themselves in order to improve the condition of their members on the basis of co-operative principles." During its first year of operation, the Bank did just this.

A quote from one of the leaders and father-founder of the Israeli labour movement who wrote on the Bank's achievements in the late 1930s describes the Bank's status within the movement:—"We consider Bank Hapoalim the central institution of our economic and social creativity. It is not the objective of this bank to assist the individual worker with charity, nor is it its purpose to assist the individual so that he may improve his lot and surpass his colleagues, freeing himself from their class as an individual. Bank Hapoalim is the financial institution of the working class, and its desire is to serve the working class in its entirety. Its objective is to assist the whole workers community in the creation of its co-operatives, in its desire to acquire

proving to members that their interests are protected by the activities of their co-operative.

This is not easy to do, in a context in which these members are more likely to mistrust banks in general and will not easily admit that *our* banks are “not like the others”.

The necessary information/instruction effort is therefore essential and considerable. It is made more difficult by the fact that it must appear different from the masses of advertisements of all kinds that swamp the people to whom we are directing this information.

It is neither possible nor desirable that our effort be conspicuous for its volume, its intensity or the spectacular nature of its formulation. Our information should therefore be sufficiently clear and precise, and above all honest, to fulfil the expectations of those members who wish to understand – not banking techniques, but the reasons for choices made, rates imposed and the various other banking requirements.

But above all, this information effort should not be an end in itself: it is merely to enable members who so desire to take an active part in co-operative life, not only by providing them with the means to understand the actions carried out and thus to approve or disapprove them, but more especially by offering them something while at the same time making demands on them. It is this reciprocity which gives co-operation its prime value, and which we often fail to utilise. We certainly consider that we owe service to our members, but we are hesitant to ask them outright for something in return.

The Problems of Federated Activities: Autonomy and Group Cohesion

We have already pointed out the extent to which technological evolution stimulates a tendency towards centralisation of resources.

It is essential that we use the most efficient and modern methods of operation, but it is also essential that we preserve the autonomy of individual structures. This balance is constantly challenged. We should remember that it is easier to be co-operative at regional or socio-professional level than in a vaster and consequently more anonymous entity, and furthermore that certain types of equipment

and investment necessitate a certain volume and level of activity.

The balance between these two requirements is difficult to achieve. On the one hand it comes up against habit, against “organisational patriotism”, and the problem of individuals: anything resembling “delegation of sovereignty” is received with instinctive mistrust. But on the other hand it would be just as dangerous to centralise where this can be avoided, to use the pretext of co-ordination unnecessarily to impair the autonomy of primary organisations so that they become passive structures receiving assistance, incapable of initiative or decision-making.

It is necessary to determine precisely what comes under general policy, to be decided upon collectively and applied by all, and what is to be placed under the heading of technical problems, to be dealt with individually in parallel, homogeneous or identical ways.

For the rest, in particular the membership activities, flexible structures must be devised at local, regional and socio-professional level, so that the greatest possible number of co-operators may participate.

Conclusion

I have perhaps placed undue emphasis on the difficulties we encountered, which are encountered by all who strive to make our institutions into successful banks on the one hand and genuine co-operatives on the other. This is partly because I think we should not take too rosy a view of the milieu in which we work, but must attack the problems with our eyes open.

But it is also perhaps because the people to whom we are appealing are mistrustful of untimely words and romanticism. Like their forefathers they need ideals, but the ideals must be credible and based on reality.

It is for us to make sure that they are not disappointed and to demonstrate – through our structures, activities and successes, the service we render and the real participation of our members, the harmony existing within and between our institutions, our solidarity at international level – that the co-operative ideal remains a profound reality, not only for the past, but also for today and for tomorrow.

new economic positions, to discover and to create new work opportunities.”*

Development and Activity

By doing just this the Bank has succeeded over the years in penetrating all facets of economic activity in Israel. With the rapid expansion of Israeli economy, following the establishment of the State in 1948, Bank Hapoalim's scope of activity expanded into all spheres of credit and investment. The Bank has acquired a large number of smaller Co-operative Saving and Loan associations, incorporating them into the overall Bank's branch system thus providing the small communities with a better service, putting at their disposal larger resources and participating in the development of new enterprises. In addition, Bank Hapoalim has set the pace and standard for all other banks in Israel regarding service to the consumer.

With the aid of the Trade Unions, who over the years have established a large network of pension funds covering all sectors of the economy, capital has been accumulated by the financial institutions of Hevrat Haovdim to be invested in development projects. The Bank administers the utilisation of these resources and in turn provides the co-operative economy with a sound financial basis for running its business. It was Bank Hapoalim that promoted the idea of payment of wages and salaries into the working people's checking accounts and today almost 90 per cent of Israel's workforce receives its wages through the banks and the majority through Bank Hapoalim. This has obviously generated savings and has enabled the banks to provide the individual customer with financial means at need.

At the same time, various savings schemes have been initiated, catering specifically for small savers, creating resources which have enabled the Bank again to provide financial means for its customers. By having the advantage of scale, these investments have the best guarantees available and the minimum of risk for their depositors. In general, it is observed in Israel that the contact between the average consumer and his bank is much more personal and covers a larger variety of services than in many other Western societies, thus preserving in a way the traditional relationship of the small co-operative bank of the past.

These activities of the Bank lead to another

*Berl Katznelson, *Writings*, Vol. I, p. 347 (Hebrew), quoted in Abraham Daniel, *Labor Enterprises in Israel*, Vol. II, Jerusalem Academic Press, 1976.

point: economists and politicians sometimes argue that the co-operative sector is not as efficient as the private one. In Israel it has been proved that this is not necessarily so. Bank Hapoalim is a very efficient bank, if not the most efficient in Israel. For example, having the most sophisticated computer system it has been able to introduce the 'on-time-service-system' meaning that the consumer can get full service at any one of the Bank's branches all over the country.

Today, Bank Hapoalim is a large international bank operating through 320 branches in Israel and some 40 branches and offices throughout the world, with total assets employed by the Group at the end of 1979 of well over US \$14 billion, providing all kinds of financial services to the community at large. Its profit achievements are commendable and its investments record is impressive. All this is a source of strength which, in its turn, provides the co-operative sector with the kind of support it needs for its development in the service of society.

In addition, Bank Hapoalim has very extensive relations with other co-operative banks around the world. The most important one is the Israel Continental Bank, a joint venture with the Bank für Gemeinwirtschaft, which deals mainly with international trade. Bank Hapoalim also has relations with co-operative banks in several Latin American countries where a variety of technical assistance services have been provided during the years.

The Co-operative Economy and the State

In developing its activities Bank Hapoalim, as well as the co-operative economy as a whole, has over the years encountered a positive attitude on the part of the State. Those Governments that were politically close to the Labour movement have encouraged and aided the development of the co-operative economy which, on its part, has undertaken many tasks in the field of economic development that at the outset had only long-term prospects. Thus the co-operative economy pioneered the establishment of industrial enterprises, consumer co-operatives and co-operative housing projects in developing areas, assuming not only the entrepreneurial function but also a large part of the financing as well as the administration of these projects. At the same time, Bank Hapoalim was the first to open up branches in developing areas. From another point of view, the financial aspect of these activities

necessitated a large degree of co-operation between the State and the Bank regarding the allocation of resources.

These inter-related activities have created a special relationship between the State and the co-operative movement providing mutual benefit to both parties. At the same time, the Labour Economy has preserved its independence, sometimes accused by the general public of becoming a power centre in its own right. Such reactions were inevitable, mainly because of the extent of the Labour Economy's activity. Moreover, in a democratic political environment, ideological contests are common and lead to increased

participation of the general public in the shaping of the economic activity.

Conclusion

On the whole, the co-operative sector has maintained its role in the service of the general public. In its enterprises the profit factor has served mainly as an incentive for efficiency rather than as a source of dividend. By promoting this principle, the integrity of the ideological basis has been preserved. And in this respect, the success of the co-operative economy's operations depends ultimately upon its ability to adjust constantly to the challenges posed by these changing times.

United Kingdom

Presented by

David C. MAXEY

Director and General Manager

Co-operative Bank Ltd., U.K.

One of the fundamental principles of the Rochdale Pioneers was that co-operation should be extended to all sectors of economic activity, and this was naturally taken to include banking. And as it is generally regarded as the home of the modern co-operative movement, it is particularly appropriate to examine co-operative banking in Britain.

Co-operative Bank: the Bank of the Co-operative Movement

The Co-operative Bank was originally established in 1872 as the 'Loan and Deposit Department' of the Co-operative Wholesale Society (CWS) which itself had been set up in 1863. The Bank remained a Department of the CWS (although adopting the title of CWS Bank from 1876) until 1971, when, by means of a special Act of Parliament it was established as Co-operative Bank Ltd, an entity legally distinct from its CWS parent.

However, the structure of the British co-operative movement is such that the control of the Bank's capital remains with the individual members of co-operative societies. Thus, the Bank's authorised capital, of £8 million, is held by the CWS. In turn, the capital of the CWS is contributed, on a pro rata basis, by the local co-operative retail societies, themselves controlled by their

individual members—totalling over 10½ million persons—who provide the societies' capital, and so complete the 'democratic chain'.

The Banking Relationship

The original purpose of the Bank's establishment was to provide financial services to the growing retail societies. As new societies were set up there was need for a body through which funds from mature societies able to generate surpluses could be channelled to assist in the development and extension of the co-operative movement; the Bank fulfilled this requirement.

Today, one of the primary purposes of the Bank's activities remains that of meeting all the financial needs of the movement. Apart from the basic but essential money transmission services provided by the Bank to co-operative societies, it also provides international banking facilities, merchant banking, through the wholly-owned Co-operative Commercial Bank Ltd, leasing services, both 'in house' and through the publicly-quoted hire-purchase subsidiary, FC Finance Ltd, and, through a new subsidiary company Co-operative Investment Management Ltd set up in association with SG Warburgs, a pension fund management service.

The Bank also operates an in-store credit

card scheme on behalf of societies. Holders of the 'Handycard' are entitled to credit of up to 20 times an agreed monthly payment provided that goods are purchased from co-operative stores. The Bank finances the scheme, effectively releasing valuable working capital to the societies, who also benefit from the encouragement of trade.

The link between Bank and societies is a symbiotic one for the societies, as well as being the Bank's customers, also act as its agents. Societies began to collect deposits from personal customers on behalf of the Bank as long ago as 1919; however, it was not until 1975 that this unique facility was actively promoted.

At the present time, the Bank has almost 5,000 agencies in retail co-operative stores, which have the following points in common:

- (i) they are located in the premises of, and staffed by, the local retail co-operative societies;
- (ii) the Bank is responsible for providing the essential stationery and also merchandising material, as well as educating the retail society staff in their use.

There are two types of agency. At 'Handy-banks' (numbering about 850), Co-operative Bank customers can make deposits to their accounts, cash Co-operative Bank cheques on production of a Cheque Guarantee Card or Visa Card issued by Co-operative Bank and enquire about other services which the Bank has to offer.

In addition, some 4,000 'Cash-a-Cheque' points offer the more basic service of cheque encashment on the conditions outlined above. These agency points are typically open during normal shopping hours (including Saturdays) and give the Bank a unique three-tier system of outlets: 68 regional branches backed up by 850 Handybanks and 4,000 Cash-a-Cheque points throughout the United Kingdom.

For the services which the societies provide, the Bank pays commission based on value (for deposits taken) or volume (for cheque encashment). No formal contract exists between the Bank and the Societies with regard to the provision of agency facilities, but a considerable degree of mutual trust has been built up over a long period.

The convenience of the agency system has been instrumental in attracting personal customers to the Bank in very large numbers in recent years. Although it remains 'the bank of the co-operative movement' in fact

the Bank provides a full range of services to all types of customer, both personal and corporate. The total number of customers is now well in excess of 750,000, and in some sectors has been increasing at an annual rate in excess of 15 per cent in recent years.

Specific sectors where the Bank enjoys a significant market share of the total banking business include Trade Unions—95 per cent of whose central accounts are run by the Bank, Working Men's Clubs (25 per cent), and Local Authorities, where the Bank holds 16 per cent of the market. Most recently, the Bank has been building up a useful presence in the 'Businesses' sector, concentrating principally on providing financial assistance to small and medium-sized firms, including workers' co-operatives for whom the Bank operates a scheme offering medium-term loans of up to £25,000 at preferential rates of interest to match the investment made in the co-operative by those involved in its establishment.

Rapid expansion in the volume of business has naturally required major investment in infrastructure to allow the Bank to maintain the levels of service commensurate with its commitment to the 'caring and sharing' philosophy of co-operation. The most notable investment programmes undertaken of late have been the £7 million purpose-built Customer Services Bureau at Skelmersdale, and the new £5 million Head Office building in Manchester.

In all its dealings with customers the Bank follows co-operative principles and seeks actively to spread the co-operative message. Thus, Co-operative Bank pioneered, as long ago as 1973, the concept of 'Free Banking' for personal customers whose accounts remain in credit: free banking is being maintained in 1981—for the eighth consecutive year.

Towards the end of last year the Bank introduced two new deposit schemes for personal customers, offering preferential rates of interest on larger sums committed for longer periods than ordinary deposits. These schemes have been generally recognised by the British financial press as offering the greatest flexibility and degree of consumer choice of all the range of such schemes available in the UK.

Co-operative Bank does not benefit from any special statutory or fiscal arrangements arising from its unique co-operative links. It is required fully to meet all the criteria laid down by the authorities for all banks; con-

sequently, Co-operative Bank is just as independent from the State as any other bank.

More importantly, in the British context, the Bank is totally independent from other banks. It has already been shown that the Bank's equity capital is exclusively the property of the co-operative movement, but in operational terms the Bank also stands on its own feet. This complete independence was achieved in 1975 when the Bank took up the invitation of the London Clearing House to become the first new clearing bank since before World War II. The practical result of the achievement of clearing status is the fact that the Bank is able to clear its own cheques, and no longer has to rely on a competing, non-cooperative, bank to act as its agent.

The total assets of the Bank Group are now well in excess of £600 million with loans outstanding of about £400 million, and over 3,000 employees.

Since it is 'equal before the law' with other, joint-stock, clearing banks, naturally Co-operative Bank Ltd is required to contribute, on the same terms as these other banks, to the Deposit Protection Fund established in Britain for the first time by the Banking Act of 1979.

In addition, Co-operative Bank has been instrumental in the establishment of a 'Co-operative Deposit Protection Scheme' to enable individual co-operative societies, whose share capital is made up of the deposits of millions of individuals, to operate their own guarantee scheme for deposits parallel to, but quite separate from, the mainstream Deposit Protection Fund. The Bank handles the investment of the contributions made to the Co-operative Deposit Protection Scheme.

Co-operation at the International Level

The Bank is mindful always of the fact that, by its very nature, co-operation is an international movement and that this international aspect applies as much to banking as to any other economic activity. But Co-operative Bank has done more than simply acknowledge this principle of international solidarity between co-operative organisations: it has based the development of its international activity upon it.

In developing its international links, Co-operative Bank has paid particular attention to the cultivation of contacts with its fellow co-operative financial organisations throughout the world, not only through multilateral organisations, such as the International Co-operative Alliance, but also through direct

bilateral contacts with individual co-operative banks—although it is highly significant that in many instances the personal contacts essential to the development of business on a bilateral basis were first established at meetings of the various multilateral groupings to which Co-operative Bank is affiliated.

These groupings include the Banking Committee of the International Co-operative Alliance, of which the Bank's Chief General Manager, Mr Lewis Lee, is a vice-chairman. The Bank is also a member of the Association of Co-operative Savings and Credit Institutions of the EEC and the International Confederations of Agricultural Credit and Popular Credit, as well as being a shareholder in the Basle-based International Co-operative Bank (INGEBA).

Also of great importance in the establishment of contacts are the regular exchanges of personnel between co-operative thrift and credit institutions, in which Co-operative Bank Ltd is an active participant. Indeed, the Bank regularly welcomes extended training visits from key personnel of co-operative banks in the Third World, for example the Kano Co-operative Bank of Nigeria, which Co-operative Bank Ltd was instrumental in setting up.

At the business level, Co-operative Bank is concerned to conduct its business wherever possible, with institutions operating on the same mutualist principles as itself. The encouragement and financing of trade between co-operative organisations (in the widest sense of the term) is viewed as a particularly important area which the Bank should continue to develop, emphasising its role as the Bank of the co-operative movement.

Co-operative banking organisations can also work together in other ways to demonstrate their mutual support: an excellent example of this is the \$25 million Floating Rate Note issued by Co-operative Bank last year: this money, in the form of a seven-year loan to provide capital to assist in the development of international business, was provided largely by other co-operative banks.

This paper began by evoking one of the principles of the Rochdale Pioneers—the extension of co-operation to all sectors of economic activity, in order to create a total co-operative economy as an independent alternative to other economic systems. The co-operative thrift and credit institutions have a vital role to play in ensuring that this goal is successfully achieved.

Appendix 1

Rules of the International Liaison Committee on Co-operative Thrift and Credit

1. Title:

The name of the Committee will be the *International Liaison Committee on Co-operative Thrift and Credit*.

2. Aims:

The Committee is an organisation which has as its purpose the development of thrift and credit co-operatives throughout the world and the co-ordination of their activities at international level by providing the facilities necessary for the exchange of information, personnel and expertise.

3. Methods for the achievement of these aims:

- Exchange of information;
- Organisation of international conferences at appropriate intervals;
- All other appropriate means.

These tasks will be accomplished in close and active collaboration with international organisations having similar objectives, and in particular with the International Co-operative Alliance and its Banking Committee and with the World Council of Credit Unions.

4. Membership:

Organisations constitute members of the Committee, and designate representatives to attend its meetings.

Membership is open to the following:

- national, central or similar thrift and credit co-operatives;
- national central co-operative unions;
- organisations whose aim is the promotion of thrift and credit co-operatives, appropriate United Nations agencies, non-governmental organisations, international and regional co-ordinating bodies, etc.

Admission of new members is subject to the approval of the Committee.

5. Officers:

The Committee will elect a Chairman and two or three Vice-Chairmen from among the accredited representatives of member organisations with the consent of the organisation concerned. The term of office will be two years and officers will be eligible for re-election.

In the event of the Chairman's absence, one of the Vice-Chairmen as designated by the Chairman or by the Committee will take his place.

6. Committee decisions:

Decisions of the Committee will be by simple majority vote. Each member organisation will have one vote provided that it has fulfilled its financial obligations to the Committee.

In the event of an equal vote the motion will not be approved.

In the event of absence, another member of the Committee may be appointed as proxy.

7. Committee Meetings:

As a rule the ordinary meetings of the Committee will be held twice a year. Extraordinary meetings of the Committee may be convened whenever the Chairman deems it necessary or at the request of one third of the members.

8. International Conferences:

As a general rule the Conference will meet every three years.

9. Secretariat and Finance:

The Secretariat is appointed by the Committee.

The amount of the subscription to be paid each year will be determined in such a way as to cover the operating costs of the Secretariat.

Member organisations will defray the travelling costs and other expenses with regard to attendance of their representatives at Committee meetings and general conferences.

The fiscal year of the Committee runs from 1st January to 31st December.

Appendix 2

Participants

ARGENTINA

ADAR Iriart Urruty Manuel	INSTITUTO MOVILIZADOR DE
ALDAYA Orlando Anibal	FONDOS COOPERATIVOS, BUENOS
ANGELETTI Enrique Geronimo	AIRES
BELLINI Vitto Nilda	
BLANCO Delia	
CAMURATTO Segundo Luis	
CAPIGLIONI Enrique	
CHIAPPERO Roberto	
DAZ Humberto	
ELVIO Nilo Fontana	
GALMES Gerardo	
GIOVAGNOLI Cesar	
GORINI Floreal	
LAKS Jacobo	
MARIN Vega Enrique	
MUGURUZA Edmundo	
VEGA de Graciela	
VITTO Saverio Devaldo	

CANADA

HANSEN Chris P.	CANADIAN CO-OPERATIVE CREDIT
MAY George	SOCIETY, TORONTO
DANEAU Yvon	LA CONFEDERATION DES CAISSES
JOBIN Gilles	POPULAIRES ET D'ECONOMIE
TRUDEL Henri-Paul	DESJARDINS, QUEBEC

FRANCE

CHOMEL André	UNION DU CREDIT COOPERATIF
GINS Jean-Bernard	
DURAND Robert	UNION DU CREDIT COOPERATIF/ BANQUE FRANCAISE DU CREDIT COOPERATIF
ANNIBALDI Alfred	UNION DU CREDIT COOPERATIF/ CREDIT MARITIME MUTUEL
BELLOT Jean-Claude	
CANALE François	
COTTALORDA Léonce	
LUPORSI François	
MOURET André	
SUQUET Paul	
DREUMONT Daniel	UNION NATIONALE DES CAISSES DE CREDIT MARITIME
LUBEIGT Jean	CREDIT MARITIME MUTUEL "LA MEDITERRANEE"
BRAUN Martine	CONFEDERATION NATIONALE DU
GALICHON Gérard	CREDIT MUTUEL

DE BREON Henry

DELPRIERE Gérard
SIMOENS Pascal
THUILLIER Jean-Claude

BELIARD Armel
OGER Louis

HAMARD Jean Louis
THIBAUT Joseph

PIOGER Jean

OUVRARD Jean
VIVIEN Paul

ETIENNE René
MIEGE Jean Pierre

DESVERGNES Jean
JAMET Michel
ROLIN Jean

LACROIX Jean

DENIS André

INDIA

VISHWANATHAN B. S.
President

BOSH Prof. Nirmal
Member of Governing Council

SINGH Veer Pal
Member of Governing Council

KUSHNOOR V. S.
Member of Governing Council

JAIN K. C.

Director

SISODIA R. S.

Joint Director

DWIVEDI R. C.

Chief Executive

REGE Dr. P. W.

President

AMIN Vithalbhai P.

Vice-President

MEHRA Sohan

Vice-President

BANSAL G. S.

Chief Executive

DHANJAL Miss Shashi Kala

RAY Ashoke

CAISSE FEDERALE ACCUEIL ET
DEVELOPPEMENT CREDIT MUTUEL
FEDERATION DU CREDIT MUTUEL
ARTOIS-PICARDIE

FEDERATION DU CREDIT MUTUEL
DE LOIRE-ATLANTIQUE

FEDERATION DU CREDIT MUTUEL
DE MAINE ET LOIRE

CAISSE FEDERALE DU CREDIT
MUTUEL DE MAINE ET LOIRE

FEDERATION DU CREDIT MUTUEL
DE MAINE-ANJOU ET BASSE
NORMANDIE

BANQUE CENTRALE DES
COOPERATIVES ET DES MUTUELS

BANQUES POPULAIRES

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